

DISSOLUTION REVIEW
OF
MUTUAL FIRE and MARINE INSURANCE COMPANY
AS OF
June 30, 2013

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached DISSOLUTION EXAMINATION, made as of June 30, 2013 of the

MUTUAL FIRE AND MARINE INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Brandi Biddle

Date: September 27, 2013



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 27th day of September, 2013.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

DISSOLUTION EXAMINATION
OF THE
MUTUAL FIRE AND MARINE INSURANCE COMPANY
AS OF
JUNE 30, 2013

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 27th day of September, 2013

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SALUTATION

Honorable Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority 13.910, a Dissolution examination has been made of the affairs, financial condition and management of the

Mutual Fire and Marine Insurance Company

hereinafter referred to as “MFMIC” or “Company”, f/k/a Mutual Fire, Marine and Inland Insurance Company, incorporated under the laws of the State of Delaware with its administrative office located at 3422 Old Capital Trail, Suite 700, Wilmington Delaware, 19808. The Company’s main administrative office is located at 120 E. Uwchlan Avenue, Exton, Pennsylvania, 19341.

The report of such review is respectfully submitted herewith.

SCOPE OF EXAMINATION

This Dissolution report is a limited-scope examination, and is not intended to communicate all matters of importance for an understanding of the company’s financial condition. The last examination was completed as of December 31, 2008 by the Pennsylvania Department of Insurance. This dissolution examination is as of June 30, 2013.

As a result of a management decision, the Company has determined that dissolution is required.

Therefore, this examination was to ascertain the following:

- Verify the remaining investment/cash assets of the Company and determine any immaterial non cash/investment operating receivables that may exist.
- Ascertain and verify that there are no material liabilities.
- Review any other documents as needed.

HISTORY

The Company was incorporated on December 29, 1902 and was licensed by the Pennsylvania Insurance Department on the same day. The Company commenced business in May, 1903. On June 13, 1986 an Order of Supervision was imposed on the Company. On December 8, 1986 an Order of Rehabilitation was filed on the Company. A modified Plan of Rehabilitation was approved on January 23, 1990. The Company was discharged from Rehabilitation on December 26, 1996. On July 1, 2009 the Company purchased 100% of the stock of Elizabethtown Insurance Company (EIC). On August 1, 2011 subsequent to the approval by the Pennsylvania and Delaware Insurance Departments, the Company sold all of its shares of EIC to a newly formed downstream holding Company, EGH. EIC is a stock property and casualty insurance company domiciled in the state of Delaware.

The Company is a property casualty insurance Company that re-domiciled to the State of Delaware on January 30, 2012. At the time the corporate structure was:

Mutual Fire and Marine Insurance Company

FHA Holding Company

Elizabethtown Group Holdings Inc.

Elizabethtown Insurance Company

Franklin Homeowners Assurance Company

Franklin Management

Manayunk Condominiums, LLC

120 Uwchlan Associates, Inc.

20 South Village Corporation
Derry Street Properties

Franklin Homeowners Assurance Company, Mutual Fire and Marine Insurance Company, and FHA Holding Company entered into an Assumption, Assignment and Reinsurance Agreement with an effective date September 28, 2012. As of the effective date, the Company transfers, conveys and assigns to Franklin, and Franklin accepts, all of Mutual Fire's past, present, and future obligations and liabilities of any type, whether known or unknown, accrued or contingent, arising from or related to the participating policies as reported on the second quarter of 2012 Quarterly Report of Mutual Fire. During September 2012, Mutual Fire declared an extraordinary distribution to its Participating Policyholders, as part of a quasi reorganization of the Company that was approved by the Delaware Department of Insurance (DDOI), comprised of all of Mutual Fire's FHA Class A and Class B common stock. In exchange for the dividend, all Participating Policyholders surrendered their policies and membership rights. Distribution of the FHA shares was proportionate as required by Mutual Fire's Bylaws, Article X, Section 3. The distribution of FHA shares was valued at approximately \$131,674,783, which represents 99.4% of Mutual Fire's surplus. Upon completion of the reorganization, Mutual Fire is now a stand-alone company with only 14 policies and 8 Non-Participating Policyholders, all of which renewed in September 2012. Effective August 13, 2013 the 8 remaining policyholders signed a final release of policyholders' potential claims and membership rights for consideration of \$1,000 per policy to each policyholder, removing any further obligation by the company to former policyholders. Copies of those releases were provided to the Department August 15, 2013. On August 19, 2013 Mutual Fire paid the \$1,000 per policy (14 total policies). There are no outstanding Mutual Fire policies and no policy liabilities at this time.

PROCEDURES PERFORMED

The examiner reviewed examination material available and incorporated that documentation into the review. Examination materials reviewed included filings submitted to the Department of Insurance and confirmation of assets. Since the distribution of FHA shares, the Company has only 8 policyholders with 14 policies. Confirmation of assets as of June 30, 2013 was obtained. Procedures performed for the period January 1, 2013 thru August 30, 2013 included:

- Review of Quarterly Financial Statements of the Company as of 3/31/13 and 9/30/11
- A review of the Trial Balance as of 8/31/11 and analytical procedures thru 6/30/13.
- A review of all other corporate records of Company.
- A review of any related party agreements

SUMMARY CONCLUSIONS

Corporate Records:

The examiner reviewed corporate documents and all filings made to the Insurance Department. The Company minutes contain approval of the dissolution and are awaiting the Department's approval.

Related Parties:

All related party agreements have been terminated.

Financial – Assets and Liabilities:

The examiner reviewed the 2012 and 2011 Annual Statements and Quarterly statements filed during 2013.

The financial statement below reflects that the major asset with no reserves and/or material liabilities.

BALANCE SHEET

Assets
As of June 30, 2013

	Assets	Non Admitted Assets	Net Admitted Assets	Assets Per Examination
Bonds	\$ 249,106		\$ 249,106	\$ 249,106
Cash \$55,259, cash equivalents \$0 short-term investments \$715,456	\$ 770,715	\$ -0-	\$ 770,715	\$ 770,715
Subtotals, cash and invested assets	\$ 1,019,821		\$ 1,019,821	\$ 1,019,821
Investment income due and accrued	474		474	474
Totals	\$ 1,020,295	\$ -0-	\$ 1,020,295	\$ 1,020,295

Liabilities, Capital and Surplus
As of June 30, 2013

	Per Company	Per Examination
Losses	\$ 800	\$ 800
Loss Adjustment Expenses	200	200
Other expenses	\$ 191	\$ 191
Total Liabilities	1,191	1,191
Unassigned Funds (surplus)	1,019,104	1,019,104
Total surplus	\$ 1,019,104	\$ 1,019,104
Total Liabilities, capital and surplus	\$ 1,020,295	\$ 1,020,295

Respectfully submitted,


Tony Cardone, Examiner in Charge
Delaware Insurance Department