

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of United Fire Group, Inc. : Companies Act, Article XIV of the
Requesting Exemption from the : Insurance Company Law of 1921, Act of
Requirements of 40 P.S. §991.1402 for : May 17, 1921, P.L. 682, as amended, 40
the Restructuring of the Holding : P.S. §§991.1401, 991.1402, and
Company System that includes Mercer : 991.1403
Insurance Company and Franklin :
Insurance Company : Order No. ID-RC-13-13

DECISION AND ORDER

AND NOW, on this 7 day of August, 2013, 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 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”) 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. Franklin is a direct wholly-owned subsidiary of Mercer.

3. Franklin and Mercer are collectively hereinafter referenced as the PA Domestic Insurers.
4. 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 direct wholly-owned subsidiary of MIG.
5. United Fire & Casualty Company ("UFCC") is an insurance company organized under the laws of the State of Iowa with its principal place of business in Cedar Rapids, Iowa. MIG is a direct wholly-owned subsidiary of UFCC.
6. United Fire Group, Inc. ("UFG") is an insurance holding company organized under the laws of the State of Iowa with its principal place of business in Cedar Rapids, Iowa. UFCC is a direct wholly-owned subsidiary of UFG.
7. A person holding 10% or more of the voting securities of UFG has properly filed a disclaimer of control.
8. UFG is the sole ultimate controlling person of the PA Domestic Insurers.

Filing of the Application

9. On July 1, 2013, the Pennsylvania Insurance Department ("Department") received an initial request (which together with all material received subsequently is collectively referenced as "Request") from UFG for approval to restructure its holding company system that includes the PA 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 Request 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 Request, UFG will dissolve MIG and Mercer will become a direct wholly-owned subsidiary of UFCC.
14. As described in the Request, UFG would remain the sole ultimate controlling person of the PA Domestic Insurers following the transaction.
15. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing or influencing the control of a domestic insurer.
16. 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 a controlling interest 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 Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The restructuring of the holding company system proposed in the Request is not contemplated to change or influence the ultimate control of the PA 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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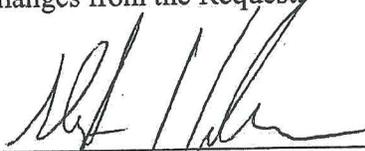
ORDER

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

An approving determination for the request for exemption from the requirements of 40 P.S. §991.1402(b) for the restructuring of the holding company system containing Mercer Insurance Company and Franklin Insurance Company, as set forth in the Request, is hereby granted.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.




STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation