

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of Reamstown Mutual	:	Companies Act, Article XIV of the
Insurance Company in Support of the	:	Insurance Company Law of 1921,
Request for Approval to Merge with	:	Act of May 17, 1921, P.L. 682,
Husbandman’s Mutual Fire Insurance	:	<u>as amended</u> , 40 P.S. §§991.1401,
Company	:	991.1402, and 991.1403; Sections
	:	1921 through 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-05-11

DECISION AND ORDER

AND NOW, on this ___20th___ day of September, 2005, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Reamstown Mutual Insurance Company (“Reamstown Mutual”) is a domestic mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Reamstown, Pennsylvania.
2. Husbandman’s Mutual Fire Insurance Company (“Husbandman’s Mutual”) is a domestic mutual fire insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Port Royal, Pennsylvania.

Filing of the Application

3. On July 18, 2005, 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 Reamstown Mutual requesting approval to merge with Husbandman’s Mutual, with Reamstown Mutual 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 Department for approval or disapproval.
5. 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.
6. The Application was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

Notice and Filing of Comments

7. On July 30, 2005, the Department published notice in the *Pennsylvania Bulletin* that the Application had been submitted and such notice invited interested persons to submit comments to the Department regarding the Application for a 30-day period, ending August 29, 2005.

8. During the 30-day public comment period, the Department received no comments regarding the Application.

The Transaction

9. The Boards of Directors of Reamstown Mutual and Husbandman's Mutual executed an Agreement of Merger dated as of July 13, 2005, ("Merger Agreement") which provides for Husbandman's Mutual to merge with and into Reamstown Mutual, with Reamstown Mutual to be the surviving corporation.
10. The Merger Agreement has been adopted by the Board of Directors of Reamstown Mutual on July 13, 2005 and by the Board of Directors of Husbandman's Mutual on June 13, 2005.
11. As described in the Application, the Merger Agreement requires the affirmative vote of the majority of the votes cast by policyholders of both Husbandman's Mutual and Reamstown Mutual.
12. As described in the Application, Reamstown Mutual shall acquire all of the assets of Husbandman's Mutual and assume all of the debts and other liabilities of Husbandman's Mutual.

Standards for Review

GAA Amendments Act

13. Section 205 of the GAA Amendments Act establishes standards for approval of an application for a merger of a domestic insurer.
14. The application for a merger must be approved if the transaction is in accordance with law and not injurious to the interests of the policyholders and creditors.

Insurance Holding Companies Act

15. 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.
16. In accordance with Section 1402(f)(1) of the Insurance Holding Companies Act, the application for a merger or other acquisition of control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

17. When analyzing an application for a merger involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the surviving insurer.
18. The class or classes 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. Section 206 of the Insurance Company Law (40 P.S. §386) sets out the minimum surplus required of an insurance company for each class of insurance for which it is incorporated.
20. Reamstown Mutual is currently licensed by the Department to transact fire & allied lines, inland marine & auto physical damage, glass, other liability, burglary & theft, elevator and livestock classes of insurance in Pennsylvania.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Reamstown Mutual is required to maintain a minimum surplus of \$950,000 to maintain a license to transact the business of insurance in this Commonwealth for those classes of insurance for which it is licensed.
22. Upon completion of the transaction, Reamstown Mutual will have surplus in an amount sufficient to maintain a license to transact the business of insurance in this Commonwealth for those classes of insurance for which it is presently licensed.

Competitive Impact

23. The merger of Husbandman's Mutual with and into Reamstown Mutual is subject to review and analysis under Section 1403(d)(2) of the Insurance Holding Companies Act to determine whether the effect of the merger would substantially lessen competition in this Commonwealth or tend to create a monopoly therein.
24. The merger of Husbandman's Mutual with and into Reamstown Mutual will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of Husbandman's Mutual and the market share of Reamstown Mutual, 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

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 December 31, 2004, Reamstown Mutual reported:
- | | |
|-------------------------------------|--------------|
| Assets of: | \$ 3,614,194 |
| Liabilities of: | \$ 2,545,741 |
| Surplus as Regard Policyholders of: | \$ 1,068,453 |
27. The financial condition of Reamstown Mutual would not pose any impediments to the merger nor prejudice the interest of the policyholders of Husbandman's Mutual.
28. As stated in the Application, Reamstown Mutual's surplus will be increased as a result of the merger.

Plans for the Acquired Insurer

29. 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 with respect to the acquired insurer.
30. As stated in the Application, no in-force policies will be non-renewed as a result of the merger.
31. As stated in the Application, Husbandman's Mutual policies will obtain access to reinsurance coverage as a result of the merger.
32. As stated in the Application, Reamstown Mutual shall offer to appoint each producer that holds an appointment with Husbandman's Mutual provided that such producer has resigned their appointment and contracts with Husbandman's Mutual and agrees to certain conditions as specified in the Merger Agreement.
33. After reviewing the application, the Department did not find the Merger Agreement to be:
- unfair or unreasonable to the policyholders of Husbandman's Mutual, or
 - contrary to the interests of the public.

34. After reviewing the application, the Department did not find any material changes in the plans for the business, corporate structure or management of Reamstown Mutual after the merger that would be:
 - a. unfair and unreasonable to the policyholders of Reamstown Mutual, or
 - b. contrary to the interests of the public.

Management

35. 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.
36. Biographical affidavits for all directors and executive officers of Reamstown Mutual were reviewed by the Department.
37. The Department is satisfied that the persons who control the operations of Reamstown Mutual have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
38. Based on the above Findings of Fact, the Department is satisfied that the standards set forth in Section 205 of the GAA Amendments Act are satisfied.
39. 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 Husbandman's Mutual and Reamstown Mutual.
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 acquisition of control;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or
 - 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 merger of Husbandman's Mutual with and into Reamstown Mutual.
 4. The Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
 5. The Commissioner concludes that the Merger Agreement will satisfy the requirements of Section 1924 when it has been adopted by the policyholders of Husbandman's Mutual and Reamstown Mutual.
 6. The Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
 7. The Commissioner concludes that the Merger Agreement will be effective on or after proper filing of Articles of Merger with the Department of State pursuant to Sections 1927 and 1928 of the 1988 BCL.
 8. The Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Husbandman's Mutual 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 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 Commissioner concludes that 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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	:	:
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ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order approving the application of Reamstown Mutual Insurance Company (“Reamstown Mutual”) to merge with Husbandman’s Mutual Fire Insurance Company (“Husbandman’s Mutual”), Reamstown Mutual being the surviving entity, subject to the following conditions:

1. The policyholders of Reamstown Mutual must approve the Merger Agreement by an affirmative vote of a majority of all the votes cast as specified in the Merger Agreement and required by Section 1924 of the 1988 BCL.

2. The policyholders of Husbandman’s Mutual must approve the Merger Agreement by an affirmative vote of a majority of all the votes cast as specified in the Merger Agreement and required by Section 1924 of the

1988 BCL.

3. A copy of the Articles of Merger must be filed with the Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.
4. Reamstown Mutual shall mail to each policyholder of Husbandman's Mutual an approved endorsement within sixty (60) days of the effective date of the proposed merger. This endorsement will notify all policyholders of Husbandman's Mutual of the merger and advise them that Reamstown Mutual is responsible for all of the obligations and liabilities of such policyholders' policies.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction as approved under the Application .

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania