

BEFORE THE INSURANCE COMMISSIONER AND THE ATTORNEY GENERAL OF
THE STATE OF IOWA

In re the application of STATE AUTO)	FINDING OF FACT,
PROPERTY & CASUALTY INSURANCE)	CONCLUSIONS OF LAW,
COMPANY for approval of a)	AND ORDER
Plan of Merger with FARMERS CASUALTY)	(Iowa Code sections 521.5 & 521.8)
INSURANCE COMPANY)	

I. INTRODUCTION

Pursuant to Iowa Code sections 521.5 and 521.8 (2011), on December 26, 2012 the undersigned Commission heard an application for approval of a Plan of Merger between STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY (“State Auto”), an Iowa domiciled insurance company organized under Iowa Code chapter 515 and FARMERS CASUALTY INSURANCE COMPANY (“Farmers Casualty”), an Iowa domiciled insurance company organized under Iowa Code chapter 515.

The Commission reviewed the Plan of Merger to be effective December 31, 2012, and the State Auto Financial Corporation and State Auto Board of Directors Resolutions approving and adopting the Plan of Merger dated August 3, 2012. If the Plan of Merger is approved, Farmers Casualty will merge with and into State Auto. Upon completion of the merger, State Auto will be the surviving corporation and Farmers Casualty will cease to exist.

The Commission notes that State Auto and Farmers Casualty are wholly owned subsidiaries of State Auto Financial Corporation and that State Auto and Farmers Casualty are licensed with the Iowa Insurance Division (“Division”). State Auto and Farmers Casualty have current financial statements on file with the Division.

II. JURISDICTION

The Commission has jurisdiction over this proceeding under Iowa Code sections 521.2, 521.3, 521.4, 521.5, and 521.8 (2011).

III. FINDINGS OF FACT

Iowa Code section 521.8 (2011) permits the Commission to approve the proposed Plan of Merger if it is satisfied that the interests of the affected policyholders are properly protected and no reasonable objection to the Plan of Merger exists.

The Plan of Merger provides that Farmers Casualty will merge with and into State Auto as of December 31, 2012. As a result of the merger, no share exchange will occur; however, the shares of Farmers Casualty will be retired upon the effective date of the merger. The surviving entity will continue to do business as State Auto. All policies issued by Farmers Casualty which are outstanding on the effective date of the Plan of Merger will be assumed by State Auto. State Auto will, post-merger, possess the combined assets, liabilities and obligations held by Farmers Casualty and State Auto prior to the merger. Upon completion of the Plan of Merger, State Auto will be the surviving corporation and Farmers Casualty will be merged into it, thereby ceasing to exist.

The Commission finds that the interests of Farmers Casualty's and State Auto's policyholders are properly protected under the Plan of Merger. The Commission further finds that no reasonable objection for approval of the Plan of Merger exists.

IV. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commission not only to make factual findings, but also to interpret and apply the law. Iowa Code sections 521.3 and 521.8 permit the Commission to approve a Plan of Merger if it determines that the applicant demonstrates the two criteria listed within section 521.8 to the satisfaction of the Commission.

The Commission concludes, upon substantial evidence, that the Plan of Merger between Farmers Casualty and State Auto meet the two requirements of Iowa Code section 521.8, and should be approved.

ORDER

IT IS THEREFORE ORDERED that:

State Auto Property & Casualty Insurance Company's application for approval of its Plan of Merger with Farmers Casualty Insurance Company is **APPROVED effective December 31, 2012.**

This Order shall be considered final agency action for the purposes of Iowa Code chapter 17A (2011). Any action challenging this Order shall comply with the requirements of Iowa Code chapter 17A.

Any application for rehearing shall comply with the requirements of Iowa Code chapter 17A.

Dated this 26th day of December, 2012.

SUSAN E. VOSS
Iowa Insurance Commissioner

THOMAS J. MILLER
Iowa Attorney General

_____/s/_____
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Deputy Commissioner of Insurance

_____/s/_____
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