

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Atlantic States Insurance	:	Holding Companies Act, Article
Company Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Merger of Sheboygan Falls Insurance	:	P.L. 682, <u>as amended</u> , 40 P.S.
Company with and into Atlantic States	:	§§991.1401, 991.1402, and
Insurance Company	:	991.1403
	:	
	:	Order No. ID-RC-19-11

DECISION AND ORDER

AND NOW, on this 10<sup>th</sup> day of September, 2019, 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. Atlantic States Insurance Company (“Atlantic States”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Marietta, Pennsylvania.
2. Sheboygan Falls Insurance Company (“Sheboygan Falls”) is an unauthorized foreign stock casualty insurance company organized under the laws of the State of Wisconsin with its principal place of business in Sheboygan Falls, Wisconsin.
3. Donegal Group Inc. (“DGI”) is an insurance holding company organized pursuant to the laws of the State of Delaware with its principal place of business in Marietta, Pennsylvania. Atlantic States and Sheboygan Falls are wholly-owned subsidiaries of DGI.

4. Donegal Mutual Insurance Company (“Donegal Mutual”) is a domestic mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Marietta, Pennsylvania. Donegal Mutual currently holds 51% of the issued and outstanding voting securities of DGI. No other person(s) currently holds 10% or more of the issued and outstanding voting securities of DGI.
5. Donegal Mutual is the ultimate controlling person of both Atlantic States and Sheboygan Falls.

#### **Filing of the Application**

6. On July 25, 2019, 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 Atlantic States for approval to merge Sheboygan Falls with and into Atlantic States with Atlantic States being the survivor (the “Merger”).
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 mergers or other acquisitions of control of domestic insurers 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 does not:
  - a) 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.

#### **Notice and Filing of Comments**

10. On August 17, 2019, the Department published notice in the *Pennsylvania Bulletin* that the Application had been submitted by Atlantic States and such notice invited interested persons to submit comments to the Department regarding the Application for a 30 day period, ending September 16, 2019.
11. The Department received no comments regarding the proposed merger.

## **The Transaction**

12. As described in the Application, Atlantic States and Sheboygan Falls executed an Agreement and Plan of Merger dated as of July 24, 2019 (“Merger Agreement”), which provides for Sheboygan Falls to merge with and into Atlantic States, with Atlantic States being the surviving corporation.
13. As described in the Application, the Merger Agreement has been adopted by the written consent of the sole shareholder of Atlantic States and Sheboygan Falls and the board of directors of Atlantic States on July 18, 2019, and by the board of directors of Sheboygan Falls on July 19, 2019.
14. The Merger Agreement provides for Sheboygan Falls to merge with and into Atlantic States, with Atlantic States being the surviving corporation.
15. As described in the Application, upon the effective date of the merger, Atlantic States shall acquire all of the assets of Sheboygan Falls and assume all of the debts and other liabilities of Sheboygan Falls.
16. As described in the Application, the articles of incorporation and the by-laws of Atlantic States in effect immediately prior to the merger shall be the articles of incorporation and the by-laws of Atlantic States upon the effective date of the merger.
17. As described in the Application, the members of the board of directors and the officers of Atlantic States prior to the merger shall be the members of the board of directors and the officers of Atlantic States after the merger.
18. As described in the Application, each share of Sheboygan Falls common stock issued and outstanding or owned by DGI (as treasury stock or otherwise) immediately prior to the effective date of the merger shall be cancelled and retired without consideration.
19. As described in the Application, upon the effective date, each share of Atlantic States common stock issued and outstanding immediately prior to the effective date shall continue to represent one issued share of common stock of Atlantic States.
20. As described in the Application, Donegal Mutual will remain the sole ultimate controlling person of Atlantic States upon the effective date of the merger.
21. 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.

22. The Deputy Commissioner finds that the transaction described in the Application will not result in a change of control of a Pennsylvania domiciled insurer.
23. 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 Sheboygan Falls with and into Atlantic States.
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 Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The Application satisfies the requirements 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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	:	Order No. ID-RC-19-11

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 Atlantic States Insurance Company ("Atlantic States") requesting exemption from the requirements of 40 P.S. §991.1402 for the merger of Sheboygan Falls Insurance Company with and into Atlantic States Insurance Company, is hereby granted subject to this Order and the following conditions:

1. Atlantic States shall file a copy of the Statement of Merger, as filed with and stamped as received by the Pennsylvania Department of State, with the Deputy Commissioner within ten (10) days of receipt from the Pennsylvania Department of State.
2. 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 and valid for one (1) year from the date of signature, provided there are no significant changes from the Application.



  
JOSEPH DIMEMMO  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation