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February 27, 2012

By Federal Express and Electronic Delivery

Robert E. Brackbill, Jr.
Chief, Company Licensing Division
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Re: Pennsylvania Insurance Department's Review of Harleysville Mutual Insurance Company's Preliminary Proxy Statement for its Special Meeting of Members

Dear Mr. Brackbill:

We write in response to the letter of the Pennsylvania Insurance Department (the "Department"), dated January 30, 2012, containing the Department's comments regarding the Proposed Draft of the Proxy Statement, dated December 23, 2011 (the "Preliminary Proxy Statement"), of Harleysville Mutual Insurance Company (the "Company") for its Special Meeting of Members (the "Special Meeting") submitted by the Company to the Department in connection with the Department's review of the proposed change in control transactions between the Company, Harleysville Group Inc. and Nationwide Mutual Insurance Company ("Nationwide"). In this response letter, when we use the term "Harleysville" we refer to the Company, Harleysville Group Inc. and their respective insurance subsidiaries. For your convenience, we have reproduced your comments below, followed by our responses.

Where applicable, Exhibit A to this response letter includes portions of the Preliminary Proxy Statement disclosures where the Company will update and expand upon the disclosures in response to the Department's comments. Such disclosures will be included in the final Proxy Statement to be delivered to the Company's members in advance of the Special Meeting.

Comments of the Department:

1. Describe steps the company has taken to assure that all policyholders receive a proxy. For example, how does the company intend to verify that all addresses are current?

Response: The Company has been working with its advisors to develop a proxy materials delivery process designed to ensure that all members of record as of the record date for the Special Meeting receive a final Proxy Statement and the opportunity to vote. The "proxy materials" to be provided to each member of record will include the cover letter from Chairman of the Board William W. Scranton, III, the Notice of Special Meeting, the separate Voting Instruction Sheet, the final Proxy Statement and a proxy card for each active in-force policy of insurance held by the member as of the record date. The Company has engaged MacKenzie Partners to assist in its proxy solicitation efforts. To date, the Company has provided MacKenzie Partners with a "dry run" data package of policyholders from the Company's information systems, and the Company's internal IT personnel have worked closely with MacKenzie Partners representatives to evaluate the accuracy of such data package. The Company is using the "Named Insured" address shown on the policy declarations page, rather than the billing address, where different because it believes such Named Insured address is more likely to ensure delivery to the member. Further, the Company intends to (a) mail the proxy materials by first class mail, (b) advertise, through publication, the details regarding the Special Meeting, and (c) post the Special Meeting details and proxy materials on its website. Finally, the Company intends, directly and through MacKenzie Partners to contact a number of members to make sure the proxy materials were received.

Verification of policyholder addresses is an on-going process at the Company, and the addresses to which the proxy materials will be sent have already been subject to the Company's comprehensive verification process. All policies, endorsements thereto and other similar policyholder documents are mailed to the Named Insured address shown on the declarations page of the policy. The postal return of any of these documents is subject to a comprehensive set of postal return procedures that includes the search of all applicable Company information systems and, in some instances, contact with the agent to attempt to assure both that the documents are redelivered to the proper address and that the correct address is reflected in all applicable Company information systems. Although utilizing the declarations page address for the Named Insured should significantly reduce the number of proxy materials that are returned, in the event of a return, the Company intends to utilize these same comprehensive verification procedures to ascertain the correct address for the member and to attempt to redeliver the proxy materials in time for the Special Meeting. In addition, the Company has worked with MacKenzie Partners to develop a coding system for the proxy materials so that, upon return, the Company will be able to identify the type of policy, thereby allowing it to more quickly search the applicable database for information on such member.

2. On the Voting Instructions page, please provide to the Department a copy of the following documents referenced:

(a) Proxy card.
(b) Instructions for voting via telephone.
(c) Instruction for voting via Internet.

Response: Attached as Exhibit B is the form of proxy card that will be provided as part of the proxy materials. In addition, the Company will finalize and include, on the Voting Instruction Sheet, information on voting telephonically or via the Internet. MacKenzie Partners is establishing a dedicated toll-free telephone line for telephone voting and a dedicated website for Internet voting. The proxy card (as attached) has a distinct identifying number that the member will use when voting by telephone or Internet to record a vote.

With respect to the actual voting process via telephone and Internet, the Company will provide the one-page Voting Instruction Sheet, but will not deliver any more detailed information with the proxy materials. The Company believes that the simplicity of a single Voting Instruction Sheet, with prominent type and colors, will be helpful to the members given the size and complexity of the proxy materials. Attached as Exhibit C and Exhibit D are transcripts of the voting instructions that will be heard and/or viewed by a member desiring to vote via telephone or via the Internet.

3. The proxy should provide a web address to 5 years of:

(a) Statutory Annual Statements of both the mutual companies; and
(b) Statutory Combined Annual Statements for Nationwide Mutual and Harleysville Mutual.

Response: The Company will add language to the final Proxy Statement as requested to direct the members to the Company's website link to the above-referenced documents. Such documents for the Company are currently available on the Company's website at: www.harleysvillegroup.com, then click on the prominent Harleysville-Nationwide Merger Update button where the Harleysville Mutual annual statements and the Harleysville Mutual and affiliates combined annual statements for years 2006 through 2010 are located. Similar Nationwide documents (for Nationwide Mutual and on a combined basis) are currently available at http://www.nationwide.com/financial-reporting-archive.jsp. The Company intends to add this information to the final Proxy Statement as a separate "question and answer" in the section of the final Proxy Statement beginning on page 3.

4. On page 4 of the draft, please indicate when the company will make a determination regarding when and where the Special Meeting will take place? Is this location large enough to accommodate a substantial attendance?

Response: The Company intends to hold the Special Meeting at its corporate headquarters in Harleysville, Montgomery County, Pennsylvania. The Company has historically held its annual meetings of members (and stockholders of Harleysville Group Inc., its publicly traded subsidiary) at such location. The Special Meeting will be held in the cafeteria, which holds approximately 400 persons. As further discussed below in response to Comment 5, the Company expects to establish the date of the Special Meeting shortly after the record date, and will include the Special Meeting date in all applicable places in the proxy materials.

5. On page 5 of the draft, who is entitled to vote at the Special Meeting? Has the record date for voter eligibility been determined? If not, when and how does the company intend to make such determination?

Response: The members of the Company with active policies of insurance in force as of the record date are the members entitled to notice of, and the right to vote at, the Special Meeting. On February 16, 2012, the Board of Directors of Harleysville Mutual held a regularly scheduled Board meeting and, at that meeting, determined and approved March 1, 2012 as the record date for the Special Meeting. The Company currently intends to begin mailing the final proxy materials on or around March 9, 2012, and to hold the Special Meeting of members sometime in the period from April 17 to April 24, 2012. This provides a solicitation period of approximately 35 to 45 days prior to the Special Meeting. The mailing date, solicitation period and Special Meeting date plans are designed to ensure adequate time for the delivery of the proxy materials, an opportunity by the members to review the materials and ask questions of the Company and to record their votes either by telephone, via the Internet, by returning the proxy card mailed to them, or by attending the Special Meeting and voting in person.

Under Pennsylvania law, the record date for the Special Meeting must be at least 10 and no more than 60 days prior to the date of the Special Meeting. A record date of March 1, 2012 is well within those requirements based on our planned Special Meeting date. Between March 1, 2012 and March 9, 2012, the anticipated mailing date, the Company will review the member lists produced as of the record date, generate the address labels and finalize the proxy materials. The Company will produce the initial run of active policyholders as of the record date (which shall establish the members entitled to vote as of such date) and further intends to produce additional data runs of policyholders (as of the record date of March 1, 2012), during the first and second weeks immediately following such record date to attempt to

assure that any member with a policy in "lapse" status as of the record date that are "cured" will receive proxy materials and be entitled to vote at the Special Meeting. See also the response to Comment 6 below.

6. On both the "Voting Instructions" page and page 6, the proxy should clarify or address the concept of "one policyholder equal one vote" versus "one vote for each policy owned" and note whether some policyholders might have more votes than others.

Response: The Company will emphasize, in the proxy materials identified by the Department, that, under the Company's By-Laws, each member is entitled to one (1) vote for each policy of insurance issued by the Company to such member and in force as of the record date. The Company will also include accompanying disclosure in the final proxy statement to inform each member so designated as of the record date that the member will retain the voting rights established as of the record date through the Special Meeting date regardless of any change in the status of any policy between the record date and the Special Meeting date (e.g., due to cancellation, non-renewal, underwriting changes at renewal or otherwise).

7. Pages 38-40 discuss the litigation related to the mergers. Is this information up-to-date, and if not, does the company intend to revise this section of the proxy?

Response: The information on pages 38-40 of the Preliminary Proxy Statement was current as of its date (December 23, 2011) but is no longer current. Included on the Exhibit A attached to this response letter is revised disclosure regarding the status of the pending litigation actions against Harleysville as of the date of this response letter. The Company intends to further update such disclosure in the final Proxy Statement to provide information that is then most current.

8. On page 63, in the second full paragraph, the reference to Boenning & Scattergood's role is inaccurate. To the contrary, Boenning has been engaged to issue a report and conclusions "as to the reasonableness of the Company's conclusion that the transaction is fair to Harleysville Mutual Insurance Company policyholders."

Response: The final Proxy Statement will be amended to reflect the exact quotation referenced above.

9. On page 8, in the Reason for the Merger preamble, should the language note that the Harleysville Mutual Board "independently" considered the Merger Agreement?

Response: The final Proxy Statement will be amended to reflect that the Company's Board considered the Merger Agreement independently of the Harleysville Group Inc. Board. In addition, the Reasons for the Merger preamble in the final Proxy Statement will be amended as set forth on Exhibit

A to expand the description of the matters that the Company's Board considered in making its determinations with respect to the Merger Agreement.

10. In the 2011 incentive compensation bullet on page 9, should the approximate number of employees eligible be revealed?

Response: The Company will update the final Proxy Statement to expand the disclosure to reflect that Nationwide's commitment to pay, in accordance with the terms of the Merger Agreement, a 2011 target incentive compensation bonus, extends to up to 1,636 eligible employees of Harleysville.

11. Also on page 9, within the bullet dealing with the impact of difficult economic conditions, should Harleysville Mutual more specifically quantify the economic problems (i.e., showing that direct premium written hasn't grown in X amount of years)?

Response: The Company believes that the disclosure currently contained in the Preliminary Proxy Statement adequately describes the difficult economic conditions and economic problems facing Harleysville.

12. Page 11 notes an AM Best rating. Should the proxy also include a statement about the outlook, especially post merger?

Response: We have provided, as Exhibit E, recent press releases by rating agencies regarding the Harleysville-Nationwide transaction. While the Company believes that the AM Best rating outlook for Nationwide will likely be favorable following the merger transactions, that determination is outside of the Company's control. Therefore, the Company has determined not to provide forward-looking information in the final Proxy Statement, as there can be no assurances with respect to the outcome of the ratings process.

13. Also on page 11, the proxy indicates that the Board considered "the fact that certain of Harleysville's officers and directors *may* have interests...different from, or in addition to, the interests of Harleysville's policyholders, stockholders, and other constituencies." This statement implies that the Board did not consider actual conflicts of interest.

Response: The final Proxy Statement will be amended to indicate that the Company's Board did consider the impact of the actual interests of the Company's directors and the Harleysville officers that are different from those of the members of the Company.

14. Should the "[b]ackground of the merger" section on page 12 contain more detail regarding each strategic alternative?

Response: The Company believes that the discussion of each strategic alternative contains all of the important and material information considered by the Company's Board.

15. Would it be more understandable to list all remuneration to directors and officers in one table as opposed to split between options, stock, parachute payments, etc.?

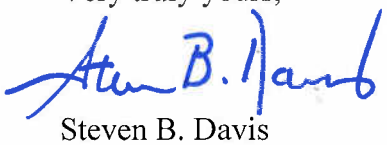
Response: After careful consideration, the Company believes that the presentation of the director and officer remuneration disclosure in the Preliminary Proxy Statement is clear and understandable and contains all of the material and important information that a member would need to make an informed voting decision on the Merger.

16. Should the proxy further explain the difference between the Nationwide offer being fully negotiated and after due diligence versus a proposal that was subject to due diligence and was not fully negotiated?

Response: The Company intends to include updated disclosure in the final Proxy Statement, substantially in the form included on Exhibit A attached to this response letter, to clarify that the indication of interest received from Company B was received at a time when, because of the exclusivity agreement with Nationwide, the Company was contractually bound to not pursue discussions with Company B and that, therefore, such indication of interest from Company B was not negotiated, was provided when only limited due diligence had been done by Company B and was subject to substantial risks and uncertainties. The disclosure will contrast this with the fully negotiated offer from Nationwide.

If you have questions about the forgoing, please feel free to contact the undersigned at (215) 564-8000 or Robert A. Kauffman of the Company at (800) 523-6344.

Very truly yours,



Steven B. Davis

Attachments
cc: Robert A. Kauffman, Esquire
Constance B. Foster, Esquire

Exhibit A

Exhibit A

Changes to Harleysville Mutual Proxy Statement In Response to Pennsylvania Insurance Department Comments

Changes in Response to Comment #6

"How many votes will I have at the Special Meeting?" – page 6 of the Preliminary Proxy Statement

The voting rights of Harleysville Mutual members with respect to the adoption of the Merger Agreement are governed by the Pennsylvania Business Corporation Law and Harleysville Mutual's Articles of Incorporation and Amended and Restated By-laws. Each Harleysville Mutual member is entitled, in accordance with our Amended and Restated By-laws, to "one vote per policy" i.e., one vote at the Special Meeting for each Harleysville Mutual policy of insurance held by such member as of the record date. If a member has multiple policies, the member will receive multiple proxy cards, one for each active policy of insurance held by the member as of the record date. Each member so designated as of the record date will retain such voting rights regardless of any change in status of any policy between the record date and the date of the Special Meeting.

Changes in Response to Comment #7

"Litigation Related to the Mergers" – pages 38 to 41 of the Preliminary Proxy Statement

After the announcement of the Mergers, Harleysville Mutual received ~~three~~ five letters on behalf of purported policyholders objecting to the Merger. ~~Four~~ Six lawsuits ~~have been~~ were filed against Harleysville Mutual brought by purported policyholders challenging the proposed transaction. Initially, Nationwide Mutual was named as a defendant in three of these suits.

The Original Complaints

In particular, on November 16, 2011, Harleysville Mutual received a letter from lawyers representing Roger Brown ("Brown"), a purported policyholder/member of Harleysville Mutual. The letter demanded that the Harleysville Mutual Board of Directors take appropriate action to correct alleged breaches of fiduciary duties by the directors of Harleysville Mutual which allegedly caused harm to Harleysville Mutual in connection with the Merger (the "Brown Demand"). Among the actions sought by the Brown Demand were terminating the Merger Agreement, analyzing other merger or demutualization options that may be available to Harleysville Mutual, forming a committee of three new directors to oversee a potential change of control or other strategic alternative, and taking such other action as may be deemed in the best interest of the policyholders. On December 5, 2011, ~~Mr.~~ Brown filed suit against the directors of Harleysville Mutual, Harleysville Group, Nationwide Mutual and Nationals Sub, Inc. in the Court of Common Pleas of Montgomery County, Pennsylvania. The complaint ~~asserts~~ asserted one derivative claim on behalf of Harleysville Mutual against the directors for breach of fiduciary ~~duty~~ duties and two putative class claims on behalf of the policyholders~~/members~~ of Harleysville Mutual. The complaint generally ~~alleges~~alleged, among other things, that the director defendants breached their fiduciary duties by entering into the Merger Agreement because of conflicts of interest. It ~~asserts~~ asserted that the non-director defendants, including Nationwide Mutual, aided and abetted those breaches of fiduciary ~~duty~~ duties by the directors.

~~No response has yet been filed to this complaint and Plaintiff's counsel has filed a~~ The Plaintiffs' motion to transfer this case to Philadelphia County was granted by the Montgomery County Court of Common Pleas on December 22, 2011.

On November 22, 2011, another purported policyholder/member of Harleysville Mutual, OCL Corporation ("OCL"), filed a complaint in the Court of Common Pleas of Philadelphia County. The next day, OCL's counsel sent a letter to Harleysville Mutual's Board of Directors demanding that Harleysville Mutual take suitable corrective measures or other action with respect to the allegedly wrongful acts described in the OCL complaint (the "OCL Demand"). The complaint filed by OCL asserted one derivative claim on behalf of Harleysville Mutual, alleging that the directors of Harleysville Mutual breached their fiduciary duties in entering into the Merger Agreement. The OCL complaint also asserted putative class action claims on behalf of all policyholders of Harleysville Mutual asserting that the directors breached their fiduciary duties to the policyholders, that the Merger transaction was fundamentally unfair and asking that the Court impose a constructive trust on all of the Group Merger consideration to be paid by Nationwide Mutual to the stockholders of Harleysville Group so that the money could be distributed to the policyholders of Harleysville Mutual. On November 22, 2011, OCL also filed a motion for expedited discovery. On December 7, 2011, Harleysville Mutual filed preliminary objections seeking to dismiss the OCL complaint on a number of grounds, including that OCL lacked standing to sue because it was not a Harleysville Mutual policyholder/member. That same day, Harleysville Mutual also filed an opposition to the motion for expedited discovery and a cross-motion for a stay, based, in part, on the ground that Harleysville Mutual was in the process of establishing a Special Litigation Committee to review the OCL Demand and to issue a report on whether OCL should be permitted to proceed with its litigation. A hearing was held by the Court on the pending motions on December 12, 2011. Thereafter, on December 12, 2011, the Court entered an Order giving the parties until January 17, 2012 to take discovery and brief the standing to sue issue, requiring the Harleysville Mutual Special Litigation Committee to issue its report on or before January 17, 2012 and denying plaintiff's motion to take expedited discovery. On December 27, 2011, OCL filed an amended complaint which added challenges to fairness and process based on the specifics of the preliminary proxy statement filed by Harleysville Group, including detailed allegations regarding the financial interests of the directors and the rejected offer which would have included a cash dividend to policyholders, but which did not challenge the sufficiency of the disclosures themselves. Nationwide Mutual was not named as a defendant in this litigation.

~~On December~~On December 1, 2011, Harleysville Mutual received another letter on behalf of a separate putative policyholder of Harleysville Mutual, Andrew Tignanelli ("Tignanelli"), demanding that Harleysville Mutual take appropriate action to correct alleged breaches of fiduciary ~~duty~~ duties by the directors of Harleysville Mutual in connection with the Merger (the "Tignanelli Demand"). The Tignanelli Demand mirrored the Brown Demand described above. On December 16, 2011, ~~Mr.~~ Tignanelli filed a complaint in the ~~court~~ Court of Common Pleas of Philadelphia County, which was similar to the complaint filed by ~~Mr.~~ Brown on December 5, 2011 described above. In addition to seeking injunctive and other equitable relief as in the Brown case, ~~plaintiff~~ Tignanelli included a count for declaratory relief seeking a declaration that the Harleysville Mutual Special Litigation Committee ~~is~~ was unable to fulfill its mandate or otherwise protect the interests of Harleysville Mutual. ~~Plaintiff has now also filed a motion for declaratory relief. No response has yet been filed to this complaint~~On January 5,

2012, pursuant to court approval, Tignanelli and Brown filed a single amended complaint in the Philadelphia Court of Common Pleas.

On December 6, 2011, without first making any demand, another purported policyholder of Harleysville Mutual, 34 Butler Real Estate, LLC ("34 Butler"), filed another complaint in the Court of Common Pleas of Philadelphia County against the directors of Harleysville Mutual, Harleysville Mutual itself, Harleysville Group and Nationwide Mutual. The 34 Butler ~~complaint contains~~ Complaint contained the same allegations that the Harleysville Mutual Board of Directors breached their fiduciary duties in connection with the Merger and ~~asserts~~ asserted several putative class action claims, including a request to enjoin the Merger, ~~a claim~~ claims for unjust enrichment, breach of duty~~,~~ and aiding and abetting a breach of duty and a request for a constructive trust. ~~No response has yet been filed to this complaint.~~ On December 7, 2011, 34 Butler submitted a letter demanding that Harleysville Mutual take action similar to that requested in the Brown, OCL and Tignanelli Demands. On December 30, 2011, Plaintiffs filed an amended complaint which included allegations based on the preliminary proxy statement filed by Harleysville Group, along the same general lines as contained in the amended OCL Complaint described above.

On December 30, 2011, another purported policyholder/member of Harleysville Mutual, Nancy L. Goldstein ("Goldstein"), filed a complaint in the Court of Common Pleas of Philadelphia County. On January 19, 2012, Goldstein submitted a letter demanding that Harleysville Mutual take action similar to that requested in the Brown, OCL and Tignanelli Demands. On January 10, 2012, Robert F. Schroth ("Schroth"), who also claimed to be a policyholder/member of Harleysville Mutual, filed a complaint in the Court of Common Pleas of Philadelphia County. The claims in both of these complaints are essentially identical to those in the OCL Complaint described above and Plaintiffs were represented by the same counsel representing OCL. Nationwide Mutual was not named a defendant in either the Goldstein action or the Schroth action.

34 Butler filed a motion to coordinate its lawsuit with the other cases pending before the Philadelphia Court of Common Pleas. On January 4, 2012, 34 Butler and Tignanelli filed cross-responses to the pending motions to consolidate and coordinate in which each party confirmed the consensus between all parties to consolidate the litigations before the Court. On January 13, 2012, the Court held argument on the cross-motions and granted the motion to consolidate all six lawsuits pending before the Court.

The Consolidated Amended Complaint

On January 20, 2012, pursuant to Court Order, plaintiffs filed a Consolidated Class Action and Derivative Complaint (the "CCADC") on behalf of plaintiffs Tignanelli, 34 Butler and Goldstein. Plaintiffs Brown, OCL and Schroth were not named, and therefore were dropped, as plaintiffs. The CCADC contains nine claims variously stated as being derivative and/or class in nature: (1) declaratory and injunctive relief contending the merger transaction is fundamentally unfair; (2) declaratory and injunctive relief contending the Harleysville Mutual proxy statement is materially misleading; (3) declaratory relief contending that the Merger Agreement prevents the Special Litigation Committee from performing its authorized function; (4) equitable relief contending Harleysville Mutual has been demutualized; (5) breach of duty by

the Harleysville Mutual directors; (6) aiding and abetting breach of duty by the Harleysville Mutual directors, Nationwide and Nationals Sub, Inc.; (7) unjust enrichment against the Harleysville Mutual directors, the two Harleysville Group directors who are only directors of Harleysville Group, Harleysville Mutual, Nationwide and Nationals Sub, Inc.; (8) constructive trust against Harleysville Mutual, Nationwide and Nationals Sub, Inc.; and (9) declaratory and injunctive relief to enjoin enforcement of allegedly unlawful provisions of the Merger Agreement against Nationwide and Harleysville Group. On January 31, 2012, all defendants filed preliminary objections to the CCADC.

Other Proceedings

On January 26, 2012, plaintiffs filed a Motion for Expedited Discovery. On February 1, 2012, the Harleysville defendants filed an opposition and cross-motion to stay, and the Nationwide defendants filed their own opposition and cross-motion to stay on February 2, 2012. On February 3, 2012, plaintiffs filed a reply in support of their motion. The Court heard the motions at the hearing held on February 6, 2012 and took the motions under advisement at that time. Counsel for the Special Litigation Committee also confirmed at the hearing that the Special Litigation Committee expects to issue its findings on or about March 1, 2012.

On December 20, 2011, Tignanelli filed a Motion for Declaratory Relief asserting that under the terms of the Merger Agreement, the Harleysville Mutual Board of Directors and the Special Litigation Committee are compelled to support the merger transaction and, thus, cannot independently or objectively evaluate the policyholder claims. The Defendants in the Tignanelli action filed responses opposing the Motion for Declaratory Relief on January 13, 2012. On January 30, 2012, the Court entered an Order dismissing without prejudice Tignanelli's Motion for Declaratory Relief. On February 8, 2012, the Court issued an Order scheduling a hearing on April 19-20, 2012 to address the Plaintiffs' Motion for Preliminary Injunction. Such Motion has not yet been filed as of the date of this Proxy Statement.

The Harleysville Mutual Special Litigation Committee

As described above, in response to the demands and complaints, the Harleysville Mutual Board of Directors has established a Special Litigation Committee to investigate the claims set forth in the demands and complaints and to determine the most appropriate actions for Harleysville Mutual to take in response to them. The Special Litigation Committee ~~will consist~~ of Harleysville Mutual consists of three newly appointed independent directors. On February 8, 2012, the Court issued an Order which granted the Special Litigation Committee's motion to have until March 1, 2012 to issue its report on its investigation.

The Harleysville Group Shareholder Suits

~~In addition to these four actions, Harleysville Mutual is a named defendant in two additional legal actions brought against Harleysville.~~ The first action, filed on ~~October 4~~October 4, 2011, is a putative class action complaint filed in the Court of Chancery of the State of Delaware, captioned *Louisiana Municipal Police Employees Retirement System v. Harleysville Group Inc., et al.*, and is brought against Harleysville Group, Harleysville Mutual, the directors of Harleysville Group, Nationwide Mutual and Nationals Sub as the named

defendants. The second action, a putative class action complaint filed in the Court of Chancery of the State of Delaware, captioned *Eric H. Berger v. Harleysville Group Inc., et al.* was filed on October 6, 2011, against Harleysville Group, Harleysville Mutual, Harleysville Group's directors, Nationwide Mutual and Nationals Sub as the named defendants. These two actions are substantially similar and were each purportedly brought on behalf of a class of stockholders. Each complaint alleges that: (~~1) Harleysville~~ i) Harleysville Group's directors breached their fiduciary duties of care, loyalty, good faith, candor and independence; (~~2~~ii) Harleysville Group's directors, through their acts, transactions and courses of conduct, are attempting to unfairly deprive Harleysville Group's stockholders of the true value of their investment in the company; (~~3~~iii) there exists an imbalance and disparity of knowledge between the Harleysville Group directors and public stockholders which makes it inherently unfair for the directors to benefit from their own interests to the exclusion of maximizing stockholder value; (~~4~~iv) Harleysville Group's directors failed to disclose to the plaintiffs all material information necessary to cast an informed stockholder vote on the proposed transaction; and (~~5~~v) Nationwide Mutual and Nationals Sub aided and abetted the claimed breaches of fiduciary duties by the Harleysville Group directors. The plaintiffs in each action seek injunctive and other equitable relief, including a request that the court enjoin Harleysville Group from consummating the Group Merger, as well as damages, fees and costs. To date, neither Harleysville Group nor Nationwide Mutual has ~~not~~ filed an answer to either complaint~~, as these cases have been stayed by agreement of the parties~~.

The plaintiffs in both the Louisiana Municipal Police Employees Retirement System and the Berger cases are represented by the same law firm. Consequently, on October 21, 2011, the Court of Chancery of Delaware entered an order agreed to by counsel for the plaintiffs and counsel for Harleysville Group, Harleysville Mutual, Harleysville Group's directors, Nationwide Mutual and Nationals Sub consolidating both cases. On January 3, 2012, Plaintiffs filed their Amended Complaint, which adds allegations about the sale process, asserting that there was not a vigorous enough effort to find other buyers at a higher price together with disclosure shortfalls, all by reference to the preliminary proxy statement filed by Harleysville Group.

Changes in Response to Comment #9

"Reasons for the Merger" – pages 8 through 10 of the Preliminary Proxy Statement

The Harleysville Mutual and Harleysville Group Boards of Directors (collectively referred to in this section as the "Boards") held joint meetings on September 27, 2011 and September 28, 2011, and separate meetings of each of the Boards on September 27, 2011. These meetings are described in detail below under "***Background of the Merger***." At those meetings, the Boards considered the terms of the Merger Agreement and the transactions contemplated thereby, including the Mergers. Harleysville Mutual's Board also separately considered the requirements that would need to be met to obtain approval of the contemplated transactions by the Pennsylvania Insurance Department under the Holding Company Act, which included a determination that the proposed Merger was not unfair, unreasonable or failed to confer a benefit on policyholders of Harleysville Mutual. Following such determination, Harleysville Mutual's Board of Directors deemed it advisable and in the best interests of Harleysville Mutual to effect the Merger with Nationwide Mutual after consideration of the impact of the Merger on Harleysville Mutual and its constituencies, including policyholders, agents, creditors, employees,

~~policyholders~~ and the communities in which Harleysville's facilities are located. Harleysville Mutual's Board of Directors, because of Harleysville Mutual's ownership of a majority interest in Harleysville Group, also determined that it is in the best interests of Harleysville Mutual to enter into the Voting Agreement. Harleysville Group's board of directors deemed it advisable and in the best interests of Harleysville Group's stockholders to effect the Group Merger of Nationals Sub with and into Harleysville Group.

At the joint meeting of the Boards on September 28, 2011, each of the Boards approved the Merger Agreement and the transactions contemplated thereby, including the Mergers. Harleysville Mutual's Board of Directors also approved the Voting Agreement, pursuant to which Harleysville Mutual agreed to vote its shares of Harleysville Group in favor of the Group Merger.

In evaluating the Mergers, Harleysville Mutual's Board of Directors and Harleysville Group's Board of Directors, acting with the advice and assistance of their respective financial and legal advisors, considered a number of factors, including the following:

* * * * * * * * * * * *

Harleysville Mutual's Reasons for the Mergers

In addition to the reasons set forth above applicable to the Boards, Harleysville Mutual's Board of Directors also considered the following in determining that the proposed Merger was fair and reasonable, and conferred benefits to the Harleysville Mutual policyholders:

Changes in Response to Comment #16

"Background of the Merger" – page 21 of the Preliminary Proxy Statement

Despite Harleysville's belief that Company B was not interested in pursuing a transaction with Harleysville, the Chief Executive Officer of Company B sent a letter to Mr. Browne on August 26, 2011. The letter noted Company B's interest in continuing to discuss a potential transaction with Harleysville. His letter outlined what the Company B Chief Executive Officer described as his initial thoughts. These included a buy out of the public stockholders of Harleysville Group at a significant premium; assumption by Company B of all obligations under any Harleysville change in control or other similar compensation arrangements; conversion of Harleysville Mutual from a mutual company to a stock insurance company and, at the discretion of Harleysville Mutual's Board, either (1) a payment by Company B to Harleysville Mutual members of an amount in cash in return for terminating their member rights or (2) providing Harleysville Mutual's members with a special dividend and member rights in Company B's mutual holding company; establishment of a significant transition and retention compensation program for members of Harleysville's management team; the provision by Company B of a market to provide management of Harleysville with the opportunity to monetize equity received in the conversion; maintenance, during an integration period, of compensation and benefits for Harleysville employees substantially comparable to those currently enjoyed and in the future consistent with employees of Company B; no financing contingency and flexibility as to the timing and sequencing of the affiliation, buyout and conversion; maintenance of a real presence in Pennsylvania and in any other significant Harleysville locations; and establishment of a

charitable foundation, "The Harleysville Mutual Foundation," to further support and enhance the surrounding communities.

Because of Harleysville's obligations under the exclusivity agreement with Nationwide Mutual, Harleysville was restricted from discussing the August 26, 2011 letter contents with Company B. Therefore, Harleysville did not contact Company B's Chief Executive Officer to discuss such initial thoughts, or provide any information to Company B regarding Harleysville.

On August 29, 2011, in accordance with the provisions of the exclusivity agreement with Nationwide Mutual, the Chief Financial Officer of Harleysville sent a letter to Nationwide Mutual notifying Nationwide Mutual of the receipt by Harleysville of the letter from Company B's Chief Executive Officer without revealing the identity of Company B or the specific terms contained in Company B's letter.

By letter dated August 30, 2011, Mr. Browne responded to Company B's Chief Executive Officer that Harleysville was not in a position at that time to have further discussions with Company B or its advisors. He further indicated that Harleysville believed that discussions between Harleysville and Company B had terminated in early August.

On August 31, 2011, the Boards met and Fox Rothschild LLP was engaged to represent Harleysville Group, and Ballard Spahr LLP was engaged to represent Harleysville Mutual in the proposed transaction with Nationwide Mutual.

By letter dated September 1, 2011, Company B's Chief Executive Officer acknowledged receipt of Mr. Browne's letter of August 30, 2011. Company B's Chief Executive Officer's letter provided further detail as to why the approach outlined in his August 26 letter would have fairly compensated all important Harleysville constituencies, including that Company B would:

- affiliate with Harleysville Mutual and buy out the public stockholders of Harleysville Group for a price of $42 per share;
- convert Harleysville Mutual to a stock insurance company and provide Harleysville Mutual members with a special dividend of $250 million (approximately $1,244 per policy based on the approximately 201,000 policies of Harleysville Mutual as of November 23, 2011), coupled with member rights in Company B's holding company;
- be flexible as to the timing and sequencing of the affiliation, buyout and conversion transactions;
- offer Mr. Browne and Harleysville's senior management a transition and retention compensation program with a value of approximately $25 million;
- maintain Harleysville operations as a strong brand within Company B's regional companies group;
- maintain a real presence within Pennsylvania and in other significant Harleysville locations; and

- establish "The Harleysville Mutual Foundation" with initial funding of $5 million to support and enhance the surrounding communities.

The letter went on to state that the aggregate consideration proposed by Company B and payable to Harleysville Group's public stockholders and Harleysville Mutual's members would exceed $800 million, which would surpass the consideration to be paid to Harleysville Group's public stockholders pursuant to the other proposal, assuming a per share price of $60, by approximately $50 million.

Because of the restrictions imposed on Harleysville under the exclusivity agreement with Nationwide Mutual, Harleysville did not discuss the letter with any representative of Company B or provide any Harleysville-related information to Company B. Both the August 26, 2011 letter, characterized as "initial thoughts" of Company B's Chief Executive Officer, and the September 1, 2011 letter were provided to Harleysville without any provision of due diligence information by Harleysville to Company B, were not binding on either Company B or Harleysville, were preliminary indications of interest that could not be responded to by Harleysville and were not negotiated.

On September 2, 2011, in accordance with the provisions of the exclusivity agreement with Nationwide Mutual, Harleysville sent a letter to Nationwide Mutual notifying Nationwide Mutual of Harleysville's receipt of the letter dated September 1, 2011 from Company B without revealing the identity of Company B or the terms contained in Company B's letter.

* * * * * * * * * * * *

"Background of the Merger" – page 27 of the Preliminary Proxy Statement

Also, following the joint meeting of the Boards and the separate meeting of Harleysville Group's Board, Harleysville Mutual's Board met separately with representatives of Griffin, Stevens & Lee and Ballard Spahr LLP. Representatives of Credit Suisse also attended that meeting. Griffin discussed its view of the Merger and its consequences for the various Harleysville Mutual constituencies, and stated that, when requested, it was prepared to provide an opinion to Harleysville Mutual's Board as to the fairness of the Merger.

Griffin reviewed with Harleysville Mutual's Board the impact of the Merger on the Harleysville Mutual constituencies and made the following observations:

- With respect to policyholders as creditors, Griffin noted that Nationwide Mutual was an A+ rated company by A.M. Best, had a higher surplus than Harleysville, redundant reserves, strong liquidity and the prospect for stronger surplus generation and better capital market access than Harleysville would have as a standalone entity.
- With respect to policyholders as members, Griffin noted that Nationwide Mutual had the prospect for stronger surplus generation than Harleysville would have as a standalone entity, that its members have governance rights with respect to Nationwide Mutual that are comparable to the rights that Harleysville Mutual's members hold with respect to Harleysville Mutual, that its members enjoy a right

to a distribution of surplus under Ohio law in the event of demutualization, compared to a stock subscription right as provided under Pennsylvania law, and that its members have more favorable rights upon a solvent liquidation of Nationwide Mutual than would the members of Harleysville Mutual upon a solvent liquidation of Harleysville Mutual.

- With respect to management, board and employees, Griffin noted that Nationwide Mutual had made a commitment to provide continued employment and the provision of strong employee benefit packages to Harleysville employees, and to provide all employees and directors with outstanding equity awards with the opportunity to receive cash payments for such equity awards, including those held by members of the Boards and senior management.
- With respect to the community, Griffin noted that Nationwide Mutual had made a commitment to maintain certain employment and charitable giving levels.
- With respect to agents, Griffin noted that Nationwide Mutual was an A+ rated company by A.M. Best, with a more extensive product suite than Harleysville, that should benefit Harleysville's agents.

In addition, Griffin discussed with Harleysville Mutual's Board various alternative transactions, including the advantages and disadvantages of each. In particular, Griffin compared the ~~proposal made by Company B to the Nationwide Mutual proposal.~~content of the indication of interest submitted by Company B's Chief Executive Officer to Harleysville on September 1, 2011, to the fully negotiated, binding Nationwide Mutual transaction. It was noted that the Company B preliminary indication of interest was provided at a time when, because of the exclusivity agreement restrictions, it could not be explored by Harleysville, was not binding on either Company B or Harleysville, would have been subject to extensive due diligence and negotiation if pursued and, because of the corporate structure of Company B, would have been more complex and more subject to risk of failure to close.

Exhibit B

Harleysville Mutual Insurance Company
c/o MacKenzie Partners
105 Madison Avenue
New York, NY 10016

VOTE BY INTERNET **WWW.CESVOTE.COM**

Use the Internet to transmit your voting instructions until 11:59 p.m. Eastern Time on [•],[•], 2012. Have your Proxy Card available when you access the web site **www.cesvote.com** and follow the simple instructions to record your vote.

VOTE BY TELEPHONE **1-888-693-8683**

Use any touch-tone telephone to transmit your voting instructions until 11:59 p.m. Eastern Time on [•],[•], 2012. Have your Proxy Card available when you call the **Toll-Free number 1-888-693-8683** and follow the simple instructions to record your vote.

VOTE BY MAIL

Mark, sign and date your Proxy Card and return it using the **postage-paid envelope** provided or return your proxy card to: Harleysville Mutual Insurance Company, c/o Corporate Election Services, PO Box 3230, Pittsburgh, PA 15230 to ensure your vote is received prior to the Annual Meeting.

Vote by Internet	**Vote By Telephone**	**Vote by Mail**
Access the Website and submit your proxy: **www.cesvote.com**	Call Toll-Free using a touch-tone telephone: **1-888-693-8683**	Sign and return your proxy in the postage-paid envelope provided.

➔

DETACH BELOW AND RETURN USING THE ENVELOPE PROVIDED ONLY IF YOU ARE VOTING BY MAIL

SPECIAL MEETING OF MEMBERS
HARLEYSVILLE MUTUAL INSURANCE COMPANY

_____ __, 2012

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Arthur E. Chandler and Robert A. Kauffman and each or either of them, the proxies of the undersigned, with full power of substitution, to vote in the undersigned's name, place and stead, the vote which the undersigned would be entitled to if personally present at the Special Meeting of Members of Harleysville Mutual Insurance Company, to be held at 355 Maple Avenue, Harleysville, Pennsylvania 19438, on _____, _____ __, 2012, at __:__ a.m. and at any adjournments thereof, with all the powers the undersigned would possess if personally present.

Dated: _____, 2012

If an Individual:

_____
Signature of Member

_____
Print Name

If an Entity:

By _____

It's _____

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, DETACH ALONG THE PERFORATION, MARK, SIGN, DATE AND RETURN THE BOTTOM PORTION USING THE ENCLOSED ENVELOPE.

HARLESYVILLE MUTUAL INSURANCE COMPANY **PROXY CARD**

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED MEMBER. IF NO DIRECTION IS MADE, THE PROXY WILL BE VOTED FOR PROPOSAL 1.

THE HARLEYSVILLE MUTUAL BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 1.

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 28, 2011 (the "Merger Agreement"), by and among Nationwide Mutual Insurance Company, an Ohio mutual insurance company ("Nationwide Mutual"), Nationals Sub, Inc., a wholly owned subsidiary of Nationwide Mutual, and Harleysville Mutual and Harleysville Group Inc.

❑ **FOR** ❑ **AGAINST** ❑ **ABSTAIN**

2. To transact such other business, if any, as may properly come before the Special Meeting or any adjournments, postponements, rescheduling or continuations thereof.

(CONTINUED AND TO BE SIGNED AND DATED ON THE REVERSE SIDE)

Exhibit C

Sample Telephone Voting Voice Script

1. Hello. Let's begin your telephone vote.
2. Please enter the 11-digit number located in the box by the arrow.
3. Welcome to the Harleysville Mutual Insurance Company telephone voting system.
4. Customized Proxy Language: Voting by telephone has the same effect as if you returned your proxy card by mail. You hereby constitute and appoint Arthur E. Chandler and Robert A. Kauffman and each or either of them, your proxies, with full power of substitution, to vote in your name, place and stead, the vote which you would be entitled to if personally present at the Special Meeting of Members of Harleysville Mutual Insurance Company, to be held at 355 Maple Avenue, Harleysville, Pennsylvania 19438, on _____, _____ __, 2012, at __:__ a.m. and at any adjournments thereof, with all the powers you would possess if personally present. After you have voted each proxy card, you will be prompted to vote any additional proxy cards you received.
5. To vote as the Board of Directors recommend on the proposal, please press 1. To vote on the proposal separately, please press 0 (go to #6 below).
    a. You have voted as the Board of Directors has recommended.
    b. If this is correct, please press 1
        i. Optional nonvoting question #1 (IE. Attendance, consent to e-access, etc.)
        ii. Optional nonvoting question #2
        iii. Optional nonvoting question #3
        iv. If you would like to vote another proxy, please press 1, if not, please press 0.
        v. Thank you for voting.
        vi. Goodbye.
    c. If this is not correct, please press 0
        i. If you would like to try again, please press 1, if not, please press 0. *(If 0, go to # 5.c.ii)*
        ii. Please try your call again later, or vote, sign, date and return your proxy card using the envelope provided.
        iii. Goodbye
6. Proposal 1
        i. To vote For, please press 1
        ii. To vote Against, please press 6
        iii. To Abstain, please press 0
7. Your vote has been cast as follows
    a. Proposal 1
        i. For
        ii. Against
        iii. Abstain
    b. If this is correct, please press 1
        i. Optional nonvoting question #1
        ii. Optional nonvoting question #2
        iii. Optional nonvoting question #3
        iv. If you would like to vote another proxy, press 1 now
        v. To end this call, press 0 now
        vi. Thank you for voting. Goodbye.
    c. If this is not correct, please press 0
        i. If you would like to try again, please press 1, if not, please press 0. *(If 0, go to # 7.c.ii)*
        ii. Please try your call again later, or vote, sign, date and return your proxy card using the envelope provided.
        iii. Goodbye

Footnote: If the control number entered in #2 above is incorrect the caller will hear "I'm sorry, that entry was not recognized." The caller will have two more attempts to enter their control number correctly. If the control number was still entered incorrectly after the third attempt the caller will hear "I'm sorry you're having difficulty. Please call again, or vote, sign, date and return your proxy card using the envelope provided. Goodbye."

Exhibit D

TEST MODE
Submissions made in this mode are not recorded.

Voting began on Fri Feb 3, 2012 at 00:00 and ended on Fri Feb 3, 2012 at 23:59.

Harleysville

Voting by Internet has the same effect as if you returned your proxy card by mail. You hereby constitute and appoint Arthur E. Chandler and Robert A. Kauffman and each or either of them, your proxies, with full power of substitution, to vote in your name, place and stead, the vote which you would be entitled to if personally present at the Special Meeting of Members of Harleysville Mutual Insurance Company, to be held at 355 Maple Avenue, Harleysville, Pennsylvania 19438, on _____, _____ __, 2012, at __:__ a.m. and at any adjournments thereof, with all the powers you would possess if personally present.

If you submit your voting instructions without making any specifications, your vote will be recorded according to the recommendations of the Board of Directors. **If you received more than one proxy card in the mail, you will need to vote each of these separately.**

The Board of Directors recommends a vote "FOR" Proposal 1.

To Vote On Each Item Separately, Make Your Selections Below.

Click Here to Vote as the Board of Directors Recommends

The Board of Directors recommends a vote "FOR" Proposal 1.

	FOR	AGAINST	ABSTAIN
1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 28, 2011 (the "Merger Agreement"), by and among Nationwide Mutual Insurance Company, an Ohio mutual insurance company ("Nationwide Mutual"), Nationals Sub, Inc., a wholly owned subsidiary of Nationwide Mutual, and Harleysville Mutual Insurance Company and Harleysville Group Inc.	○	○	○

	YES	NO
▪ Do you plan to attend the Special Meeting?	○	◉

After reviewing the above selections, click the button below to submit your voting instructions. You should see a screen confirming your instructions as they have been recorded.

Submit Voting Instructions

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Last Updated: 02/22/2012 @ 09:05:05
Comments and suggestions welcome.

Harleysville

Thank You for Voting

Your Voting Summary

Your Number	61999999995
Submitted	02/22/2012 @ 10:02:37
1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 28, 2011 (the "Merger Agreement"), by and among Nationwide Mutual Insurance Company, an Ohio mutual insurance company ("Nationwide Mutual"), Nationals Sub, Inc., a wholly owned subsidiary of Nationwide Mutual, and Harleysville Mutual Insurance Company and Harleysville Group Inc.	FOR
» Do you plan to attend the Special Meeting?	NO

If you have multiple policies and received more than one proxy card,
Click Here to Vote Those Other Proxy Cards

If you do not wish to cast another vote, you may close your browser or simply go to another web site.

Close Browser

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Last Updated: 02/22/2012 @ 09:05:05
Comments and suggestions welcome.

Exhibit E

September 30, 2011

Research Update:

Nationwide Mutual Insurance Co. And Affiliates 'A+' Ratings Affirmed On Merger; Outlook Stable

Primary Credit Analyst:
Timothy C Connor, New York (1) 212-438-6104;timothy_connor@standardandpoors.com

Secondary Contacts:
Birgitte Arendal, New York (212) 438-1762;Birgitte_Arendal@standardandpoors.com
Neil Stein, New York (1) 212-438-5906;neil_stein@standardandpoors.com

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Research Update:

Nationwide Mutual Insurance Co. And Affiliates 'A+' Ratings Affirmed On Merger; Outlook Stable

Overview

- Nationwide Mutual Insurance Co. intends to merge with Harleysville Mutual Insurance Co. and purchase the shares of its public subsidiary Harleysville Group Inc.
- The merger will likely enhance the company's national geographic footprint in the small commercial agency segment.
- We are affirming the ratings on Nationwide at 'A+'.
- The outlook remains stable, mainly reflecting the group's strong competitive positions and franchises.

Rating Action

On Sept. 30, 2011, Standard & Poor's Ratings Services affirmed its 'A+' counterparty credit and financial strength ratings on Nationwide Mutual Insurance Co. and its property/casualty affiliates (collectively Nationwide). The outlook remains stable.

Rationale

We affirmed our ratings because we believe the merger enhances Nationwide's national geographic footprint in the small commercial agency segment and will not materially change the financial profile of Nationwide. However, in our opinion, the integration has the potential to impair initiatives to reduce its expense ratio. Nationwide has made significant expense reductions but not enough to improve its overall expense ratio given lower premium writings that are a result of the competitive environment. We believe the property/casualty (P/C) operating performance will continue to be worse than similarly rated peers. Previously, Nationwide had not chosen the riskier strategy of trying to rapidly increase its book to offset its fixed expenses. However, this acquisition is in some ways a rapid-growth approach even though the book should be seasoned through Harleysville.

Capital adequacy, though still strong for the P/C operations, has declined because of weather-related events in 2011 and the approximately $1 billion deal. However, surplus remains relatively unchanged but will need to support the additional insured exposures from the acquisition. Nationwide Financial Services Inc. and its life insurance affiliates (collectively NFS) produce strong results that provide diversification to help offset this on a group basis.

Nationwide has strong franchises in both the personal P/C insurance and retirement savings, and life insurance industries, which the successful implementation of a multiple distribution channel strategy enhances. The company's strong enterprise risk management (ERM) program is also a strength to the rating. Nationwide's improving, though unfavorable, expense structure relative to peers'; exposure to adverse asbestos reserve developments; susceptibility to catastrophe losses; vulnerability to equity market declines; and challenges to improve its expense structure and consolidate its acquisition offset the strengths.

Outlook

The stable outlook reflects our expectation that Nationwide will sustain its strong competitive position and business profile in its P/C and life operations. We expect that on an enterprise basis Nationwide will continue to hold very strong capital. We continue to believe the group will augment its efforts to develop a variety of products that it can offer through its diverse distribution system. We also expect that the group will increase sales of its life insurance products through its P/C customers and benefit from additional cost synergies across the enterprise.

We think catastrophes in 2011 will likely hurt the P/C operations' underwriting profitability, as measured by the combined ratio. We expect the 2011 combined ratio to be 107%-110%, with a return on revenue in the mid-single-digits. Assuming a normal level of catastrophes, we would expect the group's underwriting profitability to be near break-even levels (98%-101%) during the next 18 to 24 months. Moreover, we expect that Nationwide will maintain capital adequacy that is, at minimum, consistent with the rating. We also expect the group to continue implementing operation and expense initiatives that will enable it to sustain earnings that are strong and consistent with those of similarly rated peers and expect it to take at least two years.

The retirement plan segment should continue generating positive net flows and contributing stable earnings for full-year 2011. We expect the individual protection segment to continue to provide a stable earnings base in 2011, notwithstanding a protracted, slow, and modest decline in life sales, which strong fee based sales offset. The individual investment segment influences both revenues and earnings growth within the life and retirement operations. NFS' pretax operating earnings will likely remain at similar levels in 2011 compared with 2010, reflecting strong earnings in the first half of 2011. We expect earnings in second half of 2011 to be weaker because of equity market volatility. We expect that its adjusted return on assets (ROA), on a pretax operating earning basis, will be 60 basis points (bps) to 70 bps. We believe that the group's debt refinancing is temporarily distorting its current debt plus preferred financial leverage and fixed-charge coverage. But NFS' long-term debt plus preferred financial leverage will likely remain at about 30% and the fixed-charge coverage at more than 5x. We consider NFS to be core

to the P/C companies under our group methodology criteria, so they have the same ratings and outlook. We expect that NFS will continue to be a strength to the rating.

