

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of United Fire & Casualty	:	Holding Companies Act, Article
Company Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Restructuring of its Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System, which includes Mercer Insurance	:	§§991.1401, 991.1402, and
Company and Franklin Insurance	:	991.1403
Company	:	
	:	
	:	
	:	Order No. ID-RC-11-09

DECISION AND ORDER

AND NOW, on this 15th day of July, 2011, 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. Franklin Insurance Company (“Franklin”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Lock Haven, Pennsylvania.
2. Mercer Insurance Company (“Mercer” and together with Franklin “The Domestic Insurers”) is a domestic stock casualty insurance company organized under the

laws of the Commonwealth of Pennsylvania with its principal place of business in Pennington, New Jersey. Franklin is a wholly owned subsidiary of Mercer.

3. Mercer Insurance Group, Inc. (“MIG”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Pennington, New Jersey. Mercer is a wholly owned subsidiary of MIG.
4. United Fire & Casualty Company (“UFCC”) is an insurance company organized under the laws of Iowa with its principal place of business in Cedar Rapids, Iowa. MIG is a wholly owned subsidiary of UFCC.
5. United Fire Group, Inc. (“UFG”) is a newly created insurance holding company organized under the laws of Iowa with its principal place of business in Cedar Rapids, Iowa. UFG is a wholly owned subsidiary of UFCC.
6. UFC MergeCo, Inc. (“MergeCo”) is a newly created business corporation organized under the laws of Iowa with its principal place of business in Cedar Rapids, Iowa. MergeCo is a wholly owned subsidiary of UFG.
7. Dee Ann McIntyre (“Ms. McIntyre”) is an individual with her primary residence located in Santa Fe, New Mexico. Ms. McIntyre holds approximately 13% of the issued and outstanding capital stock of UFCC.
8. Ms. McIntyre is the sole ultimate controlling person of The Domestic Insurers.

#### Filing of the Application

9. On June 20, 2011, 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 UFCC for approval to effectuate a plan of reorganization of the holding company system that includes The Domestic Insurers.
10. 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.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. 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

13. As described in the Application, UFCC has recently received approval from the Iowa Commissioner of Insurance to restructure its holding company system.
14. As described in the Application, MergeCo will merge with UFCC, at which time the separate corporate existence of MergeCo shall cease, with UFCC continuing as the surviving company.
15. As described in the Application, UFCC will cause a share exchange with its shareholders such that each current shareholder of UFCC would receive one share of UFG for each share of UFCC currently held.
16. As described in the Application, upon completion of the merger and share exchange, UFG will hold 100% of the issued and outstanding voting stock of UFCC.
17. As described in the Application, upon completion of the merger and share exchange, Ms. McIntyre would hold approximately 13% of the issued and outstanding voting stock of UFG.
18. As described in the Application, upon completion of the merger and share exchange, Ms. McIntyre will remain the sole ultimate controlling person of The Domestic Insurers.
19. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
20. 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 transaction is not being contemplated to change or influence the ultimate control of the Domestic Insurers, 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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Company	:	
	:	
	:	
	:	Order No. ID-RC-11-09

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 United Fire & Casualty Company requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes Mercer Insurance Company and Franklin Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner