

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000
www.insurance.wa.gov

Please Reply to PO Box 40259
Olympia, WA 98504-0259
Fax: (360) 586-2022

OFFICE OF
INSURANCE COMMISSIONER

2011 JUN 23 P 2:38

June 23, 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: Merger Filing dated May 10, 2011 – Proposed Merger of PEMCO Insurance Company with and into PEMCO Mutual Insurance Company

Dear Ms. Petersen:

Attached please find the merger document filing regarding the proposed merger of a domestic insurer. The merger documents describe the proposed merger transaction between PEMCO Insurance Company, a Washington-domiciled stock insurer, and PEMCO Mutual Insurance Company, a Washington-domiciled mutual insurer.

The proposed merger transaction comes at the request of both PEMCO Insurance Company and PEMCO Mutual Insurance Company. PEMCO Mutual Insurance Company is the parent company of PEMCO Insurance Company. PEMCO Mutual Insurance Company owns all of PEMCO Insurance Company's common stock. Both companies request a decision be rendered on this matter on or before August 1, 2011.

The Company Supervision division is satisfied that the merger filing is complete, and requests that a hearing be scheduled in this matter according to RCW 48.31.010. Ms. Robin Aronson is the OIC staff attorney assigned to this case.

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

Yours truly,


RONALD J. PASTUCH, CPA
Holding Company Manager
Company Supervision Division
E-Mail: RonP@oic.wa.gov

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

Mailing Address: P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

Nº 923

Certificate of Authority

STATE OF WASHINGTON
INSURANCE COMMISSIONER
OLYMPIA

THIS IS TO CERTIFY, That, pursuant to the Insurance Code of the State of Washington,

FENCO INSURANCE COMPANY

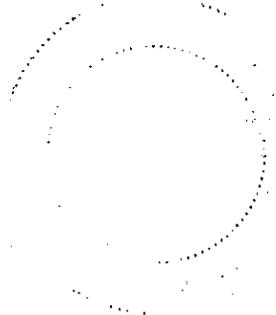
of SEATTLE, WASHINGTON, organized under the laws of WASHINGTON, having presented satisfactory evidence of compliance, this Certificate of Authority is hereby granted, authorizing the company to transact the following classes of insurance:

- PROPERTY** **SURETY**
- VEHICLE** **DISABILITY** (deleted 11/19/82)
- CASUALTY**

subject to all provisions of this Certificate as such classes are now or may hereafter be defined in the Insurance Laws of the State of Washington.

THIS CERTIFICATE is expressly conditioned upon the holder hereof now and hereafter being in full compliance with all, and not in violation of any, of the applicable laws and lawful requirements made under authority of the laws of the State of Washington as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are, or may hereafter be changed or amended.

IN WITNESS WHEREOF, effective as of the 22ND day of AUGUST, 1972, I have hereunto set my hand and caused my official seal to be affixed this 22ND day of AUGUST, 1972.



[Handwritten Signature]
Insurance Commissioner

By _____
Chief Deputy

Nº 603

Certificate of Authority

STATE OF WASHINGTON
INSURANCE COMMISSIONER
OLYMPIA

THIS IS TO CERTIFY, That, pursuant to the Insurance Code of the State of Washington,

~~PUBLIC EMPLOYEES MUTUAL INSURANCE COMPANY~~
PEMCO MUTUAL INSURANCE COMPANY (eff. 1-3-89)

of SEATTLE, WASHINGTON, organized under the laws of WASHINGTON, having presented satisfactory evidence of compliance, this Certificate of Authority is hereby granted, authorizing the company to transact the following classes of insurance:

VEHICLE
~~VEHICLE 4-13-59-7W~~
GENERAL CASUALTY 4-13-59-7W
PROPERTY 4-13-59-7W
MARINE AND TRANSPORTATION 4-13-59-7W
SURETY 12-31-76

subject to all provisions of this Certificate as such classes are now or may hereafter be defined in the Insurance Laws of the State of Washington.

THIS CERTIFICATE is expressly conditioned upon the holder hereof now and hereafter being in full compliance with all, and not in violation of any, of the applicable laws and lawful requirements made under authority of the laws of the State of Washington as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are, or may hereafter be changed or amended.

IN WITNESS WHEREOF, effective as of the 1st day of JULY, 1958, I have hereunto set my hand and caused my official seal to be affixed this 29th day of APRIL, 1958.

\$10.00
11385

WILLIAM A. SULLIVAN

Insurance Commissioner

Lee Krueckelhan

By _____
Chief Deputy

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

No. 1522

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

*I FURTHER CERTIFY That **PEMCO INSURANCE COMPANY**, Seattle, Washington, was duly organized and incorporated under the laws of the State of Washington, and, having complied with the requirements of said laws, has been authorized since August 22, 1972 to issue policies and transact the business of Property, Vehicle, General Casualty, and Surety insurance as defined in RCW 48.11.040, 48.11.060, 48.11.070, and 48.11.080 of the Insurance Code of the State of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 23th day of June, 2011.*



MIKE KREIDLER
Insurance Commissioner

By: *Wayle Passero*
Acting Deputy Insurance Commissioner

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

No. 1523

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

*I FURTHER CERTIFY That **PEMCO MUTUAL INSURANCE COMPANY**, Seattle, Washington, was duly organized and incorporated under the laws of the State of Washington, and, having complied with the requirements of said laws, has been authorized since February 8, 1949 to issue policies and transact the business of Property, Marine and Transportation, Vehicle, General Casualty, and Surety insurance as defined in RCW 48.11.040, 48.11.050, 48.11.060, 48.11.070, and 48.11.080 of the Insurance Code of the State of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 23th day of June, 2011.*



MIKE KREIDLER
Insurance Commissioner

By: *Wayle Passero*
Acting Deputy Insurance Commissioner



325 Eastlake Avenue East
PO Box 778
Seattle, WA 98111-0778

William M. Clumpner
Assistant General Counsel

RECEIVED

MAY 16 2011

tel (206) 628-6331
fax (206) 628-4575
e-mail: bill.clumpner@pfccenter.com

May 10, 2011

**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

Jim Odiorne
Deputy Commissioner
Company Supervision Division
Office of Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

HAND DELIVERED

Re: Application for Approval of the Proposed Merger of PEMCO Insurance Company
With and Into PEMCO Mutual Insurance Company

Dear Mr. Odiorne,

I am writing on behalf of PEMCO Insurance Company (PIC) and its parent, PEMCO Mutual Insurance Company (PMIC), to formally request approval by the Office of the Insurance Commissioner (OIC) of PIC's merger into PMIC, its direct 100% parent. I have enclosed two copies of the application in support of the merger.

PIC is a stock insurance company domiciled in Washington. It was formed in 1972 as a wholly-owned subsidiary of PMIC, a mutual insurance company and also a Washington domiciliary. Among other personal lines of business, PMIC offers Washington consumers automobile insurance protection, as does its subsidiary, PIC. Since its formation, PIC has focused on serving the automobile insurance needs of those working in the field of education.

PIC has no employees of its own. PMIC and PIC already share the same directorates, officers, and management. PMIC's staff provides the human resources for PIC to sell, service, and otherwise support its policies.

Since PMIC has received regulatory approval to offer PIC-qualified policyholders equivalent rates for similar automobile insurance issued by PMIC, the cost of maintaining a separate subsidiary company to offer those discounts is no longer necessary.

The plan to merge PIC into PMIC has been approved by the directorates of both companies. The merger will serve the policyholders of each company by supporting the same high service standards and insurance protections that exist today while allowing them to be delivered in a simpler and more cost efficient manner.

Upon PIC's merging with and into PMIC, the separate corporate existence of PIC will cease, and PMIC will be the surviving entity. The title of all assets of PIC will be vested in PMIC. PMIC will assume all liabilities of PIC, and will be substituted for PIC in any proceeding against PIC since it will no longer exist after the merger is consummated.

The Washington Insurance Code provides that the requirement to file a Form A Statement does not apply to mergers between two or more insurers. RCW 48.31B.015(5)(a). PIC and PMIC are both domestic insurers and PMIC is PIC's direct 100% parent; therefore, guidance for PIC's merger into PMIC is found in RCW 48.31.010. Subsection (1) of that statute allows the merger of a domestic insurer with another insurer, subject to the following conditions:

- (a) The plan of merger or consolidation must be submitted to and be approved by the commissioner in advance of the merger or consolidation.
- (b) The commissioner shall not approve any such plan unless, after a hearing, pursuant to such notice as the commissioner may require, he or she finds that it is fair, equitable, consistent with law, and that no reasonable objection exists. If the commissioner fails to approve the plan, he or she shall state his or her reasons for such failure in his or her order made on such hearing. The insurers involved in the merger shall bear the expense of the mailing of the notice of hearing and of the order on hearing.
- (c) No director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger or consolidation, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger or consolidation.
- (d) Any merger or consolidation as to an incorporated domestic insurer shall in other respects be governed by the general laws of this state relating to business corporations. Except, that as to domestic mutual insurers, approval by two-thirds of its members who vote thereon pursuant to such notice and procedure as was approved by the commissioner shall constitute approval of the merger or consolidation as respects the insurer's members.

The following documents make up this application:

- Attachment A: The Agreement and Plan of Merger;
- Attachment B: A pre- and post-merger diagram of the PEMCO organization;
- Attachment C: A certified copy of the PMIC and PIC boards' consent approving the transaction;
- Attachment D: Affidavits of PMIC and PIC pursuant to RCW 48.31.010(1)(c).

With regard to the condition found in RCW 48.31.010(1)(a), a Plan of Merger has been created and is submitted as Attachment A to the application being filed today.

With regard to the condition found in RCW 48.31.010(1)(b) we look forward to the hearing on this merger request and would ask that a hearing be set for a mutually convenient date and time that would allow the merger to be approved by the OIC by August 1, 2011, with an effective date of October 1, 2011.

With regard to the condition found in RCW 48.31.010(1)(c), without exception, no director, officer, member or subscriber of any insurer involved in this proposed merger shall receive any fee, commission, other compensation or valuable consideration for aiding, promoting or assisting in the merger.

With regard to the condition found in RCW 48.31.010(1)(d), we have reviewed the general laws of Washington relating to business corporations, which are found in Chapter 23B.11 RCW. Under RCW 23B.11.040(1), "a parent corporation owning at least ninety percent of the outstanding shares of each class of a subsidiary corporation may merge the subsidiary into itself without approval of the shareholders of the parent or subsidiary." The Washington Insurance Code provides that the state's laws relating to private corporations shall govern the corporate powers, duties, and relationships of incorporated domestic insurers formed under the laws of Washington, except where inconsistent with the express provisions of the insurance code. RCW 48.07.030. RCW 48.31.010(d), which establishes the threshold for approval by a mutual insurer's members in the event a vote were required, does not mandate a vote, and Washington's general business laws relating to mergers expressly omit the requirement for shareholder approval when the parent owns at least ninety percent of the outstanding shares of each class of the subsidiary, which PMIC does. As a wholly-owned subsidiary of PMIC, PIC's merger into PMIC falls within the exception found in RCW 23B.11.040(1), and no vote is needed by PMIC's membership or PIC's sole shareholder, PMIC (whose board has formally approved the merger).

We look forward to working with you and others at the OIC in the process of addressing this application. Feel free to call me directly at 206-628-6331. Thank you in advance for your assistance.

Sincerely,

PEMCO Mutual Insurance Company
PEMCO Insurance Company



William M. Clumpner
Assistant General Counsel

Enclosures

ATTACHMENT A

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.

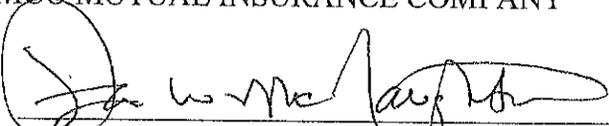
(a) If at any time PMIC shall determine or be advised that any further assignment or assurance in law or other action is necessary or desirable to vest, perfect, or confirm, of record or otherwise, in PMIC, the title to any property or rights of PIC acquired or to be acquired by or as a result of the 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

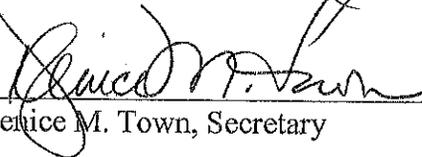
title to such property or rights in PMIC and otherwise carry out the purposes of this plan.

- (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.

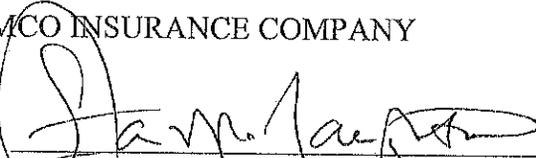
IN WITNESS WHEREOF, the parties have caused this Agreement and Plan of Merger to be executed at Seattle, Washington, this 4th day of May, 2011.

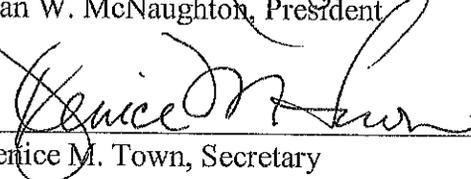
PEMCO MUTUAL INSURANCE COMPANY

By: 
Stan W. McNaughton, President

By: 
Denice M. Town, Secretary

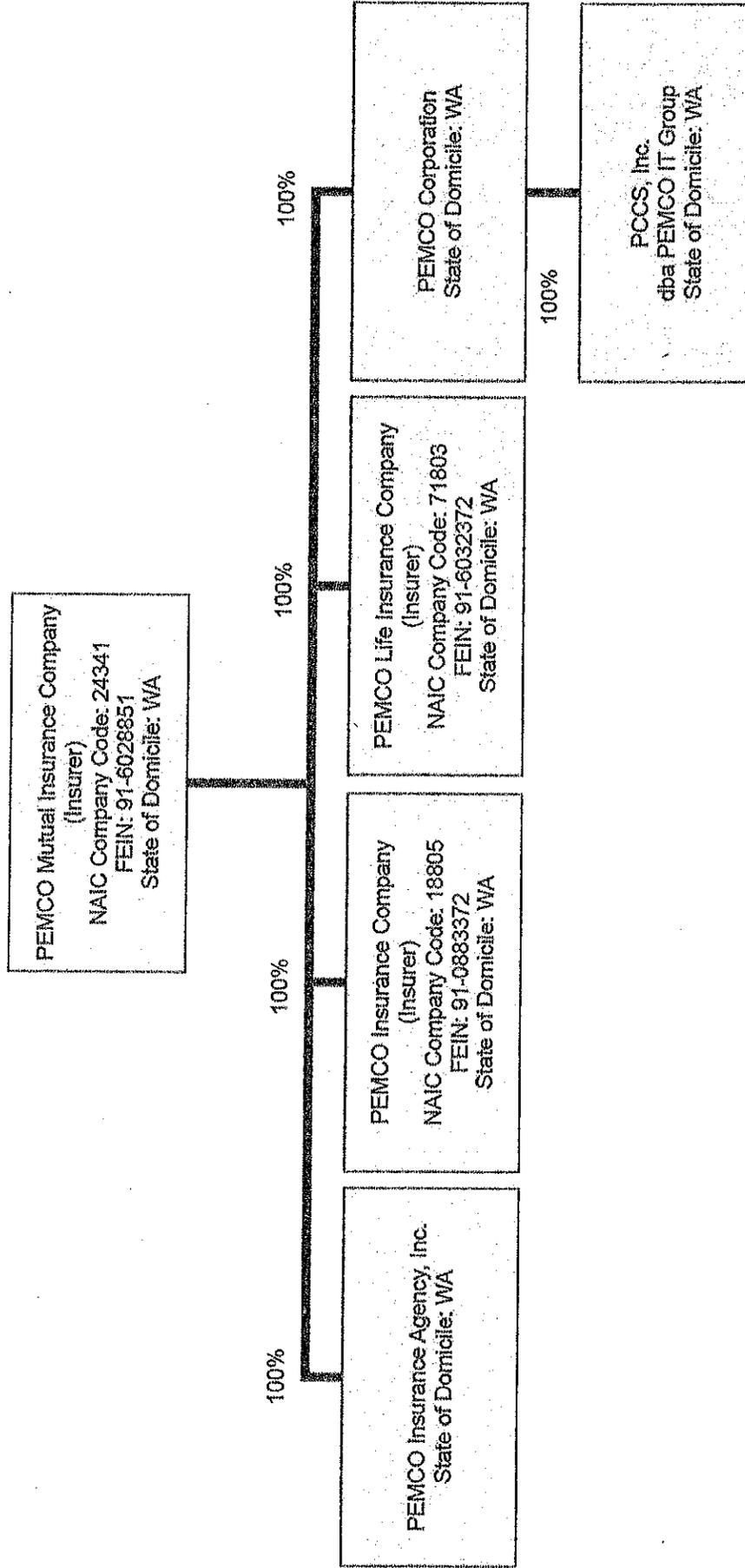
PEMCO INSURANCE COMPANY

By: 
Stan W. McNaughton, President

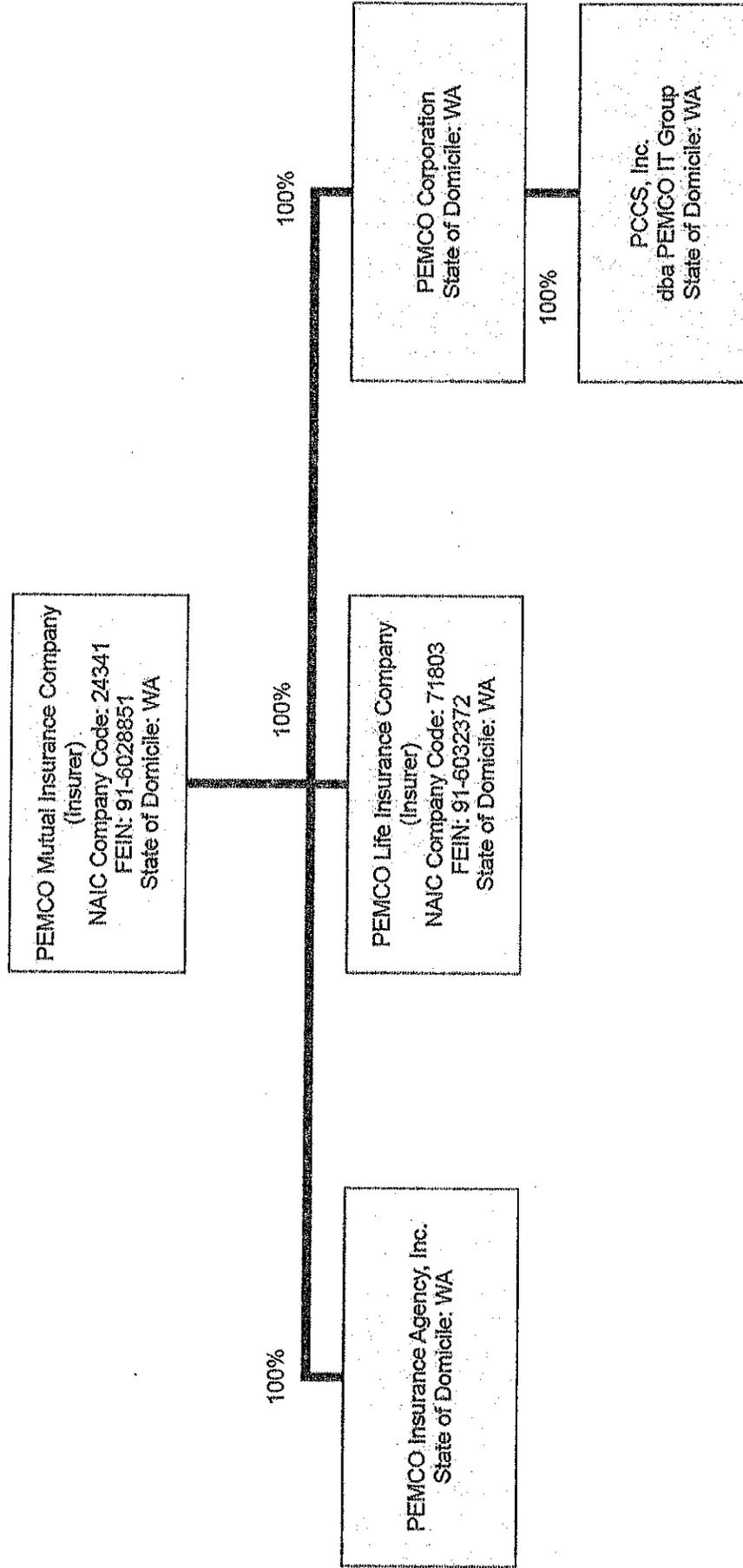
By: 
Denice M. Town, Secretary

ATTACHMENT B

Insurance Holding Company System



Insurance Holding Company System



ATTACHMENT C

CERTIFIED COPY
RESOLUTION OF THE BOARD OF DIRECTORS
PEMCO MUTUAL INSURANCE COMPANY
PEMCO INSURANCE COMPANY
MARCH 24, 2011

WHEREAS, PEMCO Mutual Insurance Company (PMIC) is a mutual insurance company incorporated in the state of Washington and owns 100% of the outstanding stock of its subsidiary, PEMCO Insurance Company (PIC), a stock insurer incorporated in the state of Washington;

WHEREAS, since its incorporation in 1972, PIC has been managed by substantially the same Board of Directors and officers as PMIC, and the companies have shared resources, including facilities, management, and employees, and have conducted business under the same governing principles and business policies; and

WHEREAS, management has recommended that the Boards of Directors of PMIC and PIC (the boards) approve the merger of the two companies and has presented to the boards a form of Agreement and Plan of Merger to merge PIC into PMIC so that PMIC shall be the surviving corporation; and

WHEREAS, after full consideration the boards have concluded that a statutory merger of the two companies would result in important advantages, including operating efficiencies and cost savings that would result from the elimination of duplicate corporate, regulatory, and other overlapping efforts and expenses, and that such a merger would be in the interest of the policyholders of both companies, now therefore,

IT IS RESOLVED, that the proposed Agreement and Plan of Merger substantially in the form attached hereto as Exhibit A between PMIC and PIC, and as it may be revised, is hereby authorized and approved; it is further

RESOLVED, that the officers of the companies, or any one of them, are hereby authorized to execute and deliver all documents and to take all actions on behalf of the companies which he or she deems necessary or advisable to carry out and perform the purposes and intent of these resolutions and to obtain approval of the proposed merger by the Washington State Office of the Insurance Commissioner.