We could lower the ratings if weather-related events, asset fee income, or other items impair the group's operating earnings; if its capital adequacy deteriorates beyond our expectations; or if we perceive changes to its competitive position or problems with the integration of the Harleysville acquisition. Conversely, though we are unlikely to raise the ratings during the next two years, we could revise our outlook if the group demonstrates strong and consistent operating performance (as measured by the P/C business's combined ratio and life insurance business' return on assets), improved expense ratio for P/C, and the integration expenses from the Harleysville acquisition do not hurt results by midyear 2013.

Related Criteria And Research

- Analysis Of Insurer Capital Adequacy, Dec. 18, 2009
- Analysis Of Nonlife Insurance Operating Performance, April 22, 2009
- Evaluating Insurers' Competitive Positions, April 22, 2009

Ratings List

Ratings Affirmed

Nationwide Mutual Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Subordinated	A-
Nationwide Property & Casualty Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Nationwide Mutual Fire Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Nationwide Insurance Co. of America	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--

Nationwide General Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Nationwide Assurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Nationwide Agribusiness Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Farmland Mutual Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Crestbrook Insurance Co.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Financial Strength Rating	
Local Currency	A+/Stable/--
Nationwide CSN Trust	
Subordinated	A-

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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The McGraw-Hill Companies

MOODY'S
INVESTORS SERVICE

Announcement: Moody's affirms Nationwide ratings (A1 IFS) upon Harleysville acquisition agreement

Global Credit Research - 29 Sep 2011

New York, September 29, 2011 -- Moody's Investors Service has affirmed the insurance financial strength ratings of Nationwide Mutual Insurance Company (Nationwide) and its property-casualty affiliates at A1 and the surplus note ratings of Nationwide at A3 (hyb) following the company's announcement that it has reached a merger and acquisition agreement with Harleysville Insurance Group. The agreement consist of two components: (1) an acquisition by Nationwide of the outstanding public shares of Harleysville Group Inc. (NYSE: HGIC); and (2) a merger between Nationwide Mutual Insurance Company and Harleysville Mutual Insurance Company. The rating outlook for Nationwide and its affiliates remains stable.

The transaction is expected to close in early 2012 and is subject to approval by the insurance departments of Ohio and Pennsylvania. Moody's will comment separately on the implications of the transaction for the ratings of Harleysville.

RATINGS RATIONALE

Commenting on the announced transaction, Moody's analyst Paul Bauer said, "On balance, we consider the acquisition of Harleysville to be a modest credit negative for Nationwide, with improved diversification and market share offset by increased catastrophe exposure, higher underwriting leverage, and increased operational risk." "However," the analyst added, "even if modestly negative overall, we believe that the added risk of the acquisition is manageable for Nationwide without affecting the company's current ratings."

According to Moody's, the primary negative impact of the acquisition will be the increase in business volume from Harleysville that will need to be supported by Nationwide's capital base, which will remain relatively unchanged on a pro-forma basis. In addition, the rating agency said that Harleysville has exposure to significant catastrophe risk, such as hurricanes, tornadoes and winter storms, particularly in the Northeastern US, which will add to the already fairly high catastrophe exposure of Nationwide, though the different geographic footprints of the two groups will help moderate this risk.

Moody's also commented that the transaction has certain positive implications for Nationwide. According to Mr. Bauer, "The transaction will improve Nationwide's scale and geographic diversification by adding a strong presence in the mid-Atlantic and Northeastern states, and will strengthen product diversification by increasing Nationwide's presence in small business commercial lines insurance." The analyst also noted that the addition of Harleysville will strengthen Nationwide's distribution presence among independent agents and brokers.

The rating agency stated that the ratings of Nationwide and its property and casualty affiliates reflect its status as one of the ten largest property-casualty insurers in the United States. The company has a significant market position in personal lines insurance, strong brand recognition, and a sound balance sheet characterized by moderate financial and underwriting leverage and good asset quality. These strengths are tempered by a challenging operating environment for the P&C insurance industry and by relatively weak profitability for the company.

Moody's noted that factors that could result in an upgrade for Nationwide include a significant reduction in catastrophe loss exposure, improved profitability, adjusted financial leverage below 25%, and interest coverage consistently above 8x. Conversely, factors that could results in a rating downgrade include an erosion of policyholders' surplus by more than 10% over a twelve month period, gross underwriting leverage above 3.5 times, a material credit deterioration in the stand-alone credit profile of the company's life insurance subsidiary (NFS), financial leverage above 30%, or interest coverage below remaining below 4x.

Nationwide Mutual, headquartered in Columbus Ohio, is one of the largest property and casualty insurance groups in the U.S. The organization also maintains significant life insurance and annuity business through its ownership of Nationwide Financial Services, Inc. For the first half of 2011, the consolidated Nationwide Group reported total GAAP operating revenue of $10.5 billion and net income of $219 million. Policyholder equity at June 30, 2011 was $17.3 billion.

The principal methodology used in rating Nationwide Mutual is Moody's Global Rating Methodology for Property and Casualty Insurers published May 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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Press Release - SEPTEMBER 30, 2011

A.M. Best Comments on Nationwide Mutual Insurance Company's Proposed Merger With Harleysville Mutual Insurance Company

Print this article

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FOR IMMEDIATE RELEASE

OLDWICK, N.J., SEPTEMBER 30, 2011
A.M. Best Co. has commented that the financial strength rating of A+ (Superior) and issuer credit ratings of "aa-" of **Nationwide Group** and its members, led by **Nationwide Mutual Insurance Company** (Nationwide) (Columbus, OH), are unchanged following the announcement that Nationwide has signed a definitive agreement with **Harleysville Mutual Insurance Company** (Harleysville) (Harleysville, PA) under which Harleysville will merge with Nationwide.

Under the terms of the agreement, Harleysville policyholders will become policyholders and members of Nationwide. In addition, **Harleysville Group Inc.**, which is Harleysville's publicly-traded subsidiary, would be acquired by Nationwide and merged into a newly formed subsidiary of Nationwide. Purchase price for Harleysville Group Inc. is $60 per share amounting to a total of approximately $760 million. The transaction needs to be approved by the Boards of Directors and policyholders of both organizations, the Pennsylvania Insurance Department, the Ohio Department of Insurance and various other regulatory bodies.

Harleysville sells commercial and personal lines policies in 29 states, with a particular presence in the Northeast and Mid Atlantic. It is anticipated that the merger should present scale and cost savings as Nationwide furthers its expansion strategy and stretches its footprint further into those areas, as well as providing additional distribution channels and opportunities for cross selling.

The principal methodology used in determining these ratings is Best's Credit Rating Methodology - Global Life and Non-Life Insurance Edition, which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include "Risk Management and the Rating Process for Insurance Companies"; "Rating Members of Insurance Groups"; and "Understanding BCAR for Property/Casualty Insurers." Methodologies can be found at www.ambest.com/ratings/methodology.

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