

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of PENNSYLVANIA)
CASUALTY COMPANY) Docket No. 3056-CO

CONSENT ORDER

Pursuant to the authority granted the Commissioner of Insurance by Kansas Statutes Annotated (K.S.A.) 40-222, K.S.A. 40-222b, K.S.A. 40-222d and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, et seq., as amended,

I, Kathleen Sebelius, the duly elected, qualified, and acting Commissioner of Insurance of the State of Kansas, hereby make the following findings of fact, conclusion of law, and order, to wit:

Findings of Fact

1. Pennsylvania Casualty Company (“Pennsylvania Casualty”) is an insurance company incorporated under the laws of the State of Pennsylvania with its registered corporate office being located at One Phico Drive, Mechanicsburg, Pennsylvania, 17055.

2. Pennsylvania Casualty was admitted to transact the business of insurance in the State of Kansas on June 21, 1926, pursuant to the authority of K.S.A. 40-901 and K.S.A. 40-1102.

3. The Commissioner of Insurance of the State of Kansas has jurisdiction over the subject matter of this proceeding and over the operation of Pennsylvania Casualty in this State, and this proceeding is held in the public interest.

4. The quarterly statement of Pennsylvania Casualty for the period ending June 30, 2001 indicated Pennsylvania Casualty’s pure surplus was a negative \$994,415, which was

\$1,544,415 below the minimum surplus requirement of \$600,000 as required by K.S.A. 40-901 and 40-1102.

5. On November 19, 2001, the Commissioner of Insurance of the State of Pennsylvania issued an "Order of Rehabilitation" for Pennsylvania Casualty based upon Pennsylvania Casualty's potentially hazardous financial condition.

Conclusion of Law

6. Based upon the information enumerated in paragraphs #4 and #5 above, Pennsylvania Casualty's affairs appear to be in an unsound condition so that the continued operation of Pennsylvania Casualty may be hazardous to the insuring public as contemplated by K.S.A. 40-222, 40-222b, and 40-222d.

7. Pennsylvania Casualty waives its right to a formal adjudicative proceeding in this matter and notice thereof; admits to the foregoing findings of fact and conclusions of law; and voluntarily consents to the following order of the Commissioner of Insurance.

IT IS THEREFORE, BY THE COMMISSSIONER OF INSURANCE, ORDERED THAT:

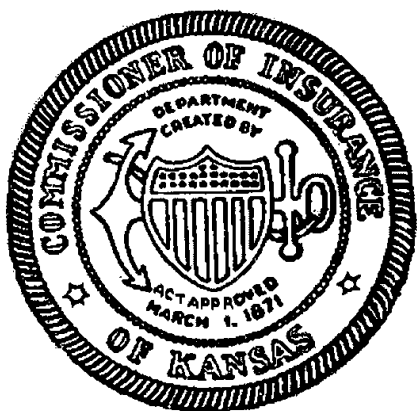
1. The Certificate of Authority of Pennsylvania Casualty Company is hereby suspended, effective the date of this Consent Order. Pennsylvania Casualty shall refrain from writing any new or renewal business in the State of Kansas until such time as it can demonstrate to the Commissioner of Insurance that it is no longer in an unsound condition as to endanger policyholders, and the continued operation of Pennsylvania Casualty is no longer potentially hazardous to the Kansas insuring public.

2. If Pennsylvania Casualty intends to seek reinstatement of its Certificate of Authority in the future, it shall take appropriate action to increase its capital and surplus to a level whereby the company's continued operation would no longer be in a hazardous financial

condition and it is in compliance with the minimum surplus requirement as stated in K.S.A. 40-901 and 40-1102.

3. The Commissioner of Insurance retains jurisdiction over this matter and over Pennsylvania Casualty Company for the purpose of entering any further order or orders as may be deemed proper and necessary.

**IT IS SO ORDERED THIS 29th DAY OF MAY, 2002, IN THE CITY OF TOPEKA,
COUNTY OF SHAWNEE, STATE OF KANSAS.**



_____/s/ Kathleen Sebelius
Kathleen Sebelius
Commissioner of Insurance
BY:

_____/s/ Kathy Greenlee
Kathy Greenlee
General Counsel

_____/s/ Joseph DiMemmo
For and on Behalf of Pennsylvania Casualty Company