

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



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OFFICE OF
INSURANCE COMMISSIONER

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July 18, 2011

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

Patricia D. Petersen, JD, Chief Hearing Officer
Office of the Insurance Commissioner, Hearings Unit
PO Box 40255
Olympia, WA 98504-0255
5000 Capitol Boulevard
Tumwater, WA 98501

Re: Application for Proposed Merger of PEMCO Insurance Company with and into
PEMCO Mutual Insurance Company

Dear Ms. Petersen:

Pursuant to RCW 48.31B.015(5), the proposed merger would be exempt from the requirements of RCW 48.31B.015 because of the following factors concerning this transaction.

According to RCW 48.31B.015(5)(b), this statute would not apply if the proposed agreement that the commissioner by order has exempted from RCW 48.31B.015 as (i) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer, or (ii) otherwise not comprehended with the purposes of RCW 48.31B.015.

PEMCO Mutual Insurance Company and PEMCO Insurance Company are already affiliated persons. PEMCO Mutual Insurance Company is the ultimate controlling person of the PEMCO Insurance Group. Since its formation, PEMCO Insurance Company has been a part of the PEMCO Insurance Group and a subsidiary of PEMCO Mutual Insurance Company. Under the proposed merger plan, the corporate affairs of PEMCO Insurance Company would merge with and into PEMCO Mutual Insurance Company, and the existing policyholders of PEMCO Insurance Company would become the policyholders of PEMCO Mutual Insurance Company. At the conclusion of the proposed merger, PEMCO Mutual Insurance Company would remain the ultimate controlling person of the PEMCO Insurance Group.

According to 48.31B.015(5)(a), RCW 48.31B.015 would not apply to a proposed transaction if that transaction would be subject to RCW 48.31.010 dealing with the merger of two or more insurers. That statute provides the filing requirements for such agreement and plan, and the statutory requirements of that plan must meet in order for the commissioner to approve such plan.

Judge Patricia D. Petersen

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Therefore, we recommend to you that the decision concerning this matter should be based under the provisions stated under RCW 48.31.010.

If you have any questions, please call me at 360-725-7211 or Ms. Aronson at 360-725-7181.

Yours truly,



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Cc: James T. Odiorne, CPA, JD, Deputy Insurance Commissioner
Robin Aronson, Staff Attorney