

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Erie Indemnity Company	:	Holding Companies Act, Article
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,
Restructuring of its Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System, which includes Erie Family Life	:	§§991.1401, 991.1402, and
Insurance Company	:	991.1403
	:	
	:	
	:	Order No. ID-RC-06-06

DECISION AND ORDER

AND NOW, on this __29th____ day of April, 2006, Stephen J. Johnson, 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. Erie Family Life Insurance Company (“EFL”) is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Erie, Pennsylvania. EFL is a publicly traded company.
2. Erie Insurance Exchange (“Exchange”) is a domestic insurance exchange organized under the laws of the Commonwealth of Pennsylvania with its principal

place of business in Erie, Pennsylvania. Exchange currently directly holds 53.5% of the issued and outstanding voting stock of EFL.

3. Erie Indemnity Company (“Erie Indemnity”) is a business corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Erie, Pennsylvania. Erie Indemnity is the attorney-in-fact of Exchange and also directly holds 21.6% of the issued and outstanding voting stock of EFL.
4. H. O. Hirt Trusts (“Trusts”) are organized under the laws of the Commonwealth of Pennsylvania with their principal place of business in Erie, Pennsylvania. Trusts hold 81.3% of the issued and outstanding voting stock of Erie Indemnity.
5. Trusts are the sole ultimate controlling persons of Exchange and EFL.

Filing of the Application

6. On April 3, 2006, 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 Erie Indemnity for approval to effectuate a plan of reorganization of the holding company system that includes EFL.
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 transactions affecting the control of a domestic insurer 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:
 - a. does not 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.

The Transaction

10. As described in the Application, Erie Indemnity proposes to interject a new insurance holding company, to be known as Erie Acquisition Company (“Acquisition Co.”), to hold EFL stock.

11. As described in the Application, the capital stock of Acquisition Co. would be held 20% by Erie Indemnity and 80% by Exchange.
12. As described in the Application, Acquisition Co. would directly hold the EFL voting stock currently held by Erie Indemnity and Exchange.
13. As described in the Application, Acquisition Co. would make a tender offer for all outstanding shares of EFL stock not currently held by Erie Indemnity and Exchange.
14. As described in the Application, it is contemplated that Acquisition Co. will directly hold 100% of the issued and outstanding voting stock of EFL if the tender offer is successful.
15. As described in the Application, H. O. Trusts would continue to be the sole ultimate controlling persons of Exchange and EFL after the contemplated transactions.
16. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
17. 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 acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction is not being contemplated to change or influence the ultimate control of Exchange or EFL, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. 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 Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of Erie Indemnity Company requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes Erie Insurance Exchange and Erie Family Life Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner