

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application from Mid-America	:	Holding Companies Act, Article
Insurance Company in Support of the	:	XIV of the Insurance Company
Request for Approval to Merge Mid-	:	Law of 1921, Act of May 17, 1921,
America Insurance Company with and	:	P.L. 682, <u>as amended</u> , 40 P.S.
into Harleysville Worcester Insurance	:	§§991.1401, 991.1402, and
Company with Harleysville Worcester	:	991.1403; Sections 1921 through
Insurance Company Being the Survivor	:	1929 of the 1988 Business
in a Transaction Exempt from the	:	Corporation Law, Act of
Requirements of 40 P.S. §991.1402	:	December 21, 1988, P.L. 1444, No.
	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1929; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, <u>as amended</u> , 15
	:	P.S. §§21205 and 21207.
	:	:
	:	Order No. ID-RC-07-32

DECISION AND ORDER

AND NOW, on this 13th day of November, 2007, 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, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, 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. Mid-America Insurance Company (“Mid-America”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harleysville, Pennsylvania.
2. Harleysville Worcester Insurance Company (“Harleysville Worcester”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harleysville, Pennsylvania.
3. Harleysville Group Inc. is an insurance holding company organized under the laws of Delaware with its principal place of business in Harleysville, Pennsylvania. Mid-America and Harleysville Worcester are direct wholly-owned subsidiaries of Harleysville Group Inc.
4. Harleysville Mutual Insurance Company (“HMIC”) is a domestic mutual fire insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harleysville, Pennsylvania. HMIC owns 54% of the voting securities of Harleysville Group Inc.
5. No other person owns 10% or more of the voting securities of Harleysville Group Inc.
6. HMIC is the sole ultimate controlling person of the holding company system that contains Mid-America and Harleysville Worcester.

### Filing of the Application

7. 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. (“Insurance Holding Companies Act”), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.
8. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
  - a) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or

- b) if the transaction is otherwise not comprehended within the purposes of Section 1402.
- 9. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa.C.S. §§1921 through 1929 (“1988 BCL”), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205 and 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
- 10. On September 21, 2007, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Mid-America requesting approval to merge Mid-America with and into Harleysville Worcester with Harleysville Worcester being the survivor.
- 11. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

#### Notice and Filing of Comments

- 12. On October 13, 2007, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by Mid-America and such notice invited interested persons to submit comments to the Department regarding the Application for a 30-day period, ending November 12, 2007.
- 13. During the 30-day public comment period, the Department received no comments regarding the Application.

#### The Transaction

- 14. Mid-America and Harleysville Worcester executed an Agreement and Plan of Merger dated as of October 2, 2007 (“Merger Agreement”), which provides for Mid-America to merge with and into Harleysville Worcester, with Harleysville Worcester being the surviving corporation.
- 15. As described in the Application, the Merger Agreement was adopted by unanimous written consent of the sole shareholders of Mid-America and Harleysville Worcester on September 18, 2007.
- 16. As described in the Application, the Merger Agreement was adopted by unanimous written consent of the board of directors of Mid-America and Harleysville Worcester on October 2, 2007.

17. As described in the Application, Harleysville Worcester shall acquire all of the assets of Mid-America and assume all of the debts and other liabilities of Mid-America.
18. As described in the Application, the articles of incorporation and by-laws of Harleysville Worcester in effect immediately prior to the merger shall be the articles of incorporation and by-laws of Harleysville Worcester upon the effective date of the merger.
19. As described in the Application, the members of the board of directors and the officers of Harleysville Worcester prior to the merger shall be the members of the board of directors and the officers of Harleysville Worcester after the merger.
20. As described in the Application, each share of Mid-America common stock issued and outstanding immediately prior to the effective date of the merger shall be surrendered for cancellation without consideration.
21. As described in the Application, HMIC will remain the sole ultimate controlling person of Harleysville Worcester upon the effective date of the merger.
22. 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 merger of Harleysville Worcester and Mid-America.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of a domestic insurer and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. Pursuant to Section 1924 of the 1988 BCL, the Deputy Commissioner concludes that the Merger Agreement has been adopted and consented to by the sole

shareholders of Harleysville Worcester and Mid-America, and by the board of directors of Harleysville Worcester and Mid-America.

6. The Deputy Commissioner concludes that the execution and contents of the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Merger Agreement will be effective on or after proper filing of Articles of Merger with the Department of State, pursuant to Sections 1927 and 1928 of the 1988 BCL.
8. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Mid-America will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
9. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner concludes that the proposed merger is in accordance with law and not injurious to the interests of policyholders and creditors of Harleysville Worcester and Mid-America.
10. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
11. 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 DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,  
: and 1403 of the Insurance  
Application from Mid-America : Holding Companies Act, Article  
Insurance Company in Support of the : XIV of the Insurance Company  
Request for Approval to Merge Mid- : Law of 1921, Act of May 17, 1921,  
America Insurance Company with and : P.L. 682, as amended, 40 P.S.  
into Harleysville Worcester Insurance : §§991.1401, 991.1402, and  
Company with Harleysville Worcester : 991.1403; Sections 1921 through  
Insurance Company Being the Survivor : 1929 of the 1988 Business  
in a Transaction Exempt from the : Corporation Law, Act of  
Requirements of 40 P.S. §991.1402 : December 21, 1988, P.L. 1444, No.  
: 177, as amended, 15 Pa. C.S.  
: §§1921-1929; Sections 205 and 207  
: of the GAA Amendments Act of  
: 1990, Act of December 19, 1990,  
: P.L. 834, No. 198, as amended, 15  
: P.S. §§21205 and 21207.  
:  
: Order No. ID-RC-07-32

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application from Mid-America Insurance Company in support of the request for approval to merge Mid-America Insurance Company with and into Harleysville Worcester Insurance Company with Harleysville Worcester Insurance Company being the survivor in a transaction exempt from the requirements of 40 P.S. §991.1402 subject to the following conditions:

A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately and valid for one year, provided no material changes are made to the Application.

---

STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania