

**STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

FORM A

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF A
DOMESTIC INSURER**

Founders Insurance Company of Michigan

Domestic Insurer

by

Utica Mutual Insurance Company

Applicant

**Filed with the Michigan Office
of Financial and Insurance Regulation**

Dated: April 7, 2010

**Name, Title, Address and Telephone Number of Individual to Whom Notices and
Correspondence Concerning this Statement Should be Addressed:**

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Utica Mutual Insurance Company (the "Applicant") hereby files this application regarding the acquisition of control of a domestic insurer (the "Application") for approval from the Michigan Office of Financial and Insurance Regulation ("OFIR") to acquire control of Founders Insurance Company of Michigan ("FICOM").

ITEM 1. METHOD OF ACQUISITION

This Application relates to FICOM, a Michigan-domiciled property and casualty insurance company, with a principal office address at 1645 East Birchwood Avenue, Des Plaines, Illinois 60018 and a statutory address of 1000 Woodbridge Avenue, Detroit, Michigan 48207. FICOM is a wholly-owned subsidiary of Founders Insurance Company ("FIC"), an Illinois-domiciled property and casualty insurance company. FIC is a wholly-owned subsidiary of Nationwide Holdings, Inc., an Illinois corporation ("Nationwide"), which is a wholly-owned subsidiary of NHI, LLC, an Illinois limited liability company (the "Seller").

The contemplated transaction involves the acquisition of control of Nationwide by the Applicant. The Applicant will obtain control of FICOM through its acquisition of one hundred (100%) percent of the issued and outstanding capital stock of Nationwide for cash to be paid on closing by the Applicant to the Seller (the "Acquisition"). Nationwide is the direct record and beneficial owner of all the issued and outstanding shares of capital stock of FIC. FIC is the direct record and beneficial owner of all the issued and outstanding shares of capital stock of FICOM. The terms and conditions of the Acquisition of Nationwide and its subsidiaries are set forth in a Stock Purchase Agreement dated as of March 19, 2010 by and between the Applicant and the Seller (the "Agreement"). A copy of the Agreement is attached hereto as Exhibit A.

Pursuant to the Agreement, the Applicant will also acquire: (i) a wholly-owned subsidiary of Nationwide, Financial American Insurance Management, Inc., an Illinois corporation; and (ii) a wholly-owned subsidiary of FIC, Pillar Premium Finance Company, an Illinois corporation. A concurrent Statement Regarding the Acquisition of Control of a Domestic Insurer has been filed with the State of Illinois Department of Insurance with respect to the Applicant's acquisition of FIC.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

A. *Name and address of the Applicant*

Utica Mutual Insurance Company
P.O. Box 530
Utica, New York 13503

B. *The Business Operations of the Applicant*

The Applicant is a New York-domiciled mutual insurance company transacting property and casualty insurance business in all fifty states, the District of Columbia and Puerto Rico. The principal office of the Applicant is located at 180 Genesee Street, New Hartford, New York 13413.

The Applicant is currently affiliated with six other insurance companies (the seven companies are collectively referred to herein as "Utica"). Utica ranks among the top 100 property and casualty insurance groups in the United States based on total net written premiums. Utica provides coverages primarily for commercial risks, with an emphasis on specialized markets that include schools, religious institutions, printers, wholesalers, and agents' errors and omissions coverages. Significant lines of business include workers' compensation, automobile liability and commercial multiple peril. Personal lines coverages are provided in many of Utica's operating territories.

Additional information regarding Utica and its business operations are included in the 2009 Annual Report of Utica, a copy of which is attached hereto as Exhibit B.

C. *List Indicating Certain Information Regarding the Applicant and its Affiliates*

Attached hereto as Exhibit C-1 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that is owned or controlled by the Applicant prior to the proposed Acquisition. Moreover, such chart also lists, as to each person specified in the chart, the type of organization (corporation, partnership or trust) and its state or jurisdiction of domicile. Attached hereto as Exhibit C-2 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that will be owned or controlled by the Applicant after

consummation of the Acquisition.

There are no court proceedings involving a reorganization or liquidation pending with respect to any person included on these charts.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS
ASSOCIATED WITH THE APPLICANT**

A list setting forth the names and business addresses of all directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the proposed directors and executive officers of Nationwide, FIC and FICOM after the Acquisition is attached hereto as Exhibit D. Biographical affidavits completed by the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the proposed directors and executive officers of Nationwide, FIC and FICOM after the Acquisition are attached hereto as Exhibit E. Except as set forth in Exhibit E, no such person: (i) has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten (10) years; or (ii) has been subject to a civil judgment resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief.

Fingerprint cards for the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant, and the proposed directors and executive officers of Nationwide, FIC and FICOM after the Acquisition, are attached hereto as Exhibit F.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

A. *Nature and Source of Consideration*

The Applicant will acquire one hundred percent (100%) of the issued and outstanding capital stock of Nationwide from the Seller. Nationwide is the direct record and beneficial owner of all of the shares of FIC, which is the direct record and beneficial owner of all of the shares of FICOM. Pursuant to Section 2.1 of the Agreement, the Applicant will pay to the Seller an aggregate purchase price equal to the sum of: (i) the Policyholders' Surplus of FIC on the Closing Date; plus (ii) Thirty-Seven Million Dollars (\$37,000,000); plus (iii) the Agency Loan Value; plus (iv) the Investment Assets Adjustment; plus (v) 50% of the Deferred Premium Acquisition Cost Adjustment (all capitalized terms used in the previous sentence and not defined herein shall have the meanings set forth in the Agreement). The Purchase Price shall be subject to adjustment as set forth in the Agreement. It is currently estimated that the Purchase Price payable on closing of the Acquisition will be \$108 million. The Applicant will fund the Acquisition with available cash on hand and through the liquidation of certain investment assets.

B. *Determination of Nature and Amount of Consideration*

The nature and amount of the consideration were a result of arms-length negotiations between the Applicant and the Seller. In arriving at the value to be paid for the shares of capital stock of Nationwide, the Applicant reviewed and evaluated information from various sources, including the financial statements of Nationwide and its subsidiaries and other information with respect to past and current operations of Nationwide and its subsidiaries, the financial condition and future prospects of Nationwide and its subsidiaries, and such other due diligence as the Applicant considered relevant.

ITEM 5. FUTURE PLANS OF INSURER

Attached hereto as Exhibit G is a copy of the Applicant's proposed Plan of Operations for FICOM. The Applicant has no plans nor are there any proposals to have FICOM declare dividends (whether or not extraordinary), to liquidate FICOM, to sell its assets, to merge it with any person or persons, or, other than as set forth in the Plan of Operations, to make any other material change in its business operations or corporate structure or management (other than as reflected on Exhibit D). It is currently contemplated that following the closing of the Acquisition, FICOM will be made a party to Utica's intercompany Tax Allocation Agreement. This agreement will be filed with the OFIR pursuant to a Form D.

A chart showing the projected direct, assumed, ceded and net written premiums by line and pro-forma statutory balance sheets and income statements of FICOM following the Acquisition are attached hereto as Exhibit H.

FICOM will continue to comply with Mich. Comp. Law § 500.5256, and books and records will continue to be maintained at its principal office at 1645 East Birchwood Avenue, Des Plaines, Illinois 60018.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Applicant will indirectly acquire 100,000 shares, \$10.00 par value, of the capital stock of FICOM, such shares constituting all of the issued and outstanding capital stock of FICOM, by way of the acquisition of 1,000 shares, no par value, of capital stock of Nationwide, the direct record and beneficial owner of all of the issued and outstanding capital stock of FIC. As noted above, FIC is the direct record and beneficial owner of all of the issued and outstanding capital stock of FICOM. The Applicant will acquire such shares pursuant to the terms described in the Agreement attached hereto as Exhibit A and for the consideration as described in Item 4 above. The nature and amount of the consideration was a result of arms-length negotiations between the Applicant and the Seller.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than as set forth in the Application (including all Exhibits hereto), neither the Applicant, its affiliates, nor any person listed in Item 3 of this Application beneficially owns or has a right to acquire beneficial ownership of the voting securities of FICOM.

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Except as set forth in the Agreement and the exhibits thereto, neither the Applicant, its affiliates, nor any person listed in Item 3 is a party to any contract, arrangement or understanding with respect to any voting securities of FICOM, including but not limited to transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

During the twelve (12) calendar months preceding the filing of this Application, neither the Applicant, its affiliates, nor any person listed in Item 3 has purchased any voting securities of FICOM.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

During the twelve (12) calendar months preceding the filing of this Application, there have been no recommendations to purchase any voting securities of FICOM by the Applicant, its affiliates or any person listed in Item 3 of this Application or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates or any person listed in Item 3.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Applicant has made no agreements, contracts or understandings with any broker-dealers as to the solicitation of voting securities of FICOM for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

The following is a list of all exhibits and financial statements that are included in and made a part of this Application:

<u>Exhibit</u>	<u>Description of Exhibit</u>
Exhibit A	Stock Purchase Agreement by and between Utica Mutual Insurance Company and NHI, LLC, dated as of March 19, 2010
Exhibit B	Annual Report of Utica National Insurance Group for the Year Ended December 31, 2009
Exhibit C-1	Pre-Acquisition Organizational Chart of Utica National Insurance Group
Exhibit C-2	Post-Acquisition Organizational Chart of Utica National Insurance Group
Exhibit D	List of Directors, Executive Officers and Owners of Ten Percent (10%) or More of the Applicant and the Proposed Directors and Executive Officers of Nationwide, Founders Insurance Company and Founders Insurance Company of Michigan
Exhibit E	Biographical Affidavits of Directors, Executive Officers and Owners of Ten Percent (10%) or More of the Applicant and the Proposed Directors and Executive Officers of Nationwide, Founders Insurance Company and Founders Insurance Company of Michigan
Exhibit F	Fingerprint Cards of Directors, Executive Officers and Owners of Ten Percent (10%) or More of the Applicant and the Proposed Directors and Executive Officers of Nationwide, Founders Insurance Company and Founders Insurance Company of Michigan
Exhibit G	Plan of Operations
Exhibit H	Pro-Forma Statutory Balance Sheets and Income Statements for Founders Insurance Company of Michigan
Exhibit I	Audited Annual Financial Statements of Utica National Insurance Group for the Years Ended December 31, 2004 through December 31, 2008

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, Utica Mutual Insurance Company has caused this Application to be duly signed on its behalf in the Town of New Hartford and the State of New York on this 5th day of April, 2010.

(Seal)

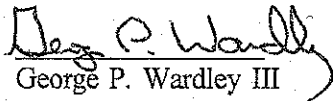
UTICA MUTUAL INSURANCE COMPANY, the Applicant

By: 

Richard P. Creedon

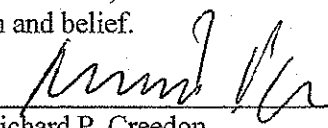
Executive Vice President and General Counsel

Attest:


George P. Wardley III
Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Application dated April 5th, 2010, for and on behalf of Utica Mutual Insurance Company, that he is the Executive Vice President and General Counsel of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


Richard P. Creedon