CERTIFICATION

I, Denice M. Town, Secretary of PEMCO Mutual Insurance Company and PEMCO Insurance Company (the "Companies"), each a Washington corporation, do hereby certify that the foregoing contains a true and complete copy of resolutions duly adopted by the Boards of Directors of the Companies at their meetings of March 24, 2011, approving the Agreement and Plan of Merger attached as Exhibit A, and authorizing the officers of the Companies to obtain approval of the proposed merger by the

Washington State Office of the Insurance Commissioner. I further certify that said resolutions are included in the minutes of such meetings, are on file in the corporate minute books, and have not been altered, amended, or revoked

DATED this 29 day of April, 2011.

PEMCO MUTUAL INSURANCE COMPANY
PEMCO INSURANCE COMPANY

By


Denise M. Town, Secretary

ATTACHMENT D

AFFIDAVIT OF PEMCO INSURANCE COMPANY

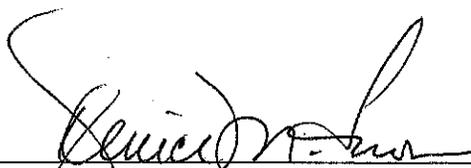
I, Denice M. Town, am the Secretary of PEMCO Insurance Company ("PIC"), a Washington corporation, and am authorized to execute this affidavit on its behalf.

The board of directors of PIC has approved an Agreement and Plan of Merger to merge with and into its parent company, PEMCO Mutual Insurance Company (the "Merger").

In compliance with RCW 48.31.010, no director or officer of either party to the Merger, or any other person, shall receive any fee, commission or other compensation (other than regular salaries), or other valuable consideration whatsoever for in any manner aiding, promoting or assisting in the Merger.

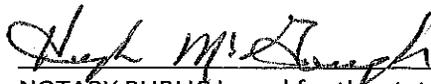
I certify under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

DATED: May 4, 2011


Denice M. Town, Secretary
PEMCO Insurance Company

STATE OF WASHINGTON)
: ss.
COUNTY OF KING)

I certify that Denice M. Town, personally known to me, appeared before me on May 4, 2011 and acknowledged to me that she executed the foregoing affidavit and is authorized to sign on behalf of PEMCO Insurance Company.


NOTARY PUBLIC in and for the state of Washington,
Residing at: Seattle
My commission expires: Sept. 24, 2014

AFFIDAVIT OF PEMCO MUTUAL INSURANCE COMPANY

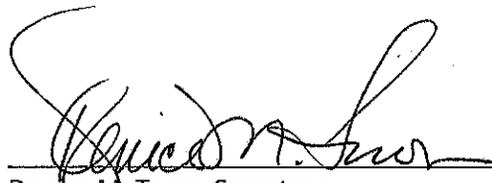
I, Denice M. Town, am the Secretary of PEMCO Mutual Insurance Company ("PMIC"), a Washington corporation, and am authorized to execute this affidavit on its behalf.

The board of directors of PMIC has approved an Agreement and Plan of Merger to merge PEMCO Insurance Company, a wholly-owned subsidiary of PMIC, with and into PMIC (the "Merger").

In compliance with RCW 48.31.010, no director or officer of either party to the Merger, or any other person, shall receive any fee, commission or other compensation (other than regular salaries), or other valuable consideration whatsoever for in any manner aiding, promoting or assisting in the Merger.

I certify under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

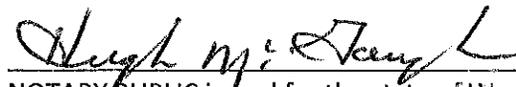
DATED: May 4, 2011



Denice M. Town, Secretary
PEMCO Mutual Insurance Company

STATE OF WASHINGTON)
 : ss.
COUNTY OF KING)

I certify that Denice M. Town, personally known to me, appeared before me on May 4, 2011 and acknowledged to me that she executed the foregoing affidavit and is authorized to sign on behalf of PEMCO Mutual Insurance Company.



NOTARY PUBLIC in and for the state of Washington,
Residing at: Seattle
My commission expires: 9/24/14