

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Proposed Merger of Grocers Insurance Company, Milwaukie, Oregon With and into Security Insurance Company of Hartford, Farmington, Connecticut)	Order of Exemption Case No. INS 05-10-013
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INTRODUCTION

On October 28, 2005, Royal & SunAlliance USA, Inc., filed a request for exemption from the provisions of Oregon Revised Statutes (ORS) 732.521(1), pursuant to ORS 732.521(2) with regard to a proposed merger of Grocers Insurance Company with and into Security Insurance Company of Hartford.

Grocers Insurance Company ("Grocers") is an Oregon domiciled stock insurance corporation with authority under ORS Chapter 731 to transact property, casualty including workers compensation, marine & transportation, surety, and health business in Oregon and is wholly owned by Security Insurance Company of Hartford.

Security Insurance Company of Hartford ("SICH") is a Connecticut domiciled stock insurance corporation with authority under ORS Chapter 731 to transact property, casualty including workers compensation, marine & transportation, surety, and health business in Oregon and is wholly owned by Orion Capital Corporation ("OCC").

OCC is a Delaware corporation and is indirectly owned by Royal & SunAlliance USA, Inc. ("Royal").

Royal is a Delaware corporation and is ultimately owned by Royal & SunAlliance Insurance Group plc, ("Royal & Sun"), a United Kingdom corporation.

FACTS PROVIDED

Under the proposed merger, Grocers will be merged with and into SICH, its direct parent, and cease to exist. The merger will be effective at 11:59 P.M. on December 31, 2005. SICH shall be the

surviving corporation. The separate corporate existence of SICH with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the merger. SICH will succeed to all the properties and assets of Grocers and to all debts, causes of action and other interests due or belonging to Grocers. SICH will be subject to, and responsible for, all the debts, liabilities and duties of Grocers as provided by applicable state law. The officers and directors of SICH will not change as a result of the merger.

By order dated October 14, 2002, the Director approved an Assumption Reinsurance Agreement (“Agreement”), effective July 1, 2002, between Grocers and SICH. Pursuant to the Agreement, SICH agreed to assume all liabilities incurred through the insurance and reinsurance activities carried out by Grocers through and including July 1, 2002. As of the date of the Agreement, Grocers was released from liability for claims incurred on or after the assumption date. Grocers has issued no policies since the date of the Agreement.

The boards of directors of Grocers and SICH have represented that the proposed merger is in the best interest of said corporations and have approved the merger.

Each share of Grocers issued and outstanding immediately prior to the merger shall, by virtue of the merger and without any action on the part of SICH, be cancelled and retired without payment of any consideration.

The merger does not effect a change of control within the holding company system. Royal & Sun will remain the ultimate controlling person in the holding company system.

On the basis of the request and in specific reliance on the representations made to the Director by Royal, the Director makes the following:

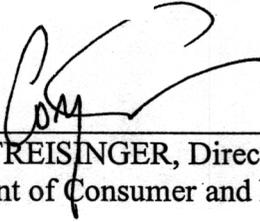
CONCLUSIONS OF LAW

The proposed merger of Grocers with and into SICH is not made or entered into for the purpose, and does not have the effect of, changing or influencing the control or ownership of a domestic insurer. The proposed merger thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2)(a).

ORDER

Based on the foregoing findings of fact and for good cause appearing, it is hereby ordered that an exemption from the provisions of ORS 732.521(1), pursuant to ORS 732.521(2)(a), be granted regarding the proposed merger of Grocers Insurance Company with and into Security Insurance Company of Hartford.

DATED this 21st day of November, 2005.



CORY STREISINGER, Director
Department of Consumer and Business Services