

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of Windsor-Mount Joy : Companies Act, Article XIV of the  
Mutual Insurance Company in Support of : Insurance Company Law of 1921, Act  
the Request for Approval to Merge with : of May 17, 1921, P. L. 682, as  
Farmers' and Mechanics' Mutual : amended, 40 P.S. §§991.1401,  
Insurance Association of Cecil County, : 991.1402 and 991.1403  
Inc. :  
: Order No. ID-RC-19-08

**DECISION AND ORDER**

AND NOW, on this 29<sup>th</sup> day of July, 2019, 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**

1. Windsor-Mount Joy Mutual Insurance Company ("Windsor") is a domestic mutual property insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Ephrata, Pennsylvania.
2. Farmers' and Mechanics' Mutual Insurance Association of Cecil County, Inc. ("F&M") is a foreign mutual property insurance company organized pursuant to the laws of the state of Maryland with its principal place of business in North East, Maryland.

### **Filing of the Application**

3. On May 31, 2019, 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 Windsor requesting approval to merge with F&M, with Windsor being the survivor.
4. 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 Commissioner for approval or disapproval.
5. The Application was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act.

### **Department Procedures**

6. On June 15, 2019, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Windsor 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 Merger**

8. As described in the Application, F&M will merge with and into Windsor, with Windsor to be the surviving corporation, pursuant to an Agreement and Plan of Merger (“Merger Agreement”).
9. As described in the Application, the Merger Agreement was adopted by the Board of Directors and policyholders of F&M on June 29, 2019.
10. As described in the Application, the Merger Agreement was adopted by the Board of Directors of Windsor on May 20, 2019.
11. As described in the Application, Windsor shall acquire all of the assets of F&M and assume all of the debts and other liabilities of F&M.

12. As described in the Application, the articles of incorporation and bylaws of Windsor in effect immediately prior to the merger shall be the articles of incorporation and bylaws of Windsor upon the effective date of the merger.
13. As described in the Application, at the effective time of the merger, each insurance policy of F&M that is issued and outstanding immediately prior to the merger shall be converted into an insurance policy of Windsor.

#### **Standards for Review**

14. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a merger or other acquisition of control of a domestic insurer.
15. An application for a merger or other acquisition of control must be approved unless the Department finds any one of certain enumerated conditions to be present.

#### **Licensing Requirements**

16. When analyzing an application for a merger involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the requirements for continued licensure of the surviving insurer.
17. 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 merger.
18. 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).
19. The minimum surplus required of a mutual insurance company for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
20. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Windsor is required to maintain a minimum surplus of \$1,150,000 to write the lines of insurance for which it is presently licensed.
21. As of March 31, 2019, Windsor maintained the statutory minimum surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.
22. Upon completion of the transaction, Windsor 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

23. The merger of F&M with and into Windsor 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 merger 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”).
24. There would be no increase in any market share as a result of the merger as F&M is not licensed to transact the business of insurance in the Commonwealth of Pennsylvania.

Financial Condition of Applicant

25. When analyzing an application for a merger involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the surviving insurer.

26. As of March 31, 2019, Windsor reported:

Assets of:	\$93,115,417
Liabilities of:	\$34,941,138
Surplus as Regard Policyholders of:	\$58,174,279

27. The financial condition of Windsor would not pose any impediments to the merger nor prejudice the interest of the policyholders of F&M.

Plans for the Surviving Insurer

28. When analyzing an application for a merger involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals of the surviving insurer after the merger.
29. The Department did not find the Merger Agreement to be:
  - a) unfair or unreasonable to the policyholders, or
  - b) contrary to the interests of the public.
30. The Department did not find any material changes in the plans for the business, corporate structure or management of Windsor after the merger that would be:

- a) unfair or unreasonable to the policyholders, or
- b) contrary to the interests of the public.

#### Management

- 31. When analyzing an application for a merger involving a domestic insurer 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 surviving insurer.
- 32. As described in the Application, the members of the Board of Directors and the officers of Windsor prior to the merger shall be the members of the Board of Directors and officers of Windsor after the merger.
- 33. The Department is satisfied that the persons who would control the operations of Windsor 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 a merger 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 merger will likely be hazardous or prejudicial to the insurance buying public.

#### Compliance with the Pennsylvania Laws

- 36. When analyzing an application for a merger 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 merger of F&M and Windsor.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a merger 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 effect of the merger 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 merger;
  - f) The merger is likely to be hazardous or prejudicial to the insurance buying public.
  - g) The merger 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 merger of F&M with and into Windsor.
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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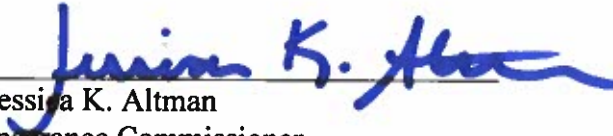
**ORDER**

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") hereby approves the application of Windsor-Mount Joy Mutual Insurance Company ("Windsor") requesting approval for the merger of Farmers' and Mechanics' Mutual Insurance Association of Cecil County, Inc. with and into Windsor subject to the following conditions:

1. Windsor shall submit any changes made to the Agreement and Plan of Merger prior to the execution of the changed document.
2. Windsor shall obtain approval of the merger from the Maryland Insurance Administration. A certified copy of the approval shall be provided to the Commissioner within three (3) business days of receipt by Windsor.
3. Windsor shall file a Statement of Merger with the Pennsylvania Department of State, Corporations Bureau, within five (5) days of receiving all prerequisite documents.
4. Windsor shall provide a copy of the Statement of Merger evidencing acceptance by the Pennsylvania Department of State to the Commissioner within ten (10) days of receipt.

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



  
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Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania