

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Farmers Insurance	:	Holding Companies Act, Article
Exchange, Fire Insurance Exchange and	:	XIV of the Insurance Company
Truck Insurance Exchange Requesting	:	Law of 1921, Act of May 17, 1921,
Exemption from the Requirements of 40	:	P.L. 682, <u>as amended</u> , 40 P.S.
P.S. §991.1402 for the Restructuring of	:	§§991.1401, 991.1402, and
their Holding Company System which	:	991.1403
Includes 21 st Century Security Insurance	:	
Company	:	Order No. ID-RC-17-25

DECISION AND ORDER

AND NOW, on this 14th day of December, 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. 21st Century Security Insurance Company (“Security”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Wilmington, Delaware.
2. Mid-Century Insurance Company (“Mid-Century”) is a stock casualty insurance company organized pursuant to the laws of California with its principal place of business in Woodland Hills, California.

3. Farmers Insurance Exchange (“Farmers”) is a reciprocal and inter-insurance exchange organized pursuant to the laws of California with its principal place of business in Woodland Hills, California. Farmers currently directly holds 80% of the issued and outstanding stock of Mid-Century and Security.
4. Fire Insurance Exchange (“Fire”) is a reciprocal and inter-insurance exchange organized pursuant to the laws of California with its principal place of business in Woodland Hills, California. Fire currently directly holds 10% of the issued and outstanding stock of Mid-Century and Security.
5. Truck Insurance Exchange (“Truck” and collectively referenced hereinafter with Farmers and Fire as the “Exchanges”) is a reciprocal and inter-insurance exchange organized pursuant to the laws of California with its principal place of business in Woodland Hills, California. Truck currently directly holds 10% of the issued and outstanding stock of Mid-Century and Security.

Filing of the Application

6. On November 30, 2017, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from the Exchanges for approval to restructure their insurance holding company system, which includes Security.
7. 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 transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
9. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not 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.

The Transaction

10. As described in the Application, the Exchanges will contribute 100% of the issued and outstanding stock of Security to Mid-Century.

11. As described in the Application, upon completion of the contribution, Mid-Century will directly hold 100% of the issued and outstanding stock of Security.
12. As described in the Application, upon completion of the contribution, Security will remain as a wholly-owned subsidiary of the Exchanges.
13. 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.
14. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
15. 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 acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Insurance Commissioner has delegated authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer to the Deputy Insurance Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The restructuring of the holding company system proposed in the Application is not being contemplated to change or influence the ultimate control of Security, and, therefore, is exempt from the requirements of Section 1402(b) 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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Includes 21 st Century Security Insurance	:	
Company	:	Order No. ID-RC-17-25

ORDER

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

An approving determination for the application of Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of their insurance holding company system that includes 21st Century Security Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.





JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation