

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Eastern Insurance	:	Holding Companies Act, Article
Holdings, Inc. in Support of the Request	:	XIV of the Insurance Company
for Approval to Merge Employers Security	:	Law of 1921, Act of May 17, 1921,
Insurance Company with and into Eastern	:	P.L. 682, <u>as amended</u> , 40 P.S.
Alliance Insurance Company in a	:	§§991.1401, 991.1402, and
Transaction Exempt from the	:	991.1403; Sections 1921 through
Requirements of 40 P.S. §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-13-15

DECISION AND ORDER

AND NOW, on this 19th day of September, 2013, 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 Entities

1. Employers Security Insurance Company (“ESIC”) is a non-admitted stock property and casualty insurance company organized under the laws of the State of Indiana with its principal place of business located in Indianapolis, Indiana.

2. Eastern Alliance Insurance Company (“EAIC”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Lancaster, Pennsylvania.
3. Eastern Insurance Holdings, Inc. (“EHI”) is a domestic insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Lancaster, Pennsylvania. EHI indirectly controls 100% of the issued and outstanding capital stock of ESIC and EAIC.
4. No person controls EHI.
5. EHI is the sole ultimate controlling person of ESIC and EAIC.

Filing of the Application

6. 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 Department for approval or disapproval.
7. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
 - a) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or
 - b) if the transaction is otherwise not comprehended within the purposes of Section 1402.
8. 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, 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
9. On August 21, 2013, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from EHI requesting approval to cause the merger of ESIC with and into EAIC, with EAIC being the survivor of the merger.
10. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

Notice of Filing and Comments

11. On September 14, 2013, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by EHI and such notice invited interested persons to submit comments to the Department regarding the Application for a four day period, ending September 18, 2013.
12. During the four day comment period, the Department received no comments regarding the proposed merger.

The Transaction

13. EHI has provided a Plan and Agreement of Merger (“Plan of Merger”) pursuant to Section 1924(b) of the 1988 BCL.
14. Plan of Merger provides for ESIC to merge with and into EAIC, with EAIC being the surviving corporation (“the Merger”).
15. As described in the Application, upon the effective date of the Merger each share of common stock of ESIC issued and outstanding immediately prior to the effective date of the Merger would be surrendered and extinguished.
16. As described in the Application, at the effective date of the Merger, the Articles of Incorporation and By-Laws of EAIC in effect at the effective date of the Merger, would be the Articles of Incorporation and By-Laws of EAIC after the Merger.
17. As described in the Application, the members of the board of directors and the officers of EAIC at the effective date of the Merger would be the members of the board of directors and the officers of EAIC after the Merger.
18. As described in the Application, EAIC would thenceforth be responsible and liable for all the liabilities and obligations of ESIC.
19. 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 ESIC with and into EAIC.
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 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. The Deputy Commissioner concludes that the Plan of Merger satisfies the requirements of Section 1924 of the 1988 BCL.
6. The Deputy Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Plan of Merger will be effective upon proper filing of Articles of Merger with the Pennsylvania 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 rights, privileges, immunities, powers and purposes of ESIC 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 terms and conditions of the proposed merger are fair and that the proposed merger is in accordance with law and not injurious to the interests of the policyholders and creditors.
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.
	:	
	:	Order No. ID-RC-13-15

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Eastern Insurance Holdings, Inc. requesting approval of the merger of Employers Security Insurance Company with and into Eastern Alliance Insurance Company (“EAIC”) subject to the following conditions:

1. EAIC shall submit any changes made to the Articles of Merger, Plan of Merger or any of the draft documents provided with the Application to the Deputy Commissioner prior to execution of the changed document.
2. An approving determination must be granted by the Indiana State Insurance Department, before Articles of Merger are filed with the Pennsylvania Department of State. A certified copy of the Indiana approval shall be provided to the Deputy

Commissioner within three (3) business days of receipt by EAIC.

3. A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.
4. 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.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania