

DISSOLUTION REPORT
OF
ELIZABETHTOWN INSURANCE COMPANY

AS OF

OCTOBER 31, 2016

NAIC CODE 17124

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

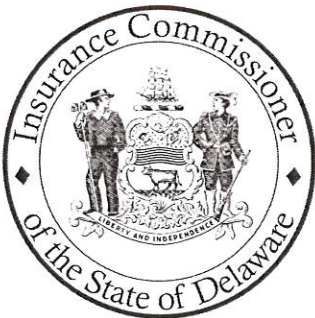
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF DISSOLUTION EXAMINATION, made as of October 31, 2016 of the

ELIZABETHTOWN INSURANCE COMPANY

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

Attest By: Rafayya Brown

Date: December 13, 2016



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 13th day of December, 2016.

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner



REPORT OF DISSOLUTION EXAMINATION
OF THE
ELIZABETHTOWN INSURANCE COMPANY
AS OF
OCTOBER 31, 2016

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', written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 13th day of December, 2016

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SALUTATION

November 30, 2016

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

Dear Commissioner:

In compliance with your instructions in Certificate of Authority 16.917, a Dissolution Examination has been made of the affairs, financial condition and management of the

ELIZABETHTOWN INSURANCE COMPANY

hereinafter referred to as “EIC” or “Company”, incorporated under the laws of the State of Delaware with its principal executive and home office located at 120 East Uwchlan Avenue, Suite 101, Exton, PA 19341. The Company’s registered agent is located at 3422 Old Capitol Trail, Suite 700, Wilmington, DE 19808.

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 as of December 31, 2012. This dissolution examination is as of October 31, 2016.

As a result of a management decision, the Company is to be dissolved. Therefore, this examination was to ascertain the following:

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

HISTORY

The Company was incorporated as Farmers Mutual Insurance Company on January 31, 1844, as a mutual company with a perpetual charter by a special act of the general assembly of the Commonwealth of Pennsylvania. The Company was demutualized in July 2009 and its name changed to Elizabethtown Insurance Company. EIC is a property casualty insurance company that is licensed in Pennsylvania and Delaware. Effective September 4, 2012, the Company re-domesticated from Pennsylvania to Delaware.

The Company received a Certificate of Authority on September 4, 2012, from the Delaware Department of Insurance (DE-DOI) and is authorized to transact the business of Property, Marine and Transportation, Casualty, including: Vehicle, Burglary and Theft, Personal Property Floater, Glass, Boiler and Machinery, Elevator and Miscellaneous. In Pennsylvania, the Company is authorized to write Boiler and

Machinery, Burglary and Theft, Glass, Inland Marine and Physical Damage, Other Liability, Personal Property Floater, Property and Allied Lines.

Effective October 7, 2011, EIC stopped accepting new business. Up until late 2011, the Company wrote business that was predominantly personal lines, concentrated in homeowners, both preferred and standard. The business was produced by independent agents entirely in Pennsylvania, with a concentration in the counties of Lancaster, Erie, York, Schuylkill, Chester and Dauphin. By December 31, 2011, all policyholders had been notified of non-renewal of their policies and there were no policies in effect by December 29, 2012.

The Company is a member of an insurance holding company system as defined under 18 Del. C. §5001 of the Delaware Insurance Code. EIC is a direct subsidiary of Elizabethtown Group Holdings, Inc., which is a 100% subsidiary of FHA Holding Company (FHA). The Bratic Family Insurance Trust of October 25, 2007, owns 60.3% of the outstanding FHA voting shares and is considered the ultimate controlling entity of the Company. No other entity or person owns or controls greater than 10% of the outstanding FHA voting shares.

The Company ceased writing new policies as of October 7, 2011. The Company had no policies in effect after December 29, 2012. Consequently, the Company's Board of Directors approved a dissolution plan on April 26, 2016.

PROCEDURES PERFORMED

Procedures performed for the period January 1, 2013, through October 31, 2016, and subsequently include:

- Review of the 2015 Annual Statement and October 31, 2016, Monthly Statement as the Company obtained exemption approval from the DE-DOI in early 2016 from filing quarterly statements in 2016.
- A review of the general ledger for the period January 1, 2013 through October 31, 2016.
- A review of all bank and custodian account statements as of December 31, 2015 and as of October 31, 2016.
- A review of the Board of Director and Stockholder meeting minutes of the Company from January 1, 2013 through October 31, 2016.
- A review of the related party agreements in effect.
- There were no reinsurance agreements to review.
- A review of the audited financial statements for the years ended December 31, 2014 and December 31, 2015.
- The Company received an exemption from the DE-DOI for annual actuarial opinions.

SUMMARY CONCLUSIONS

Corporate Records

The examiner reviewed the Board of Director and Stockholder meeting minutes of the Company, which contained the approval of the dissolution, which is contingent upon the approval by the DE-DOI.

Related Parties

Upon approval of the dissolution by the DE-DOI, the Company intends to cancel the following related party agreements, which were still in effect as of the dissolution examination date:

Tax Allocation Agreement

Effective January 1, 2010, EIC entered into a Tax Allocation Agreement with FHA and its affiliates. All taxes and related fees and expenses incurred by FHA in the course of preparing, filing and paying taxes, federal or otherwise, shall be shared among affiliates of the Franklin Group. In the event any affiliate fails to settle and pay taxes and/or expenses no later than 90 days after the date of filing of the consolidated return, that delinquent affiliate will be assessed late fees at the interest rate of 6% per annum, calculated monthly. Effective October 1, 2012, a new tax allocation agreement was executed reflecting all prior amendments and the deletion of affiliate Mutual Fire Marine and Inland Insurance Company.

Management Agreement

Effective January 1, 2013, FHA and affiliates (which includes EIC) entered into a Management Agreement whereby FHA provides a variety of services to its affiliates, including but not limited to underwriting services, claims handling/loss adjusting services, insurance/reinsurance consulting services, land management services and related administrative services necessary for the day to day operations of all affiliates. EIC will reimburse FHA according to the Expense Agreement effective January 1, 2014.

Expense Agreement

Effective January 1, 2014, EIC entered into an Expense Agreement in which the Company participates in the allocation of the expenses among affiliates within the FHA group of companies. Pursuant to this agreement, EIC will pay FHA \$4,000 per month.

Reinsurance Agreements

The Company is not a party to any reinsurance agreements as of December 31, 2015, or as of the dissolution examination date.

Custodial Agreements

By amendment #3 effective July 1, 2009, the Company was added as a party to the custodial agreement with Wilmington Trust. The original custodial agreement between Wilmington Trust and the various FHA affiliates was effective December 18, 1997.

Claims

The Company had nine (9) outstanding and open claims as of December 31, 2015, of which six (6) claims had loss reserves and loss adjustment expenses and the remaining three (3) claims had only loss adjustment expenses. All nine claims had been resolved, settled and closed by October 31, 2016. The Company has no carried loss reserves or loss adjustment expenses as of October 31, 2016.

Balance Sheet

The examiner reviewed the 2015 Annual Statement and the October 31, 2016, Monthly Statement. A review was performed of the general ledger for the period January 1, 2015 through October 31, 2016. Additionally, a review of the bank and custodian statements was made as of December 31, 2015 and as of October 31, 2016.

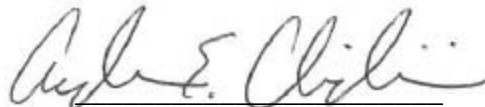
The balance sheet below, which was compiled from the Company's October 31, 2016 general ledger, reflects that the major assets are invested assets. The Company reported no loss reserves or loss adjustment expenses at October 31, 2016.

ASSETS, LIABILITIES, AND POLICYHOLDER SURPLUS
As of October 31, 2016

<u>Assets</u>	
Bonds	\$ 1,076,987
Preferred stocks	78,560
Common stocks	2,167,464
Cash, cash equivalents and short-term investments	414,594
Investment income due and accrued	10,800
Amounts recoverable from reinsurers	44,624
Total	<u>\$ 3,793,029</u>
<u>Liabilities</u>	
Other expenses	\$ 9,171
Taxes, licenses and fees	1,965
Net deferred federal income tax	52,528
Payable for securities	2,246
Total	<u>\$ 65,910</u>
<u>Policyholder Surplus</u>	
Common capital stock	\$ 1,000,000
Gross paid in and contributed surplus	2,000,000
Unassigned funds (surplus)	727,119
Total	<u>\$ 3,727,119</u>
Total Liabilities and Policyholder Surplus	<u>\$ 3,793,029</u>

The Company has complied with the dissolution requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE
 Examiner-In-Charge
 Department of Insurance
 State of Delaware