

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402 and
	:	1403 of the Insurance Holding
Application of Mercer Mutual Insurance	:	Companies Act, Article XIV of the
Company Requesting Exemption from	:	Insurance Company Law of 1921, Act of
the Requirements of 40 P.S. §991.1402	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
to Increase its Percentage of Control of	:	P.S. §§991.1401, 991.1402 and
Franklin Holding Company, Inc., the	:	991.1403
Corporate Parent of Franklin Insurance	:	
Company	:	
	:	Order No. ID-RC-03-23

DECISION AND ORDER

AND NOW, on this   19th   day of June 2003, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Entities

1. Franklin Insurance Company (“Franklin”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Lock Haven, Pennsylvania.
2. Franklin Holding Company, Inc. (“FHC”) is an insurance holding company organized pursuant to the laws of the state of Delaware with its principal place of business in Lock Haven, Pennsylvania. Franklin is a wholly-owned subsidiary of FHC.

3. Mercer Mutual Insurance Company (“Mercer Mutual”) is a domestic mutual casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Pennington, New Jersey. Mercer Mutual currently owns 49% of the issued and outstanding voting securities of FHC.

#### Filing of the Application

4. 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 et seq. (cited as “Insurance Holding Companies Act”), provides that all transactions resulting in an entity holding control of domestic insurers must be filed with the Department for approval or disapproval.
5. On May 21, 2003, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received a request (which together with all material received subsequently is hereinafter referenced as “Request”) from Mercer Mutual for approval to increase its indirect control over Franklin.
6. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
7. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
  - a) does not have the effect of changing or influencing the control of a domestic insurer; or
  - b) is otherwise not comprehended within the purposes of the section.
8. As described in the Request, Mercer Mutual would acquire direct ownership of 100% of the issued and outstanding voting securities of FHC.
9. As described in the Request, Mercer Mutual would remain in control Franklin after the contemplated transaction.
10. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
11. 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. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The increase in the percent of ownership of voting securities as presented in the Request is not being contemplated to change or influence the control of Franklin, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. 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.

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Corporate Parent of Franklin Insurance	:	
Company	:	
	:	Order No. ID-RC-03-23

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

An approving determination for 100% ownership of the voting securities in Franklin Holding Company, Inc. by Mercer Mutual Insurance Company, as set forth in the Request, is hereby granted.

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Stephen J. Johnson  
Deputy Insurance Commissioner  
Regulation of Companies