

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Ohio Farmers Insurance	:	Holding Companies Act, Article
Company in Support of the Request for	:	XIV of the Insurance Corporation
Approval to Merge Old Guard Fire	:	Law of 1921, Act of May 17, 1921,
Insurance Company with and into Old	:	P.L. 682, <u>as amended</u> , 40 P.S.
Guard Insurance Company in a Transaction	:	§§991.1401, 991.1402, and
Exempt from the Requirements of 40 P.S.	:	991.1403; Sections 1921 through
§991.1402	:	1929 of the 1988 Business
	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1928; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, <u>as amended</u> , 15
	:	P.S. §§21205 and 21207.
	:	
	:	
	:	Order No. ID-RC-04-25

DECISION AND ORDER

AND NOW, on this \_\_\_9th\_\_\_ day of December, 2004, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, 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. Old Guard Fire Insurance Company (“Old Guard Fire”) is a stock property insurance company organized pursuant to the laws of the State of Pennsylvania with its principal place of business located in Lancaster, Pennsylvania.
2. Old Guard Insurance Company (“Old Guard”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Lancaster, Pennsylvania.
3. Ohio Farmers Insurance Company (“Parent”) is a mutual insurance company organized pursuant to the laws of the State of Ohio, with its principal place of business located in Westfield Center, Ohio. Parent directly holds 100% of the issued and outstanding voting securities of Old Guard Fire and Old Guard.

### Filing of the Application

4. The Insurance Holding Companies Act, Article XIV of the Insurance Corporation 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.
5. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
  - (1) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or
  - (2) if the transaction is otherwise not comprehended within the purposes of Section 1402.
6. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa. C.S. §§1921 through 1929 (“1988 BCL”), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205 and §§21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
7. On October 21, 2004, the Department received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Parent requesting approval to merge Old Guard Fire with and into Old Guard.

8. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and to Section 205 of the GAA Amendments Act.

Notice of Filing and Comments

9. On November 6, 2004, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Parent and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty calendar day period, ending December 6, 2004.
10. During the thirty day comment period, the Department received no comments regarding the proposed Application.

The Transaction

11. Old Guard Fire and Old Guard executed a Plan of Merger dated as of December 31, 2004, (“Merger Agreement”) which provides for Old Guard Fire to merge with and into Old Guard, with Old Guard being the surviving corporation.
12. As described in the Application, upon the effective date each share of common stock of Old Guard Fire issued and outstanding immediately prior to the effective date of the merger shall be cancelled.
13. As described in the Application, upon the effective date each share of Old Guard common stock issued and outstanding immediately prior to the effective date shall continue to represent one issued share of common stock of Old Guard.
14. As described in the Application, the Articles of Incorporation and By-Laws of Old Guard in effect at the effective date, shall be the Articles of Incorporation and By-Laws of Old Guard after the merger until properly altered, amended or repealed.
15. As described in the Application, the officers of the Old Guard at the effective date shall be the officers of Old Guard after the merger.
16. As described in the Application, Old Guard shall thenceforth be responsible and liable for all the liabilities and obligations of Old Guard Fire.
17. As described in the Application, upon completion of the proposed merger, Parent will continue to hold 100% of the issued and outstanding voting securities of Old Guard.
18. 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 Old Guard Fire and Old Guard.
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 controlling persons of the parties to the merger, and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of the Plan of Merger, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. Pursuant to Section 1924(a) of the 1988 BCL, the Deputy Commissioner concludes that the Merger Agreement has been adopted and consented to by the shareholders and directors of Old Guard Fire and Old Guard on October 19, 2004.
6. The Deputy Commissioner concludes that the execution and contents of the Articles of Merger satisfies the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Merger Agreement will be effective upon proper filing of Articles of Merger with the Department of State pursuant to Sections 1927 and 1928 of the 1988 BCL.
8. The Deputy Commissioner concludes that if the proposed merger is consummated, all the property, franchises and liabilities of Old Guard Fire will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
9. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner concludes that the proposed merger is in accordance with law and not injurious to the interests of policyholders and creditors of Old Guard Fire and Old Guard.
10. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
11. 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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	:	P.S. §§21205 and 21207.
	:	
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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Ohio Farmers Insurance Company requesting approval of the merger of Old Guard Fire Insurance Company with and into Old Guard Insurance Company (“Old Guard”) and orders the transaction exempt from the requirements of The Insurance Holding Companies Act, subject to the following conditions:

Old Guard shall file a copy of the Articles of Merger with the Deputy Commissioner not later than ten days after their filing with the Pennsylvania Department of State.

This Order is effective immediately.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania