

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Applications of Clearfield County Grange	:	Holding Companies Act, Article
Mutual Fire Insurance Company and The	:	XIV of the Insurance Company
Mutual Insurance Company of Lehigh	:	Law of 1921, Act of May 17, 1921,
County in Support of the Request for	:	P.L. 682, <u>as amended</u> , 40 P.S.
Approval to Merge Clearfield County	:	§§991.1401, 991.1402, and
Grange Mutual Fire Insurance Company	:	991.1403
with and into The Mutual Insurance	:	
Company of Lehigh County Post-	:	
Conversion of Each in a Transaction	:	
Exempt from the Requirements of 40 P.S.	:	
§991.1402	:	Order No. ID-RC-17-10

DECISION AND ORDER

AND NOW, on this 30th day of June, 2017, Joseph DiMemmo, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania ("Deputy Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. The Mutual Insurance Company of Lehigh County ("Lehigh") is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Allentown, Pennsylvania.
2. Clearfield County Grange Mutual Fire Insurance Company ("Clearfield") is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Clearfield, Pennsylvania.

3. Community Holdings Management Inc. ("MHC") is a to-be-formed mutual insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Allentown, Pennsylvania.
4. Charter Lane Holdings, Inc. ("SHC") is a newly-formed stock insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Lancaster, Pennsylvania. No stock has been issued in SHC.

Filing of the Application

5. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Insurance Department of the Commonwealth of Pennsylvania ("Department") for approval or disapproval.
6. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
 - a) have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.
7. On July 5, 2016, the Department received an initial application (which together with all material received subsequently is collectively referenced as "Clearfield Application" from Clearfield requesting approval to:
 - a) convert from a mutual to stock form of organization under an alternative plan of conversion in which the stock of Clearfield upon conversion will be wholly-owned by MHC ("the Clearfield Conversion"); and,
 - b) merge Clearfield with and into Lehigh.
8. On July 29, 2016, the Department received an initial application (which together with all material received subsequently is collectively referenced as "Lehigh Application") from Lehigh requesting approval to:
 - a) convert from a mutual to stock form of organization under an alternative plan of conversion in which the stock of Lehigh upon conversion will be wholly-owned by MHC ("the Lehigh Conversion"); and,
 - b) merge Clearfield with and into Lehigh.

9. The Lehigh Application and Clearfield Application are collectively hereinafter referenced as “the Applications” and the Lehigh Conversion and Clearfield Conversion are collectively hereinafter referenced as “the Conversions.”
10. The merger of Clearfield with and into Lehigh is hereinafter referenced as “the Merger.”
11. The Applications were filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

12. On October 1, 2016, the Department published notices in the *Pennsylvania Bulletin* that the Applications had been submitted by Lehigh and Clearfield and such notices invited interested persons to submit comments to the Department regarding the Applications for a 30-day period (“the Comment Period”).
13. The Department received no comments regarding the proposed merger during the Comment Period.

The Transaction

14. Lehigh, Clearfield, SHC and MHC executed an Agreement and Plan of Merger dated as of May 2, 2016, a First Amended and Restated Agreement and Plan of Merger dated as of May 24, 2017, and a Second Amended and restated Agreement and Plan of Merger (“Merger Agreement”) dated as of June 1, 2017.
15. As described in the Applications, immediately after consummation of the Conversions, Lehigh and Clearfield will be direct wholly-owned subsidiaries of MHC.
16. The Merger Agreement provides for Clearfield to merge with and into Lehigh, with Lehigh being the surviving corporation, to be renamed “Community Insurance Company.”
17. As described in the Application, immediately after MHC receives the shares of stock in each of Lehigh and Clearfield, MHC will contribute those shares to SHC in exchange for all of the outstanding shares of stock in SHC.
18. As described in the Applications, upon the effective date of the Merger, each share of common stock of Clearfield issued and outstanding immediately prior to the effective date of the Merger shall be surrendered and cancelled.
19. As described in the Applications, each share of common stock of Lehigh issued and outstanding immediately prior to the effective date of the Merger shall remain

issued and outstanding and be unaffected by the Merger.

20. As described in the Applications, the members of the board of directors and the principal officers of Clearfield prior to the Conversions and the Merger shall be the members of the board of directors and the principal officers of SHC and MHC.
21. As described in the Applications, the members of the board of directors and the principal officers of Clearfield prior to the Conversions and the Merger shall be the members of the board of directors and the principal officers of Lehigh after the Merger with the exception of one Lehigh board member that will remain on the board of directors of Lehigh after the Merger.
22. As described in the Applications, upon the effective date of the Merger, Lehigh shall acquire all of the assets of Clearfield and assume all of the debts and other liabilities of Clearfield.
23. As described in the Application, MHC will become the sole ultimate controlling person of Clearfield and Lehigh after the Conversions and will remain the sole ultimate controlling person of Lehigh upon the effective date of the Merger.
24. The Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
25. The Deputy Commissioner finds that the merger described in the Applications will not result in a change of control of a Pennsylvania domiciled insurer.
26. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of Clearfield with and into Lehigh.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of the parties to the merger and, therefore, is exempt from the

requirements of the Insurance Holding Companies Act.

4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The Application satisfies the requirements of the Insurance Holding Companies Act.
6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

1. An approving determination for the application of Clearfield County Grange Mutual Fire Insurance Company ("Clearfield") and The Mutual Insurance Company of Lehigh County ("Lehigh") in support of the request for approval to merge Clearfield with and into Lehigh post-conversion of each in a transaction exempt from the requirements of 40 P.S. §991.1402, is hereby granted subject to this Order and the following conditions:
 - a. Lehigh shall file a copy of the Statement of Merger, as filed with and stamped as received by the Pennsylvania Department of State, with the Deputy Commissioner within ten (10) days of receipt from the Pennsylvania Department of State.
 - b. This transaction may be recorded as effective for accounting purpose as of the first day of the calendar quarter in which the merger is consummated.
2. The request from Lehigh to be renamed after the merger to "Community Insurance Company" is hereby approved.

This Order is effective immediately and valid for one (1) year from the date of signature, provided there are no significant changes from the Application.

A handwritten signature in dark ink, appearing to read "Joseph D. Dimemmo", is written over a horizontal line.

JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation