

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

SUPERIOR COURT

MARILYN SHANNON McCONAGHY,
in her capacity as Director of the State of
Rhode Island Department of Business Regulation

-V-

No. PM-03-2227

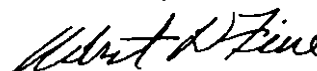
PAWTUCKET MUTUAL INSURANCE COMPANY
and NARRAGANSETT BAY INSURANCE COMPANY

NOTICE OF HEARING

PLEASE TAKE NOTICE that Marilyn Shannon McConaghy, Rehabilitator of Pawtucket Mutual Insurance Company and Narragansett Bay Insurance Company, has filed a petition for instructions for conversion of Pawtucket Mutual Insurance Company from a mutual company to a stock company. The Court has ordered that the petition shall come on for Hearing at 9:30 AM, on the 4th day of August 2003, before the Honorable Michael A. Silverstein, sitting in the Providence County Superior Court, 250 Benefit Street, Providence, Rhode Island. A copy of the petition for instructions is enclosed. Policyholders, creditors, and all other parties in interest in this proceeding are hereby given notice that they are entitled, but not required, to attend to hearing. Any objection to the petition must be in writing and filed with the Court and mailed to counsel for the Rehabilitator at the address below no later than July 31, 2003.

MARILYN SHANNON McCONAGHY
REHABILITATOR OF PAWTUCKET
MUTUAL INSURANCE COMPANY AND
NARRAGANSETT BAY INSURANCE
COMPANY

By her attorneys,



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FILED
JUL 31 2003
CLERK OF COURT
PROVIDENCE, RHODE ISLAND

Important Information

In the event the petition is granted, after August 4, 2003, you will be dealing with Pawtucket Insurance Company, in Rehabilitation, successor to Pawtucket Mutual Insurance Company, in Rehabilitation.

Web Site

For further information, please go to the State of Rhode Island, Department of Business Regulation Web Site, at www.DRB.STATE.RI.US.

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PAWTUCKET MUTUAL INSURANCE COMPANY
and NARRAGANSETT BAY INSURANCE COMPANY

PETITION FOR INSTRUCTIONS FOR CONVERSION OF
PAWTUCKET MUTUAL INSURANCE COMPANY
FROM A MUTUAL COMPANY TO A STOCK COMPANY

The Petition of Marilyn Shannon McConaghy, duly appointed Rehabilitator herein, respectfully
represents as follows:

1. On May 1, 2003, Petitioner was appointed Rehabilitator of the Defendants. Defendant Pawtucket Mutual Insurance Company is a mutual insurance company domiciled in Rhode Island. Narragansett Bay Insurance Company is a wholly owned subsidiary of Pawtucket Mutual Insurance Company.
2. Pursuant to the Decree of this Court entered May 1, 2003, and specifically Section 3 thereof, the Rehabilitator took title to all of the assets of Pawtucket Mutual Insurance Company.
3. Pursuant to the Decree of this Court entered May 1, 2003, and specifically Section 12 thereof, the Rehabilitator is empowered to sell, transfer and convey assets at private sale or sales upon ex parte application to this Court.
4. In addition to the powers previously listed, pursuant to Section 12 of the Decree, the Rehabilitator is allowed to take action she deems necessary or appropriate to reform or revitalize Pawtucket Mutual Insurance Company.

5. Pursuant to R.I. Gen. Laws § 27-14.3-18, Powers of Duties of Rehabilitators, and more specifically paragraph (f) of that section, if the Rehabilitator determines that conversion of the insurer is appropriate, she can apply to this Court for approval of a conversion plan.
6. The Rehabilitator, aided by special deputy rehabilitators and other staff, has determined that conversion from a mutual to stock form of ownership is appropriate and in the best interest of all concerned. The condition of Defendants was described in the Verified Petition for Appointment of Rehabilitator as "financially hazardous to their policyholders, their creditors and/or the public."
7. Although reform and some restructure has been accomplished since the Rehabilitator was appointed, the long-term viability of the Defendants can best be served by an infusion of capital. It now appears that a substantial capital investment can best be accomplished through a sale of stock, so that the investor can also own the companies.
8. Upon conversion to a stock company, the Rehabilitator's marketing efforts, aimed towards preserving the company and protecting policyholders, will be increased and will not be hindered by the impediment caused by the inability of a mutual company to raise capital from other than the policyholders.
9. Without an infusion of capital, Defendants, in Rehabilitation, will be unable to receive authority to write new business and will not be able to be revitalized. Conversion to a stock company is a necessary step in the Rehabilitation, to attempt to revitalize Pawtucket Mutual Insurance Company's financial condition and improve the long-term prospects of Defendant successfully emerging from Rehabilitation.
10. A further need for conversion is the position of a financial institution controlling eighty (80%) percent of the mortgages granted by homeowners with policies issued by Defendants. It has advised the Rehabilitator that without conversion, there is significant risk that the Pawtucket Mutual Insurance Company and Narragansett Bay Insurance Company insurance would be deemed unsatisfactory to the mortgagee.

WHEREFORE, your Petitioner prays that she be instructed and authorized to convert Pawtucket Mutual Insurance Company into an insurance company with a capital stock form of organization, for the benefit of policyholders of record as of August 4, 2003, that she be instructed and authorized to effectuate a name change to Pawtucket Insurance Company, and that she be further instructed to market Defendants for sale to maximize the possibility that the companies can emerge from Rehabilitation and remain in business.

MARILYN SHANNON McCONAGHY,
REHABILITATOR OF PAWTUCKET
MUTUAL INSURANCE COMPANY AND
NARRAGANSETT BAY INSURANCE
COMPANY

By her attorneys,



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Phone: (401) 453-6400
Fax: (401) 453-6411

DATED:

PETITION GRANTED AS PRAYED:

PER ORDER: