
AGREEMENT AND PLAN OF MERGER
BETWEEN
FIRST NONPROFIT MUTUAL HOLDING COMPANY
AND
MUTUAL INSURERS HOLDING COMPANY

As of _____, 2001

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of _____, 2001 (this "Agreement"), by and between FIRST NONPROFIT MUTUAL HOLDING COMPANY, an Illinois mutual holding company ("FNMHC"), and MUTUAL INSURERS HOLDING COMPANY, a Wisconsin mutual insurance holding company ("MIHC"), said two corporations referred to herein as the "Constituent Corporations."

In seeking to address the challenges facing them in a manner that advances the interests of their respective members, FNMHC and MIHC have recently reorganized into mutual holding company form.

FNMHC, through its wholly owned subsidiary First Nonprofit Insurance Company ("FNIC") and other subsidiaries, and MIHC, through its wholly owned subsidiary Milwaukee Insurance Company ("MIC"), are engaged in the property and casualty insurance business.

FNMHC and MIHC each desire to utilize their mutual holding company structures to combine so that they will be better able to pursue acquisitions and strategic alliances, to raise capital in the event it becomes necessary to do so in the future, and so that their members will become members of a larger and financially stronger mutual holding company.

Although the Constituent Corporations desire to combine their respective mutual holding companies, they also desire that their respective insurance company subsidiaries retain their separate corporate identities, the best of their corporate cultures and business strengths, and certain other attributes, as subsidiaries of the combined mutual holding companies.

The Boards of Directors of FNMHC and MIHC deem it advisable and in the best interests of their respective members to effect the merger of MIHC with and into FNMHC (the "Merger") upon the terms and subject to the conditions set forth in this Agreement.

The Constituent Corporations intend that the Merger qualify, for federal income tax purposes, as a tax free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

In consideration of the premises and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger. In accordance with the provisions of this Agreement, the Illinois Insurance Code (the "IIC") and the Wisconsin Insurance Code ("WIC"), at the Effective Time (as defined in Section 1.2 below), MIHC shall be merged with and into FNMHC and the separate existence of MIHC shall thereupon cease, and FNMHC shall be the surviving corporation in the Merger (the "Surviving Corporation"). The name of the Surviving Corporation shall be

["Mutual Insurers Holding Company."]

1.2 Effective Time. The Merger shall become effective at the time (herein called the "Effective Time") the Illinois Director of Insurance ("Illinois Director") issues a certificate of merger as provided for in Section 163 of the IIC.

1.3 Effect of the Merger; Membership. At the Effective Time, the effect of the Merger shall be as provided in Section 166 of the IIC and Section 181.1106 of the Wisconsin Statutes, subject to and/or as incorporated by, Section 181.1105 of the Wisconsin Statutes and Sections 644.27 and 611.73 of the WIC. Without limiting the generality of the foregoing provisions, and subject to satisfaction of the conditions or requirements contained therein, at the Effective Time the Surviving Corporation shall have all of the rights, privileges, immunities and powers and shall be subject to all of the duties and liabilities granted or imposed by the IIC. The Surviving Corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises of a public as well as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, assessments payable from members or policyholders, and all other choses in action and all and every other interest of, or belonging to or due to, each of the Constituent Corporations shall be deemed to be transferred to and vested in the Surviving Corporation without further act or deed; and the title to any real estate, or any interest therein, under the laws of the State of Illinois vested in any of such companies shall not revert or be in any way impaired by reason of such Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the Constituent Corporations; any claim existing or action or proceeding pending by or against any of the Constituent Corporations may be prosecuted to judgment as if such merger or consolidation had not taken place, or the Surviving Corporation may be substituted in its place; neither the rights of creditors nor any liens upon the property of any of the Constituent Corporations shall be impaired by such Merger, but such liens shall be limited to the property upon which there were liens immediately prior to the time of such Merger, unless otherwise provided herein. The Merger shall not affect the membership rights of any member of FNMHC. From and after the Merger, by virtue of the Merger and without any action on the part of the members of MIHC, each membership interest in MIHC shall be converted into and become a membership interest in the Surviving Corporation.

1.4 Articles of Incorporation. The Articles of Incorporation of FNMHC with such amendments as are reflected in Exhibit A hereto shall be the Articles of Incorporation of the Surviving Corporation until amended in accordance with applicable law.

