

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Harleysville Mutual	:	Holding Companies Act, Article
Insurance Company Requesting	:	XIV of the Insurance Company
Exemption from the Requirements of 40	:	Law of 1921, Act of May 17, 1921,
P.S. §991.1402(b) for a Change in the	:	P.L. 682, <u>as amended</u> , 40 P.S.
Direct Control of Mainland Insurance	:	§§991.1401, 991.1402, and
Company	:	991.1403
	:	
	:	Order No. ID-RC-10-13

DECISION AND ORDER

AND NOW, on this 28th day of June, 2010, 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 the Parties

1. Mainland Insurance Company (“Mainland”) 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 Group Inc. (“Group”) is a stock insurance holding company organized under the laws of Delaware with its principal place of business located in Harleysville, Pennsylvania.

3. Harleysville Mutual Insurance Company (“Harleysville”) is a domestic mutual casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harleysville, Pennsylvania. Harleysville directly holds 100% of the issued and outstanding capital stock of Mainland and 52% of the issued and outstanding capital stock of Group.
4. The Insurance Company of the State of Pennsylvania (“ICSP”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in New York, New York.
5. Harleysville is the sole ultimate controlling person of Mainland.

#### Filing of the Application

6. On June 16, 2010, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from Harleysville for approval to effectuate a plan to change the chain of control of Mainland.
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 transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
9. 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.

#### The Transaction

10. As described in the Application, Harleysville would contribute 100% of the issued and outstanding capital stock of Mainland to Group in exchange for cash in an amount equal to Mainland’s recorded statutory book value for the stock as of the closing date.

11. As described in the Application, Harleysville would continue to be the sole ultimate controlling person of Mainland.
12. The Deputy Commissioner finds that the transaction described in the Application does not have the effect of changing or influencing the control of the Mainland.
13. 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 controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction is not being contemplated to change or influence the ultimate control of Mainland, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. 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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ORDER

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

An approving determination for the application of Harleysville Mutual Insurance Company requesting exemption from the requirements of 40 P.S. §991.1402 for the change in control of Mainland Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner