

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Columbian Mutual Life : Companies Act, Article XIV of the
Insurance Company in Support of the : Insurance Company Law of 1921,
Request for Approval to Acquire Control : Act of May 17, 1921, P.L. 682,
of Philanthropic Mutual Fire Insurance : as amended, 40 P.S. §§991.1401,
Company : 991.1402, and 991.1403
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: :
: Order No. ID-RC-05-23

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 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 Persons

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 Insurer

2. The Philanthropic Mutual Fire Insurance Company (“PMF”) is a domestic mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Plymouth Meeting, Pennsylvania.

Acquisition Filing

3. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
4. On November 2, 2005, the Pennsylvania Insurance Department (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from CML for approval to acquire control of PMF.
5. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

6. On November 19, 2005, the Department published notice in the *Pennsylvania Bulletin* that the Application was 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”).
7. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

8. As described in the Application, on December 19, 2005, CML and PMF executed a Memorandum of Understanding under which CML would acquire control of PMF.
9. As described in the Application and pursuant to the Memorandum of Understanding, CML would assume control of PMF by means of replacing all but one of the Board of Directors of PMF with the Board of Directors of CML.

10. As described in the Application, the Memorandum of Understanding was adopted by the Board of Directors of PMF on December 21, 2005.

Standards for Review

11. Section 1402(f)(1) of the Insurance Holding Companies Act (40 P.S. §991.1402(f)(1)) establishes the standards for approval of an application for a change in control of a domestic insurer.
12. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

13. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
14. 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 of 1921, May 17, P.L. 682 as amended (“Insurance Company Law”) (40 P.S. §382).
15. Section 206 of the Insurance Company Law (40 P.S. §386) sets out the minimum surplus required of a mutual insurance company for each class of insurance for which it is incorporated.
16. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), PMF is required to maintain surplus of \$850,000 to maintain licensure.
17. Upon completion of the transaction, PMF 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

18. The acquisition of control of PMF is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
19. The acquisition of control of PMF would not lessen competition or tend to create a monopoly in the Commonwealth because the market share of the CML, as described in the Application, does not exceed the market share levels established

in Section 1403.

Financial Condition of CML

20. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the financial condition of the acquiring person(s).
21. The Department has reviewed the financial statements submitted by CML as of September 30, 2005.
22. The financial condition of CML would not pose any impediments to the change in control nor jeopardize the financial condition of PMF.

Plans for the Acquired Insurer

23. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the plans or proposals that the acquiring party has for the insurer.
24. As provided in the Application, CML does not have any plans to liquidate PMF, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management that would be unfair and unreasonable to the policyholders of PMF and not in the public interest.

Management

25. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the competence, experience, and integrity of the persons who would control the operations of the acquired insurer.
26. 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.
27. The Department is satisfied that the persons who would control the operations of PMF have such competence, experience, and integrity that the interests of policyholders and the public would not be jeopardized.
28. 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 (40 P.S. §991.1402), the Commissioner has jurisdiction to review and approve the change in control of PMF.
2. Under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Commissioner must approve an application for a change in control 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 it is presently licensed;
 - b) The change in control 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 insurer 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 (40 P.S. §991.1402), the Commissioner has not found that any of the above conditions are present with respect to the change in control of PMF.
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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In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of Columbian Mutual Life	:	Companies Act, Article XIV of the
Insurance Company in Support of the	:	Insurance Company Law of 1921,
Request for Approval to Acquire Control	:	Act of May 17, 1921, P.L. 682,
of Philanthropic Mutual Fire Insurance	:	as <u>amended</u> , 40 P.S. §§991.1401,
Company	:	991.1402, and 991.1403
	:	
	:	
	:	Order No. ID-RC-05-23

ORDER

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

The acquisition of control by Columbian Mutual Life Insurance Company (“CML”) of Philanthropic Mutual Fire Insurance Company is hereby approved, subject to this Order and the following condition:

CML shall provide notice to the Department within five (5) days after consummation of the subject transaction.

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

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania