

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of Goodville Mutual : Companies Act, Article XIV of the  
Casualty Company in Support of the : Insurance Company Law of 1921, Act  
Request for Approval to Acquire Control : of May 17, 1921, P. L. 682, as  
of The Reamstown Mutual Insurance : amended, 40 P.S. §§991.1401,  
Company : 991.1402 and 991.1403  
: :  
: Order No. ID-RC-18-22

**DECISION AND ORDER**

AND NOW, on this 19<sup>th</sup> day of December, 2018, Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

**FINDINGS OF FACT**

**Identity of Parties**

Identity of PA Domestic Insurer

1. The Reamstown Mutual Insurance Company (“RMIC”) is a domestic mutual property insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Reamstown, Pennsylvania.

Identity of Applicant

2. Goodville Mutual Casualty Company (“GMCC”) is a domestic mutual casualty insurance company organized pursuant to the laws of Pennsylvania with its principal

place of business in New Holland, Pennsylvania.

### **Acquisition Filing**

3. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
4. On September 20, 2018, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from GMCC for approval to acquire control of RMIC.
5. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

### **Department Procedures**

6. On October 6, 2018, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by GMCC and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publication (“Comment Period”).
7. The Department received no comments regarding the Application during the Comment Period.

### **Description of the Proposed Acquisition**

8. As described in the Application, GMCC will acquire control of RMIC (the “Acquisition”) pursuant to an Affiliation Agreement (the “Agreement”), dated September 18, 2018 by and between GMCC and RMIC.
9. As described in the Application and pursuant to the Agreement:
  - a. The board of directors of GMCC in office immediately prior to the closing of the Agreement will be the board of directors of RMIC upon completion of the Acquisition.
  - b. The officers of GMCC in office immediately prior to the closing of the Agreement will be the officers of RMIC upon completion of the Acquisition.

- c. Three members of the current board of directors of RMIC will serve on an advisory committee (“Advisory Committee”) from the date of closing of the Agreement and ending on December 31, 2019 (“Consulting Period”). During the Consulting Period, the Advisory Committee will meet with GMCC’s president to discuss matters related to RMIC’s operations, and shall be otherwise available to consult with the RMIC board of directors and management on matters affecting RMIC’s business in general.
  - d. GMCC and RMIC will enter into a Services Agreement, whereby all of the insurance business and related operations of RMIC will be administered by GMCC upon completion of the Acquisition.
  - e. GMCC and RMIC will enter into a Quota Share and Loss Portfolio Transfer Reinsurance Agreement, whereby all of the insurance business of RMIC will be reinsured by GMCC upon completion of the Acquisition.
10. As described in the Application, GMCC would become the sole ultimate controlling person of RMIC as a result of the Acquisition.

#### **Standards for Review**

- 11. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
- 12. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

#### **Licensing Requirements**

- 13. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
- 14. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
- 15. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
- 16. The minimum required surplus for a mutual insurance company for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).

17. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), RMIC is required to maintain a minimum surplus of \$1,375,000 to write the lines of insurance for which it is presently licensed.
18. Upon completion of the Acquisition, RMIC will have the statutory minimum required surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.

#### Competitive Impact

19. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).
20. The acquisition of control of RMIC will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of RMIC and GMCC, as stated in the Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

#### Financial Condition of Applicant

21. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
22. The Department has reviewed the financial information submitted by GMCC.
23. The financial condition of GMCC would not pose any impediments to the change in control nor jeopardize the financial condition of RMIC.

#### Plans for the Acquired Insurer

24. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
25. In particular, the Department reviewed the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, to determine whether it is:

- a. Unfair or unreasonable;
  - b. Fails to confer a benefit upon policyholders; or
  - c. Not in the public interest.
26. As stated in the Application, GMCC has no future plans or proposals to liquidate RMIC, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
27. As stated in the Application, the officers and directors of GMCC will become the officers and directors of RMIC as of the effective date of the Acquisition.
28. As stated in the Application, RMIC currently has six full-time employees that will all be offered the opportunity for employment with GMCC upon completion of the Acquisition.
29. As stated in the Application, GMCC will close the RMIC office located in Reamstown, Pennsylvania at some short time period following the completion of the Acquisition.
30. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurer are unfair or unreasonable or fails to confer a benefit upon policyholders or are not in the public interest.

#### Management

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
32. Biographical affidavits for the proposed new officers and directors of RMIC are already on file with the Department.
33. The Department is satisfied that the persons who would control the operations of RMIC have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

#### Hazardous or Prejudicial to Insurance Buying Public

34. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to

be hazardous or prejudicial to the insurance buying public.

35. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

36. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
37. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
38. 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 change in control of RMIC.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
  - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
  - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
  - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;

- e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
  - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of RMIC.
4. 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 Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Goodville Mutual Casualty Company (“GMCC”) in support of the request for approval to acquire control of The Reamstown Mutual Insurance Company (“RMIC”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

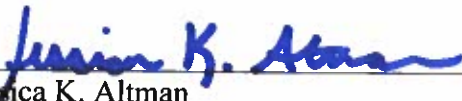
1. GMCC shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For a period of three (3) years after the effective date of the subject transaction, RMIC shall not voluntarily withdraw any certificate of authority to engage in the insurance business in the Commonwealth of Pennsylvania without the prior written approval of the Department.
3. For a period of three (3) years after the effective date of the subject transaction, RMIC shall not attempt to redomesticate to another jurisdiction without the prior written approval of the Department.



4. GMCC and RMIC shall not amend, waive enforcement of, modify or enter into any other agreement or arrangement having the effect of terminating, waiving or modifying, in any material respect, the terms or conditions of the Affiliation Agreement, without the prior approval of the Department.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.



  
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Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania