



PEMCO
Insurance

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William M. Clumpner
Assistant General Counsel

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July 11, 2011

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

✓ The Honorable Patricia D. Petersen
Presiding Officer
Chief Hearing Officer
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Ronald Pastuch
Holding Company Manager, Company Supervision
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Robin Aronson
Staff Attorney
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Re: G11-0161
Request for Approval of the Proposed Merger of PEMCO Insurance Company With
and Into PEMCO Mutual Insurance Company

Dear Judge Petersen, Mr. Pastuch, and Ms. Aronson:

As a follow up to my May 10, 2011 application letter (and enclosures) in this matter, sent to Mr. Odiorne, Deputy Commissioner, Company Supervision, please find here a set of the following documents (one set to Judge Petersen and one set to Mr. Pastuch and Ms. Aronson, care of Mr. Pastuch) as a supplement to the merger application noted above:

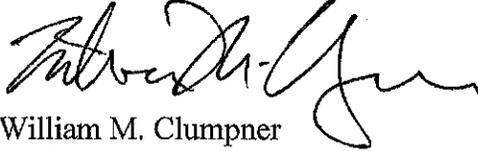
- Attachment E: An unsigned copy of the Articles of Merger to be filed with the Washington Secretary of State;
- Attachment F: The 2010 Annual Statement of PEMCO Mutual Insurance Company;
- Attachment G: The 2010 Annual Statement of PEMCO Insurance Company; and

Attachment H: The 2010 Combined Annual Statement of PEMCO Mutual Insurance Company and PEMCO Insurance Company.

Although the proposed Articles of Merger are not required for this proceeding, we are providing a copy to the extent they may help in your review. Also, the 2010 financial statements have already been filed with the Office of the Insurance Commissioner; these additional copies are provided as part of the merger application.

Sincerely,

PEMCO Mutual Insurance Company
PEMCO Insurance Company



William M. Clumpner
Assistant General Counsel

Enclosures

ATTACHMENT E

ARTICLES OF MERGER

PEMCO MUTUAL INSURANCE COMPANY

PEMCO INSURANCE COMPANY

Pursuant to the provisions of RCW 23B.11.050 and RCW 48.31.010, these Articles of Merger are made and executed for the purpose of merging PEMCO Insurance Company into PEMCO Mutual Insurance Company, each of which is a domestic mutual insurance corporation formed and existing under the laws of the State of Washington.

1. The Agreement and Plan of Merger approved by the respective board of directors of each of the corporations on March 24, 2011 and executed by the parties on May 4, 2011, is attached hereto as Exhibit A.
2. As a wholly-owned subsidiary of PEMCO Mutual Insurance Company, the merger of PEMCO Insurance Company into PEMCO Mutual Insurance Company falls within the exception found in RCW 23B.11.040(1) and no vote was required by either PEMCO Mutual Insurance Company's membership or PEMCO Insurance Company's sole shareholder.
3. The proposed merger was approved by the Washington State Office of the Insurance Commissioner on _____, 2011, effective at 12:01 a.m. on October 1, 2011.
4. As of October 1, 2011, PEMCO Insurance Company is merged into PEMCO Mutual Insurance Company, and the surviving and continuing corporation resulting from the merger is PEMCO Mutual Insurance Company.

Dated this _____ day of _____, 2011.

PEMCO MUTUAL INSURANCE COMPANY

By: _____
Stan W. McNaughton, President

PEMCO INSURANCE COMPANY

By: _____
Stan W. McNaughton, President

AGREEMENT AND PLAN OF MERGER

PEMCO MUTUAL INSURANCE COMPANY AND PEMCO INSURANCE COMPANY

THIS AGREEMENT AND PLAN OF MERGER dated as of May 4, 2011 by and between PEMCO Mutual Insurance Company, a Washington corporation ("PMIC") and PEMCO Insurance Company, a Washington corporation ("PIC").

RECITALS

A. PMIC is a domestic mutual insurance company incorporated on October 6, 1948, with its principal place of business located at 325 Eastlake Avenue East, Seattle, Washington.

B. PIC is a domestic stock insurance company incorporated on May 4, 1972 with its principal place of business located at 325 Eastlake Avenue East, Seattle, Washington.

C. PIC is a wholly-owned subsidiary of PMIC. PIC has 200,000 shares of \$10 par value common stock authorized and 100,000 shares issued and outstanding in the name of PMIC. PIC has no preferred stock authorized, issued, or outstanding.

D. The respective boards of directors of PMIC and PIC deem it advisable that PIC merge with and into PMIC as the surviving entity upon the terms set forth in this Merger Agreement.

AGREEMENT

The parties hereto agree as follows:

(1) Effective Date of Merger. The merger shall become effective on the later of (i) 12:01 a.m., October 1, 2011, or (ii) such date as all necessary regulatory approvals are obtained (the "Effective Date").

(2) Effect of Merger. As of the Effective Date, PIC shall be merged into PMIC and PMIC shall be the surviving and continuing corporation resulting from said merger. The corporate existence of PIC shall cease.

(3) Surviving Entity. Except as specifically set forth in this Agreement, PMIC, with all its purposes, powers and objects, shall continue unaffected and unimpaired by the Merger. PMIC shall continue as a Washington domestic mutual insurance company. The corporate identity and existence, together with all the rights, privileges, immunities, powers, and franchises of PIC, both of a public and private nature, and all real, personal, and mixed property, and all debts due on whatever account, and all other things or choses in action belonging to PIC, and all and every other interest shall be taken and deemed to be transferred to and to vest, and shall be vested, in

PMIC as of the Effective Date without further act or deed and as effectively as they were formerly vested in PMIC.

(4) Conversion of Stocks. After the Effective Date, all of the outstanding stock certificates of PIC shall be canceled without consideration.

(5) Assumption of Insurance and Liabilities. As of the Effective Date, PMIC shall assume all insurance of PIC in force or in the process of issuance or thereafter to be reinstated, shall be liable and responsible for, and shall promptly pay or otherwise settle as payment becomes due, any and all of the legal liabilities and legal obligations of PIC then outstanding.

(6) Rights of Policyholders. As of the Effective Date, all policyholders of PIC shall become policyholders of PMIC, without change in premium, rates or coverages in accord with the terms of their respective policies, and shall have and enjoy all rights of policyholders of PMIC.

(7) Management. The Boards of Directors and officers of the respective companies are now comprised of the same individuals. The merger shall not effect any change in the number or members of the Board of Directors nor officers of PMIC as the surviving corporation.

(8) Articles of Incorporation and Bylaws. The Articles of Incorporation and Bylaws of PMIC, as they exist on the Effective Date, shall continue without any amendment thereto.

(9) Subject to Approvals. This Agreement and Plan of Merger is subject to approval by the Office of the Insurance Commissioner of the State of Washington.

(10) Adoption of the Agreement. This Agreement has been adopted and approved by the Boards of Directors of PMIC and PIC. The officers of the companies or any one of them shall execute and deliver all documents and make such filings as may be required to effectuate the merger.

(11) Special Compensation. Neither of the parties has obligated itself to pay and shall not pay to any director or officer of either of the parties, or to any other person, any fee, commission, other compensation (other than regular salaries, or compensation for necessary professional services of attorney), or valuable consideration whatsoever for in any manner aiding, promoting or assisting in the merger contemplated by this Agreement.

(12) Miscellaneous.

(a) If at any time PMIC shall determine or be advised that any further assignment or assurance in law or other action is necessary or desirable to vest, perfect, or confirm, of record or otherwise, in PMIC, the title to any property or rights of PIC acquired or to be acquired by or as a result of the merger, the proper officers and directors of PMIC shall be, and they hereby are, severally and fully authorized to execute and deliver such proper deeds, assignments and assurances in law and take such other actions as may be necessary or proper in the name of PIC to vest, perfect or confirm

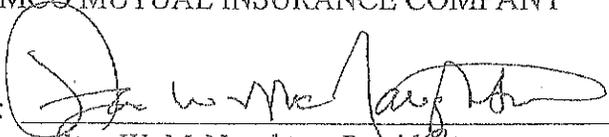
title to such property or rights in PMIC and otherwise carry out the purposes of this plan.

- (b) At any time before the Effective Date, this plan may be terminated and the merger may be abandoned by the Board of Directors of PMIC and/or PIC.
- (c) This plan shall not be amended except by an instrument in writing signed on behalf of the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement and Plan of Merger to be executed at Seattle, Washington, this 4th day of May, 2011.

PEMCO MUTUAL INSURANCE COMPANY

By:

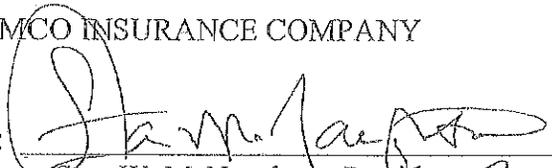

Stan W. McNaughton, President

By:

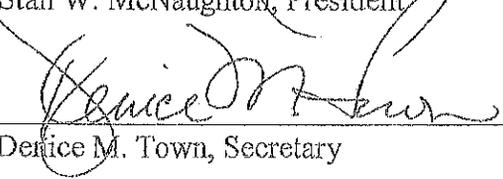

Denice M. Town, Secretary

PEMCO INSURANCE COMPANY

By:


Stan W. McNaughton, President

By:


Denice M. Town, Secretary