



Union Mutual Insurance Company

January 28, 2014

TO: All Union Mutual Insurance Company Agents

RE: Company Update

As Union Mutual's (UMIC) agent partners, you should be advised of some changes impacting the Company. As agents, you know the frequency and severity of storms over the last several years have impacted all companies writing property business in Oklahoma – both large and small. The two major storms last May had an even greater impact. Even though UMIC has a good reinsurance program in place, the combined impact of the last few years has had a substantial adverse effect on the surplus of UMIC. As a result, in September 2013, an Order of Conservation by the Oklahoma Insurance Commissioner was agreed to by the Board of Directors of UMIC, placing the Company under the management of a Conservator appointed by the Commissioner. The Commissioner recognizes the value of Union Mutual in the Oklahoma insurance market and has allowed the Company to continue to write new business and renew policies. However, the Company may not increase its loss exposure and it must develop a plan to increase surplus to an acceptable level.

To this end, we have implemented a number of actions that are intended to help UMIC over the longer term; including increasing minimum deductibles, rate increases and modifying underwriting guidelines for new business. These actions were communicated to all agencies in a bulletin last October and are very similar to actions that many other companies writing in Oklahoma have had to initiate.

Furthermore, the Insurance Commissioner filed an application in Oklahoma County District Court for an order to place the Company into Receivership for Rehabilitation on January 7, 2014. A hearing was conducted by the court on January 24, 2014 and the court issued an order placing UMIC into Rehabilitation. ***This action is positive. It allows UMIC to continue writing new business and renewing policies for the benefit of our agents and policyholders while taking additional actions to improve operating controls and expenses.***

Although UMIC has spread its business throughout the state, almost 14% of our property exposure is located in Oklahoma County, with over 20% in the Oklahoma City metropolitan area. This is simply too high and has become an issue with reinsurers and our longer term profitability and surplus growth. To address this issue, the Company needs to implement additional actions in an effort to improve the profitability of the company and reduce its exposure to catastrophic loss. You will be notified of any additional actions as they are finalized.

We are confident the actions taken now and in the near term will place UMIC in a more favorable position for the future.

We appreciate the relationship the Company has built with our agency force over its history. Many of our agents have been with us for multiple generations. Although we can understand the uncertainties that you may feel regarding the actions mentioned, we believe they will make Union Mutual Insurance Company a stronger, more stable, company for all. We hope that our agents and policyholders will continue to support Union Mutual for many more years to come.

If you have any questions about any of the above, don't hesitate to contact us.