

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,
: and 1403 of the Insurance
Application of Columbian Mutual Life : Holding Companies Act, Article
Insurance Company in Support of the : XIV of the Insurance Company
Request for Approval to Merge with : Law of 1921, Act of May 17, 1921,
Philanthropic Mutual Life Insurance : P.L. 682, as amended, 40 P.S.
Company : §§991.1401, 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, as amended, 15 Pa. C.S.
: §§1921-1929; Sections 205 and 207
: of the GAA Amendments Act of
: 1990, Act of December 19, 1990,
: P.L. 834, No. 198, as amended, 15
: P.S. §§21205 and 21207.
:
: Order No. ID-RC-05-22

DECISION AND ORDER

AND NOW, on this 23rd day of December, 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

Acquiring Person

1. Columbian Mutual Life Insurance Company (“CML”) is a foreign mutual life insurance company organized under the laws of the State of New York with its principal place of business located in Binghamton, New York.

Domestic Insurers

2. The Philanthropic Mutual Life Insurance Company (“PML”) is a domestic mutual limited life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Plymouth Meeting, Pennsylvania.
3. National Safety Life Insurance Company (“NSL”) is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Plymouth Meeting, Pennsylvania. NSL is a wholly-owned subsidiary of PML.

Filing of the Application

4. On November 2, 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 CML requesting approval to merge PML with and into CML with CML being the survivor of the merger.
5. 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.
6. 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.
7. 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

8. On November 19, 2005, the Department published notice in the *Pennsylvania Bulletin* that the Application had been submitted by CML and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty-day (30) period, ending December 19, 2005 (“Comment Period”).
9. The Department received no comments regarding the Application during the Comment Period.

The Transaction

10. CML and PML executed a Plan and Agreement of Merger dated as of December 7, 2005, (“Merger Agreement”) that provides for PML to merge with and into CML with CML being the survivor of the merger.
11. As described in the Application, the Merger Agreement has been adopted by the Board of Directors of CML on November 17, 2005, and by the Board of Directors of PML on December 2, 2005.
12. As described in the Application, PML maintains licenses to transact the business of insurance in Delaware, District of Columbia, and Ohio as well as the Commonwealth of Pennsylvania.
13. As described in the Application, CML maintains licenses to transact the business of insurance in all jurisdictions as identified in Finding of Fact No. 12.
14. As described in the Application, CML shall acquire all of the assets of PML and assume all of the debts and other liabilities of PML.
15. As described in the Application, NSL would become a wholly-owned subsidiary of CML following the merger.

Standards for Review

16. 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.
17. 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

18. 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.
19. The line or 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).
20. Section 206 of the Insurance Company Law (40 P.S. §386) sets out the minimum surplus required of an insurance company for each line of insurance for which it is incorporated.
21. CML is currently licensed by the Department to transact the same lines of insurance for which PML transacts in this Commonwealth.
22. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), CML is required to maintain a minimum surplus of \$1,100,000 to transact the business of insurance in this Commonwealth for those lines of insurance for which it is licensed.
23. Upon completion of the transaction, CML would have surplus in excess of the amount required to maintain the license for those lines of insurance for which it is presently licensed.

Competitive Impact

24. The merger of PML with and into CML 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.
25. The merger of PML with and into CML would not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of CML and those insurance company affiliates of CML licensed to transact the business of insurance in Pennsylvania and the market share of PML, 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

26. 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.
27. The Department reviewed the financial statements submitted by CML as of September 30, 2005.
28. The financial condition of CML would not pose any impediments to the merger nor prejudice the interest of the policyholders of PML.

Plans

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 for the Pennsylvania insurance business of the domestic insurer after the merger.
30. As described in the Application, all in-force insurance policies issued by PML prior to the merger would be assumed by CML.
31. As described in the Application, CML plans for NSL to continue its operations at Plymouth Meeting, Pennsylvania.
32. As described in the Application, CML plans to continue to maintain a physical office and employ staff in southeastern Pennsylvania for a minimum of five (5) years after the merger.
33. After a review of the Application, the Department did not find any material changes in the plans for the business, corporate structure, or management of PML after the merger that would be:
 - a) unfair and unreasonable to the policyholders of PML, or
 - b) contrary to the interests of the public.

Management

34. 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.
35. Biographical affidavits for all directors and executive officers of CML were provided as part of the Application and the Department reviewed all affidavits that were submitted.

36. The Department is satisfied that the persons who control the operations of CML have such competence, experience, and integrity that the interests of policyholders and the public would not be jeopardized.

Additional Standards for Review

37. Section 205(b) of the GAA Amendments Act establishes the standards for approval of an application for a merger of a domestic insurance corporation.
38. In accordance with Section 205(b) of the GAA Amendments Act, any plan of merger shall be approved if the transaction is:
 - a) in accordance with law, and
 - b) not injurious to the interests of the policyholders and creditors.
39. The Department finds the Plan of Merger to be in accordance with law and not injurious to the interests of the policyholders and creditors of PML.
40. 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 PML and CML.
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; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - 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 PML with and into CML.
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 Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1925 of the 1988 BCL because the Merger Agreement is

subject to the approval of the insurance department of the state of domicile of CML.

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 according to the provisions of law of New York, but not until the proper filing of Articles of Merger with the Pennsylvania 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 PML would 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 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.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,
: and 1403 of the Insurance
Application of Columbian Mutual Life : Holding Companies Act, Article
Insurance Company in Support of the : XIV of the Insurance Company
Request for Approval to Merge with : Law of 1921, Act of May 17, 1921,
Philanthropic Mutual Life Insurance : P.L. 682, as amended, 40 P.S.
Company : §§991.1401, 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, as amended, 15 Pa. C.S.
: §§1921-1929; Sections 205 and 207
: of the GAA Amendments Act of
: 1990, Act of December 19, 1990,
: P.L. 834, No. 198, as amended, 15
: P.S. §§21205 and 21207.
:
: Order No. ID-RC-05-22

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Columbian Mutual Life Insurance Company (“CML”) requesting approval of the merger of Philanthropic Mutual Life Insurance Company (“PML”) with and into CML is hereby approved, subject to this Order and the following conditions:

1. In order to effectuate the merger, the following shall occur:
 - a) The Plan of Merger shall be adopted by the policyholders of PML;
 - b) The New York State Insurance Department shall have approved the transaction; and

- c) Articles of Merger shall be filed with the Pennsylvania Department of State.
2. A copy of the New York approval and a copy of the filed Articles of Merger shall be provided to the Commissioner not later than ten (10) days after receipt of the documents.
3. CML shall mail to each policyholder of PML an approved endorsement within sixty (60) days of the effective date of the proposed merger. This endorsement will notify all policyholders of PML of the merger and advise them that CML is responsible for all of the obligations and liabilities of such policyholders' policies.
4. This transaction may be recorded as effective for accounting purpose on the first day of the calendar quarter in which the transaction is closed.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to the consummation.

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania