

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
in Support of the Request for Approval to	:	XIV of the Insurance Company
Merge Erie Acquisition Inc. with and into	:	Law of 1921, Act of May 17, 1921,
Erie Family Life Insurance Company in a	:	P.L. 682, <u>as amended</u> , 40 P.S.
Transaction Exempt from the	:	§§991.1401, 991.1402, and
Requirements of 40 P.S. §991.1402	:	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-06-07

DECISION AND ORDER

AND NOW, on this 30th day of May, 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, 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 Deputy Commissioner hereby makes the following findings of fact:

## FINDINGS OF FACT

### Identity of Entities

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 Acquisition Inc. (“Erie Acquisition”) is a domestic insurance holding corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Erie, Pennsylvania. Erie Acquisition is projected to hold 100% of the issued and outstanding voting stock of EFL.
3. 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 is projected to hold 78.4% of the issued and outstanding voting stock of Erie Acquisition.
4. 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 is projected to hold 21.6% of the issued and outstanding voting stock of Erie Acquisition.
5. 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 90.9% of the issued and outstanding voting stock of Erie Indemnity.
6. Trusts are the sole ultimate controlling persons of Exchange and EFL.

### Filing of the Application

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. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
  - a. if the merger does not have the effect of changing or influencing the control of a domestic insurer, or

- b. if the transaction is otherwise not comprehended within the purposes of Section 1402.
9. 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.
10. On April 3, 2006, 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 Erie Indemnity requesting approval to merge Erie Acquisition with and into EFL, with EFL being the survivor.
11. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

#### The Transaction

12. Erie Family Life and Erie Acquisition executed a Plan of Merger dated as of May 25, 2006, (“Merger Agreement”) which provides for Erie Acquisition to merge with and into Erie Family Life, with Erie Family Life being the surviving corporation.
13. As described in the Application, the Merger Agreement has been adopted by the Board of Directors of Erie Acquisition on May 25, 2006, in satisfaction of the requirements of Section 1924(b) of the 1988 BCL.
14. As described in the Application, the Merger Agreement has been adopted by the two shareholders of Erie Acquisition on May 25, 2006.
15. Pursuant to 15 Pa. C.S. Section 1924(b)(3) the Board of Directors of EFL are not required to approve the Merger Agreement.
16. As described in the Application, upon the effective date each share of common stock of Erie Family Life issued and outstanding immediately prior to the effective date of the merger shall be surrendered and extinguished.
17. As described in the Application, upon the effective date each share of Erie Acquisition common stock issued and outstanding immediately prior to the effective date shall be converted into and become one validly issued, fully paid and nonassessable share of common stock of post-merger Erie Family Life.

18. As described in the Application, at the effective date, the Articles of Incorporation and By-Laws of EFL in effect at the effective date, shall be the Articles of Incorporation and By-Laws of EFL after the merger.
19. As described in the Application, the members of the board of directors and the officers of EFL at the effective date shall be the members of the board of directors and the officers of EFL after the merger.
20. As described in the Application, EFL shall thenceforth be responsible and liable for all the liability and obligations of Erie Acquisition.
21. As described in the Application, upon completion of the proposed merger, Trusts will remain the ultimate controlling persons of the surviving corporation, EFL.
22. 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 Erie Acquisition and EFL.
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 Deputy 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 1924 as it has been adopted by the shareholders of Erie Acquisition and by the Board of Directors of Erie Acquisition.
6. The Deputy Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Merger Agreement will be effective upon proper filing of Articles of Merger with the Department of State pursuant to

Sections 1927 and 1928 of the 1988 BCL.

8. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Erie Acquisition 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 Deputy 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 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.

