

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of Windsor-Mount Joy	:	Companies Act, Article XIV of the
Mutual Insurance Company in Support of	:	Insurance Company Law of 1921,
the Request for Approval to Merge with	:	Act of May 17, 1921, P.L. 682,
Farmers' Mutual Fire Insurance Company	:	<u>as amended</u> , 40 P.S. §§991.1401,
of Dug Hill in Carroll County	:	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-09-05

DECISION AND ORDER

AND NOW, on this 10th day of March, 2009, Joel Ario, 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. Windsor-Mount Joy Mutual Insurance Company (“Windsor-Mount Joy”) is a domestic mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Ephrata, Pennsylvania.
2. Farmers’ Mutual Fire Insurance Company of Dug Hill in Carroll County (“Farmers’ Mutual”) is a foreign mutual fire insurance company organized under the laws of the state of Maryland with its principal place of business in Manchester, Maryland.

Filing of the Application

3. On January 22, 2009, 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 Windsor-Mount Joy requesting approval to merge with Farmers’ Mutual, with Windsor-Mount Joy 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 February 14, 2009, 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 fourteen day period.

8. During the fourteen day public comment period, the Department received one comments regarding the Application. The comment pertained to the ongoing rights of a litigant against Windsor-Mount Joy.

The Transaction

9. Windsor-Mount Joy and Farmers' Mutual executed an Agreement and Plan of Merger dated as of December 22, 2008, ("Merger Agreement") which provides for Farmers' Mutual to merge with Windsor-Mount Joy, with Windsor-Mount Joy to be the surviving corporation.
10. As described in the Application, the Merger Agreement was adopted by the policyholders of Farmers' Mutual at a special meeting of the members on February 27, 2009.
11. As described in the Application, the Merger Agreement was adopted by the Board of Directors of Windsor-Mount Joy on December 22, 2008, in lieu of the policyholders pursuant to the provisions of 15 Pa. C.S. Section 1924.
12. As described in the Application, Windsor-Mount Joy shall acquire all of the assets of Farmers' Mutual and assume all of the debts and other liabilities of Farmers' Mutual.

Standards for Review

13. 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.
14. 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

15. 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.
16. 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).

17. 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.
18. Windsor-Mount Joy is licensed by the Department to transact property & allied lines, inland marine & physical damage, ocean marine, glass, other liability, burglary & theft, elevator and personal property floater classes of insurance in Pennsylvania.
19. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Windsor-Mount Joy is required to maintain a minimum surplus of \$1,150,000 to maintain a license to transact the business of insurance in this Commonwealth for those classes of insurance for which it is licensed.
20. Upon completion of the transaction, Windsor-Mount Joy 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

21. The merger of Farmers' Mutual with and into Windsor-Mount Joy 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.
22. The merger of Farmers' Mutual with and into Windsor-Mount Joy will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of Farmers' Mutual and the market share of Windsor-Mount Joy, 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

23. 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.
24. As of September 30, 2008, Windsor-Mount Joy reported:

Assets of:	\$43,615,314
Liabilities of:	\$18,399,201
Surplus as Regard Policyholders of:	\$25,216,113

25. The financial condition of Windsor-Mount Joy would not pose any impediments to the merger nor prejudice the interest of the policyholders of Farmers' Mutual.

Plans for the Acquired Insurer

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 plans or proposals of the surviving insurer after the merger.
27. The Department did not find the Merger Agreement to be:
 - a. unfair or unreasonable to the policyholders of Farmers' Mutual, or
 - b. contrary to the interests of the public.
28. The Department did not find any material changes in the plans for the business, corporate structure or management of Windsor-Mount Joy after the merger that would be:
 - a. unfair and unreasonable to the policyholders of Farmers' Mutual, or
 - b. contrary to the interests of the public.

Management

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 competence, experience and integrity of the persons who will control the operations of the surviving insurer.
30. Biographical affidavits for all directors and executive officers of Windsor-Mount Joy were reviewed by the Department.
31. The Department is satisfied that the persons who control the operations of Windsor-Mount Joy have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
32. 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 Farmers' Mutual and Windsor-Mount Joy.
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 Farmers' Mutual with and into Windsor-Mount Joy.
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 satisfies the requirements of Section 1924 as it has been adopted by the policyholders of Farmers' Mutual and by the Board of Directors of Windsor-Mount Joy.

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 Farmers' 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 concerns of the public commenter are not relevant because Windsor-Mount Joy will be the survivor of the merger.
11. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
12. 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 No.: ID-RC-09-05

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby approves the application of Windsor-Mount Joy Mutual Insurance Company (“Windsor-Mount Joy”) requesting approval for the merger of Farmers’ Mutual Fire Insurance Company of Dug Hill in Carroll County (“Farmers’ Mutual”) with and into Windsor-Mount Joy subject to the following conditions:

1. Windsor-Mount Joy shall obtain the appropriate approval from the Maryland Insurance Administration prior to executing the merger.
2. 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.

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

JOEL ARIO
Insurance Commissioner
Commonwealth of Pennsylvania