

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to the Insurance Company
Application of Washington Mutual Fire : Mutual-to-Stock Conversion Act, Article
and Storm Insurance Company : VIII-A of the Insurance Company Law of
Requesting Approval of a Mutual-to- : 1921, Act of May 17, 1921, P.L. 682, as
Stock Conversion and Reorganization : amended, added 1995, Dec. 21, P.L. 714,
Plan : 40 P.S. § §911-A et seq., as amended;
: Sections 1401, 1402, and 1403 of 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. §§991.1401-1403.
:
: Order No. ID-RC-09-03

DECISION AND ORDER

AND NOW, on this 23rd 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 Company Mutual-to-Stock Conversion Act, the Insurance Holding Companies Act, the Business Corporation Law 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 the Parties

1. Washington Mutual Fire and Storm Insurance Company (“Washington Mutual”) is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Wyalusing, Pennsylvania.
2. Tuscarora-Wayne Mutual Insurance Company (“Tuscarora-Wayne”) is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business located in Wyalusing , Pennsylvania. Tuscarora-Wayne currently controls Washington Mutual through a management agreement.

3. Tuscarora Wayne Group, Inc. (“SHC”) is a to be formed stock insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Wyalusing, Pennsylvania.
4. Tuscarora Wayne Mutual Group, Inc. (“MHC”) is a to be formed mutual insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its primary place of business in Wyalusing, Pennsylvania. MHC will directly hold 100% of the issued and outstanding capital stock of SHC at formation.

The Filings

5. On November 10, 2008, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter collectively referenced as “Application”) from Washington Mutual requesting approval to convert from the mutual to stock form (“the Conversion”).
6. The Insurance Company Mutual-To-Stock Conversion Act, 40 P.S. §§911-A et seq., as amended (the “Conversion Act”), provides that all plans of conversion of domestic mutual insurers must be filed with the Commissioner for approval or disapproval.
7. Section 917-A of the Conversion Act provides that a domestic mutual insurer may adopt an alternative plan of conversion if the Commissioner finds that the plan does not prejudice the interests of the policyholders, is fair and equitable, and is not inconsistent with the purpose and intent of the Conversion Act.
8. As specified in the Application, Washington Mutual proposes to convert from the mutual-to-stock form pursuant to Section 917-A of the Conversion Act.
9. The Insurance Holding Companies Act, Article XIV of the Insurance Corporation 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 acquisitions of control of domestic insurers must be filed with the Commissioner for approval or disapproval.
10. As specified in the Application, SHC proposes to acquire 100% of the issued and outstanding capital stock of Washington Mutual upon the conversion of Washington Mutual to a stock insurance company.
11. The Application was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act and Section 913-A of the Conversion Act.

Department Procedures

12. On November 29, 2008, the Department published notice in the *Pennsylvania Bulletin* that the request for approval for a mutual-to-stock conversion was submitted by Washington Mutual. This notice invited interested persons to submit comments to the

Department regarding the mutual-to-stock conversion for a forty-five day period (“the Comment Period”).

13. The Department received no comments regarding the proposed mutual-to-stock conversion during the Comment Period.

Description of the Proposed Mutual-to-Stock Conversion

14. The management and Board of Directors of Washington Mutual believe that it is in the best interest of the insurance company and its members (“policyholders”) to reorganize Washington Mutual by a partial conversion to a stock insurance company within a mutual holding company system.
15. The converted stock insurance company (“Stock Insurance Company”) will be wholly-owned by a newly incorporated stock holding company (“SHC”) which will be wholly-owned by a newly formed mutual holding company (“MHC”).
16. The current policyholders of Washington Mutual and future policyholders of Stock Insurance Company will be members of MHC.
17. On August 28, 2008, the Board of Directors of Washington Mutual unanimously adopted a plan of conversion (including any and all amendments, the “Plan of Conversion”) under which:
 - a. Washington Mutual intends to undertake a partial conversion from the mutual to stock form;
 - b. a mutual holding company will be organized and the members of Washington Mutual will become members of the mutual holding company;
 - c. a stock holding company will be organized and the mutual holding company will be issued 100% of the capital stock of the stock holding company; and
 - d. the stock holding company will be issued 100% of the capital stock of the converted stock insurance company.
18. At the time the Board of Directors of Washington Mutual adopted the Plan of Conversion, Washington Mutual had approximately 1,142 policyholders (“Eligible Members”).
19. As specified in the Application, Washington Mutual shall send notice of a policyholders’ meeting to vote upon the Plan of Conversion to the Eligible Members upon receiving an approving determination by the Commissioner in the instant proceeding.

20. As specified in the Application, upon receiving the affirmative vote of at least two-thirds of the votes cast by the Eligible Members, Washington Mutual may convert to the stock form by completing the required filings with the Pennsylvania Department of State.

Policyholder Interests

21. As described in the Plan, each policy in force on the Effective Date will continue in force as a policy of Stock Insurance Company with all policy and contract rights under such policies remaining as they existed on the Effective Date, except that the following rights, to the extent such rights existed in the policies, will be extinguished on the Effective Date:
 - a. any voting rights of the policyholders provided under the policies;
 - b. any right to share in the surplus of Washington Mutual provided for under the policies; and
 - c. any assessment provisions provided for under the policies.
22. As described in the Application, all persons insured by Washington Mutual on the Effective Date, except the holder of a policy or contract of reinsurance, will be members of Mutual Holding Company so long as at least one policy which leads to such membership remains in force. Regardless of the number of such policies or such amount of insurance, each member will be entitled to one vote at each members' meeting.
23. As described in the Plan, on the Effective Date all the shares of the common stock of Stock Insurance Company will be acquired by SHC, and all the shares of common stock of SHC will be acquired by MHC.
24. As described in the Plan, no subscription rights to purchase any of the capital stock of Stock Insurance Company, SHC, or any other corporation will be offered to any officer, director, member of Washington Mutual, MHC, or SHC, or persons of the general public as a part of or as a result of the Plan. Accordingly, no independent evaluation of the pro forma market value of Washington Mutual was included in the Application.

Description of the Proposed Acquisition

25. The 2007 Annual Statement of Washington Mutual reports \$1,928,447 in surplus as regards policyholders.
26. As specified in the Application, at the time of the Conversion, the existing surplus of Washington Mutual would be recorded as “unassigned funds.”
27. As specified in the Application, at the time of the Conversion Washington Mutual would issue a dividend of \$1,500,000 to MHC.
28. As specified in the Application, MHC would acquire the capital stock of SHC for \$1,500,000.
29. SHC would acquire Stock Insurance Company stock for \$1,500,000.
30. After the acquisition of Stock Insurance Company stock, Stock Insurance Company would have a capital account balance of \$1,000,000 and a contributed surplus account balance of \$500,000.
31. As specified in the Application, upon completion of the Conversion and Acquisition Stock Insurance Company would have the statutory minimum amounts of capital and contributed surplus required of a stock property insurance company authorized to write the existing lines of authority currently held by Washington Mutual.
32. Based on the information contained in the Application, the Commissioner finds that the contemplated conversion of Washington Mutual would not prejudice the interests of the Eligible Members of Washington Mutual.
33. Based on the information contained in the Application, the Commissioner finds that the contemplated conversion of Washington Mutual is not inconsistent with the purpose and intent of the Conversion Act.
34. 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. The Conversion Act provides the Commissioner jurisdiction to review and approve the Plan of Conversion.
2. Section 913-A(e) of the Conversion Act states that the Commissioner may order a hearing on whether the terms of the Plan of Conversion comply with the Conversion Act after giving written notice to the mutual company and other interested persons, all of whom have the right to appear at the hearing.
3. The parties to the filing did not request a hearing, and, after review of the circumstances and documents relating to the Application, the Commissioner did not elect to conduct a hearing as a proper exercise of his statutory discretion.
4. As specified in the Application, all policies of Washington Mutual in force at the time of Conversion would continue in force, and the Conversion would not change, reduce or impair in any way the insurance obligations of Washington Mutual under any insurance policy issued or contract entered into by Washington Mutual.
5. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the Conversion would not prejudice the interests of the Eligible Members.
6. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the provisions of the Application are fair and equitable.
7. In accordance with Section 917-A of the Conversion Act, the Commissioner concludes that the Application is not inconsistent with the purpose and intent of the Conversion Act.
8. As allowed by Section 918-A of the Conversion Act, the Conversion would become effective when the Eligible Members have approved the Plan of Conversion and adopted amended articles of incorporation and such amended articles of incorporation have been filed in the office of the Secretary of the Commonwealth.
9. The Insurance Holding Companies Act grants the Commissioner jurisdiction to review and approve the Acquisition.
10. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt an acquisition from the requirements of Section 1402 if the acquisition does not have the effect of changing or influencing the control of a domestic insurer.
11. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Commissioner concludes that the Acquisition would not change the ultimate controlling persons of Washington Mutual, and, therefore, is exempt from the filing requirements

of the Insurance Holding Companies Act.

12. The Commissioner concludes that the Application satisfies the requirements of the Conversion Act, the Insurance Holding Companies Act and the Business Corporation Law.
13. 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.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to the Insurance Company
Application of Washington Mutual Fire : Mutual-to-Stock Conversion Act, Article
and Storm Insurance Company : VIII-A of the Insurance Company Law of
Requesting Approval of a Mutual-to- : 1921, Act of May 17, 1921, P.L. 682, as
Stock Conversion and Reorganization : amended, added 1995, Dec. 21, P.L. 714,
Plan : 40 P.S. § 911-A et seq., as amended;
: Sections 1401, 1402, and 1403 of 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. §§ 991.1401-1403.
:
: Order No. ID-RC-09-03

ORDER

Upon consideration of the foregoing, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Order:

The Application of Washington Mutual Fire and Storm Insurance Company (“Washington Mutual”) requesting approval of a Mutual-to-Stock Conversion and Reorganization Plan, as specified in the Application, is hereby granted, subject to this Order and the following conditions:

1. Washington Mutual shall submit for the Commissioner’s approval any changes to the Plan of Conversion.
2. Washington Mutual shall, within sixty (60) days of the date of this Order, send a notice to its Eligible Members, in a form acceptable the Insurance Department, advising them of the policyholder meeting to vote on the plan of conversion in the form contained in the Application.
3. Washington Mutual shall effectuate the Conversion as contemplated in the Application no later than 120 days following the date of this Order.
4. Washington Mutual shall provide a copy of all final executed documents relative to the Conversion to the Commissioner within five (5) days of the effective date of the Conversion.

5. Washington Mutual shall, within sixty (60) days of the effective date of conversion, send a notice to its producers, in a form acceptable to the Insurance Department, giving notice of the conversion.
6. The request from Washington Mutual to change its name subsequent to its conversion from the mutual to stock form to “Washington Fire and Storm Insurance Company” is hereby approved.

This Order is effective immediately.

Joel Ario
Insurance Commissioner
Commonwealth of Pennsylvania