1.5 By-laws. The bylaws of FNMHC with such amendments as are reflected in Exhibit B hereto shall be the bylaws of the Surviving Corporation until amended in accordance with applicable law.

1.6 Board of Directors and Officers. The Board of Directors of the Surviving Corporation shall be composed of nine (9) to thirteen (13) members. Two (2) members shall be designated by FNIC, one of whom shall be the Chief Executive Officer of FNIC. The remaining

members shall be designated by MIHC. The officers of the Surviving Corporation shall be elected by the Board of the Surviving Corporation. The parties contemplate that FNIC's Board of Directors shall be maintained, subject to the control of the Surviving Corporation, for a period of five years from the Effective Time and may thereafter serve as an advisory board.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF MIHC

MIHC represents and warrants to FNMHC as follows:

2.1 Organization of MIHC and MIC.

2.1.1 MIHC. MIHC is a mutual insurance holding company duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has the corporate power to own or lease its properties and to carry on its business as now being conducted. Except for MIC, MIHC has no investment in any subsidiary, partnership, joint venture, limited liability company or similar entity.

2.1.2 MIC. MIC is an insurance company duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has the corporate power to own or lease its properties and to carry on its business as now being conducted. MIC is duly qualified or otherwise authorized to transact business as a foreign corporation and is in good standing in every jurisdiction in which such qualification or authorization is required by law to carry on its business as now being conducted, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on the business, assets, liabilities, results of operations or financial condition of MIHC and MIC, taken as a whole, or adversely affect the ability of MIHC to consummate the transactions contemplated by this Agreement in any material respect (an "MIHC Material Adverse Effect"). The authorized capital stock of MIC consists of 2,000,000 shares of common stock, par value \$1.00 per share, [all] of which shares have been issued to MIHC and are validly issued, fully paid and non-assessable, except as set forth in Wis. Stats. Sections 180.0622(2)(b) and 611.33(1)(d) as judicially interpreted, and are owned by MIHC free and clear of any liens, claims, charges or encumbrances except as set forth on Section 2.1.2 of a schedule delivered by MIHC to FNMHC concurrently with the execution of this Agreement (the "MIHC Disclosure Schedule"). Except as set forth in Section 2.1.2 of the MIHC Disclosure Schedule, MIC has no any investment in any subsidiary, partnership, joint venture, limited liability company or similar entity. MIC has all requisite power and authority to carry on its insurance business pursuant to and to the extent of the certificates of authority issued under the laws of the jurisdictions listed in Section 2.1.2 of the MIHC Disclosure Schedule. MIC is not required to be licensed in any other jurisdiction. No certificate of authority identified in such Schedule has been revoked, restricted, suspended, limited or modified nor is any certificate of authority the subject of, nor to the knowledge of MIHC is there a basis for, a proceeding for revocation, restriction, suspension, limitation or modification, nor is MIC operating under any formal or informal agreement or understanding with the licensing authority of any state which restricts its authority to do business or requires MIC to take, or refrain from

taking, any action. Except as set forth in Section 2.1.2 of such Schedule, neither MIHC nor MIC has issued any surplus note or similar instrument.

2.2 Authorization. The Board of Directors of MIHC has adopted resolutions approving this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement. This Agreement has been duly executed and delivered by MIHC and constitutes the valid and legally binding obligation of MIHC, enforceable against it in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or similar laws affecting or relating to creditors' rights generally and general principles of equity.

2.3 Articles of Incorporation and By-Laws. MIHC has made available to FNMHC true and complete copies of its and MIC's Articles of Incorporation and bylaws as in effect as of the date hereof. Neither MIHC nor MIC is in default under its Articles of Incorporation or bylaws.

2.4 Consents and Approvals. Except for the consents and approvals listed in Section 2.4 of the MIHC Disclosure Schedule, no filing with, and no permit, authorization, consent or approval of any public body, authority or any other person is necessary for the consummation by MIHC of the transactions contemplated by this Agreement, except for such consents, approvals, filings, permits or authorizations the failure of which to obtain, make or give, as the case may be, would not, individually or in the aggregate, be reasonably likely to have an MIHC Material Adverse Effect.

2.5 Defaults and Conflicts. Subject to the receipt of all consents and approvals contemplated by this Agreement and Section 2.4 of the MIHC Disclosure Schedule, neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of and compliance with the terms and provisions hereof, will (i) violate any judicial, administrative or arbitral order, writ, award, judgment, injunction or decree involving MIHC or MIC, (ii) conflict with the terms, conditions or provisions of the Articles of Incorporation or bylaws of MIHC or MIC, (iii) conflict with, result in a breach of, constitute a default under or accelerate or permit the acceleration of the performance required by, any agreement listed in Section 2.13 of the MIHC Disclosure Schedule, (iv) result in the creation of any lien, charge or encumbrance upon any of the assets of MIHC or MIC under any such agreement, or (v) terminate or give any party thereto the right to terminate any such agreement, except for any such violation, conflict, lien or termination that would not be reasonably likely to result in an MIHC Material Adverse Effect. Except as set forth in Section 2.4 of the MIHC Disclosure Schedule, no consent of any third party to any agreement listed in Section 2.13 of the MIHC Disclosure Schedule to which MIHC or MIC is a party is required in connection with the Merger.

2.6 Statutory Financial Statements. MIHC has furnished to FNMHC copies of statutory financial statements (the "MIC Statutory Financial Statements") for MIC (including its predecessor Milwaukee Mutual Insurance Company) for the years ended December 31, 2000, 1999 and 1998 and the quarters ended June 30, 2001 (the balance sheets as of June 30,

2001 and December 31, 2000 included in the financial statements are referred to as the "Most Recent MIC Balance Sheets") as filed with the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI"). The MIC Statutory Financial Statements, including, without limitation, the provisions made therein for investments and the valuation thereof, reserves, policy and contract claims, together with the notes thereto, fairly present the financial position, assets, liabilities, change in financial position, surplus and other funds of MIC as of the dates thereof and the results of its operations for the periods indicated in conformity with statutory accounting principles ("SAP") prescribed or permitted by the OCI and the National Association of Insurance Commissioners, applied on a consistent basis with prior periods, except as set forth therein. Each such MIC Statutory Financial Statement was in compliance with applicable law and correct in every material respect when filed and there were no material omissions therefrom.

2.7 Changes Since. Since there has been no event or condition that has had (or is reasonably likely to result in) an MIHC Material Adverse Effect, and except as set forth in Section 2.7 of the MIHC Disclosure Schedule, MIHC and MIC have conducted their businesses in the ordinary course consistent with past practices and have not taken any action that, if taken after the date hereof, would violate Section 5.1 hereof.

2.8 No Undisclosed Liabilities. Except for liabilities and obligations disclosed or provided for in the Most Recent MIC Balance Sheets, neither MIHC nor MIC had, as of the respective date of each such Balance Sheet, any liabilities or obligations (whether absolute or contingent and whether due or to become due) except (i) for contractual liabilities arising in the ordinary course of business consistent with prior practice, (ii) liabilities incurred after the date of this Agreement without violation of Section 5.1 hereof, or (iii) liabilities that, individually or in the aggregate, are not reasonably likely to result in an MIHC Material Adverse Effect. All books of account of MIC fully and accurately disclose in all material respects all the transactions, properties, assets, investments, liabilities and obligations thereof, and all such books of account are in the possession of MIC.

2.9 Title to Property. Except as set forth in Section 2.9 of the MIHC Disclosure Schedule, MIHC or MIC has good and marketable title to all real properties owned by it and good title to all other assets and properties shown as owned by it on the Most Recent MIC Balance Sheets or acquired since that date (except properties disposed of in the ordinary course of business subsequent to that date), in each case free of all mortgages, liens, charges and encumbrances of any nature whatsoever, other than (i) liens for Taxes (as defined in Section 2.16.5 below) not yet due and payable and (ii) such minor liens, charges and encumbrances as, in the aggregate, do not and would not if asserted be reasonably likely to have an MIHC Material Adverse Effect ("Permitted MIHC Liens").

2.10 Investment Securities. All transactions in securities, mortgages and other investments owned by MIHC or MIC (collectively, the "MIHC Investments") since December 31, 1998 have complied with the written investment policies of MIHC and MIC, as applicable, and all applicable laws. Except as set forth in Section 2.10 of the MIHC Disclosure Schedule,

MIHC or MIC has good title to MIHC Investments other than with respect to those MIHC Investments that have been disposed of in the ordinary course of business or redeemed in accordance with their terms since such date and other than Permitted MIHC Liens or with respect to statutory deposits that are subject to customary restrictions on transfer. None of the MIHC Investments, to the knowledge of MIHC, are as of the date of this Agreement in default in the payment of principal or interest, except for any such defaults that individually, or collectively, would not be reasonably likely to have an MIHC Material Adverse Effect. Except as set forth in Section 2.10 of the MIHC Disclosure Schedule, there are no liens, claims or encumbrances on any of MIHC Investments, other than Permitted MIHC Liens, and none of MIHC Investments consists of securities loaned to third parties.

2.11 Environmental Laws. Except as set forth in Section 2.11 of the MIHC Disclosure Schedule, MIHC and MIC have conducted and are conducting their business in compliance in all material respects with all applicable federal, state, and local laws currently in force relating to the protection of the environment (“Environmental Laws”). Except as set forth in Section 2.11 of the MIHC Disclosure Schedule, there is no pending, or to the knowledge of MIHC, threatened, civil or criminal litigation, written notice of violation, or administrative proceeding relating to such Environmental Laws involving MIHC or MIC or any previously or presently owned property or asset of MIHC or MIC. To the knowledge of MIHC, there are no conditions existing with respect to the release, emission, discharge or presence of hazardous substances in connection with the business of MIHC or MIC, which conditions could, individually or in the aggregate, be reasonably likely to have an MIHC Material Adverse Effect. Neither MIHC nor MIC require any approvals, consents, licenses, or permits with respect to environmental matters to carry on their business substantially as currently conducted.

2.12 Proprietary Rights. All registered trademarks, registered trade names, registered service marks (and all registrations and applications with respect thereto), computer software, programs and similar systems used in the business of MIHC or MIC are collectively referred to herein as “MIHC Proprietary Rights.” Except as otherwise set forth in Section 2.12 of the MIHC Disclosure Schedule, MIHC or MIC owns or is duly authorized to use all of such MIHC Proprietary Rights. The MIHC Proprietary Rights do not, to the knowledge of MIHC, violate or infringe upon the proprietary rights of any third party, and there is no claim, action, proceeding or investigation pending or, to MIHC’s knowledge, threatened against MIHC or MIC with respect to any of the MIHC Proprietary Rights

2.13 Agreements. Except as set forth in Section 2.13 of the MIHC Disclosure Schedule, neither MIHC nor MIC is a party to, nor is MIHC or MIC bound by, any oral or written (i) contract for the employment of any officer or employee that, pursuant to its terms, is not terminable without liability on 30 days’ (or less) notice or that provides for any further payments following such termination, or contract with a former officer or employee pursuant to which payments are required to be made at any time following the date hereof, (ii) stock ownership, profit-sharing, bonus, deferred compensation, stock option, severance pay, pension, retirement or similar plan or agreement, (iii) mortgage, indenture, note or installment obligation the unpaid balance of which exceeds \$100,000, or other instrument for or relating to any borrowing of money by MIHC or MIC, the unpaid balance of which exceeds \$100,000, (iv)

guaranty of any obligation for borrowings or otherwise, which in the aggregate exceed \$100,000, (v) agreement or arrangement for the sale or lease of any material amount of its assets or part of its business other than in the ordinary course of business or for the preferential rights to purchase or lease any material amount of its assets or part of its business, (vi) agreement or arrangement obligating it to register any of its outstanding shares or other securities with the SEC, (vii) reinsurance or retrocession treaty or agreement (including terminated treaties or agreements containing residual or unexpired liabilities), (viii) agreement or contract with any insurance agent or other producer other than pursuant to the forms of agreement listed in such Disclosure Schedule, (ix) agreement with any investment adviser, (x) agreement or arrangement pursuant to which MIHC or MIC has agreed to acquire or dispose of any MIHC Investments, other than in the ordinary course of business, or (xi) contract, agreement or other instrument that is otherwise material to the business, assets, liabilities, results of operations or financial condition of MIHC and MIC taken as a whole. All contracts, plans, mortgages, indentures, guaranties and other agreements set forth in Section 2.13 of the MIHC Disclosure Schedule are in full force and effect as of the date hereof, neither MIHC nor MIC or to the knowledge of MIHC any other party thereto is in default as to any provision thereof, except for defaults that individually or in the aggregate would not be reasonably likely to have an MIHC Material Adverse Effect, and no party thereto may terminate any of such agreements by reason of the transactions contemplated by this Agreement.

2.14 Litigation. Except as set forth in Section 2.14 of the MIHC Disclosure Schedule, and except for insurance-claims litigation arising in the ordinary course of business for which reserves have been established in accordance with Section 2.19 hereof, there are no actions, suits or proceedings pending, or to the knowledge of MIHC, threatened, against or affecting MIHC or MIC or its properties or businesses, at law or in equity, or before any governmental or administrative body or agency or before any arbitrator that, alone or in the aggregate, could be reasonably likely to have an MIHC Material Adverse Effect. Except as may be set forth on such Disclosure Schedule, there are no unresolved disputes under any contract to which MIHC or MIC is a party or by which MIHC or MIC is bound involving in the aggregate an amount in excess of \$100,000. Neither MIHC nor MIC is in default with respect to any order, writ, award, judgment, injunction or decree of any court, arbitrator or governmental entity applicable to it that is reasonably likely to have an MIHC Material Adverse Effect

2.15 Compliance with Laws. Each of MIHC and MIC has complied with all laws, regulations, orders, ordinances, judgments or decrees of all governmental authorities (federal, state, local, foreign or otherwise) applicable to its businesses, except where the failure to have so complied would not, individually or in the aggregate, have an MIHC Material Adverse Effect. Neither MIHC nor MIC has received any notification of any asserted failure by it to comply with any of such laws.

2.16 Taxes.

2.16.1 Except as set forth in Section 2.16.1 of the MIHC Disclosure Schedule: (i) all Tax Returns (as defined below) required to be filed with the appropriate taxing authorities have been filed by or on behalf of MIHC and MIC (including its predecessor

Milwaukee Mutual Insurance Company) and all Taxes due have been paid or provided for in full; (ii) there are no liens for Taxes upon the assets of MIHC or MIC except statutory liens for Taxes not yet due; (iii) there are no outstanding deficiencies in respect of Taxes asserted or threatened or assessments of Taxes made or threatened, nor any administrative or judicial proceedings pending or threatened concerning Taxes, with respect to MIHC or MIC and any deficiencies, assessments or proceedings shown in the MIHC Disclosure Schedule are being contested in good faith through appropriate proceedings; (iv) MIHC and MIC have established on the financial statements described in Section 2.6 of this Agreement reserves and accruals adequate for the payment of all Taxes accrued with respect to or payable by MIHC or MIC, respectively, for all periods reflected therein; (v) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed with respect to MIHC or MIC; and (vi) neither MIHC nor MIC has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

2.16.2 The income Tax Returns of MIHC and MIC have been examined by the Internal Revenue Service and the taxing authorities of the states set forth in Section 2.1.2 of the MIHC Disclosure Schedule or the statute of limitations has expired for all periods up to and including December 31, 1996, and there are no outstanding or unresolved proposed adjustments.

2.16.3 The consummation of the transactions contemplated by this Agreement will not give rise to any payment by MIHC or MIC that will not be deductible (in whole or in part) by reason of Section 280G of the Code and the regulations promulgated thereunder.

2.16.4 Except as set forth in Section 2.16.4 of the MIHC Disclosure Schedule, no currently effective power of attorney has been granted by MIHC or MIC with respect to any matter relating to Taxes.

2.16.5 For purposes of this Agreement, the term "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including without limitation, all net income, gross income, premium or privilege, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments, or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any governmental authority (domestic or foreign) and the term "Tax Returns" shall mean all returns, declarations, reports, estimates, and statements, regarding Taxes, required to be filed under United States federal, state, local or foreign laws.

2.17 Related-Party Transactions. Except as set forth in Section 2.17 of the MIHC Disclosure Schedule and other than transactions exclusively between MIHC and MIC, neither MIHC nor MIC has entered into any loan or other transaction with any director, officer or other affiliate of MIHC that remains outstanding nor has MIHC or MIC entered into any agreement, other than an agreement referred to in Section 2.13 hereof, for the purchase or sale of any property or services from or to any director, officer or other affiliate of MIHC or MIC.

2.18 Employee Benefit Plans.

2.18.1 Section 2.18.1 of the MIHC Disclosure Schedule sets forth a true and complete list of each employee benefit plan (“ERISA Plans”), as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and each other plan, arrangement and agreement providing employee benefits (collectively the “Plans”), that covers current or former employees of MIHC or MIC or affiliate thereof and is presently maintained by MIHC or MIC or any affiliate thereof or by any trade or business, whether or not incorporated (an “ERISA Affiliate”), which together with MIHC would be deemed a “single employer” within the meaning of Section 4001 of ERISA. None of the Plans is a “multiemployer plan,” as defined in Section 3(37) of ERISA. MIHC has delivered or made available to FNMHC copies of all such Plans; any related trust agreements, group annuity contracts, insurance policies or other funding agreements or arrangements relating thereto; the most recent determination letter, if any, from the Internal Revenue Service with respect to each of the Plans that is intended to be a tax-qualified plan under Section 401(a) of the Code; actuarial valuations, if applicable, for the most recent plan year for which such valuations are available; the current summary plan descriptions; and the annual return/report on Form 5500 and summary annual reports for each of the Plans for each of the last three years.

2.18.2 Each of the ERISA Plans is in substantial compliance with all applicable provisions of law, including the Code and ERISA. Neither MIHC nor any ERISA Affiliate currently maintains or sponsors a defined benefit pension plan, as defined in Section 414(j) of the Code, and neither MIHC nor any ERISA Affiliate has ever maintained or sponsored any such plan that could give rise to a liability against MIHC or MIC.

2.18.3 The written terms of each of the Plans, and any related trust agreement, group annuity contract, insurance policy or other funding arrangement are in substantial compliance with all applicable laws including ERISA, the Code, and the Age Discrimination in Employment Act, as applicable, and each of such Plans has been administered in substantial compliance with such requirements.

2.18.4 Except with respect to income taxes on benefits paid or provided, (i) no income, excise or other tax or penalty (federal or state) has been waived or excused, has been paid or is owed by any person (including, but not limited to, any Plan, any Plan fiduciary, MIHC or ERISA Affiliate) with respect to the operations of or any transactions with respect to any Plan, and (ii) no action has been taken, nor has there been any failure to take any action, nor is any action or failure to take action contemplated, that would subject any person or entity to any liability for any tax or penalty in connection with any Plan. No reserve for any taxes or penalties has been established with respect to any Plan, nor has any advice been given to any person with respect to the need to establish such a reserve.

2.18.5 There are no (i) actions, suits, arbitrations or claims (other than routine claims for benefits), (ii) legal, administrative or other proceedings or governmental investigations or audits, or (iii) complaints to or by any governmental entity, which are pending, anticipated or threatened, against the Plans or their assets.

2.18.6 The present value of the future cost to MIHC and ERISA Affiliates of post-retirement medical benefits that MIHC or any ERISA Affiliate is obligated to provide, calculated on the basis of actuarial assumptions MIHC considers reasonable estimates of future experience and which have been provided to FNMHC, does not exceed the amount specified in Section 2.18.6 of the MIHC Disclosure Schedule.

2.18.7 Neither MIHC nor any ERISA Affiliate, nor any of the ERISA Plans, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which MIHC or any ERISA Affiliate, any of the ERISA Plans, any such trust, or any trustee or administrator thereof, or any party dealing with the ERISA Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

2.19 Reserves and Reinsurance. Except as set forth in Section 2.19 of the MIHC Disclosure Schedule, the insurance reserves and liabilities reflected in the Most Recent MIC Balance Sheets and established on the books of MIC for all future insurance policy benefits, dividends, losses, unearned premiums, claims and expenses make sufficient provision for all reasonably anticipated matured and unmatured liabilities and obligations of MIC, under all insurance policies and reinsurance and coinsurance agreements or other similar contracts outstanding at the foregoing dates pursuant to which MIC had or has any liability or obligation. All such reserves are computed in all material respects in accordance with applicable loss reserving practices, consistently applied, are fairly stated in accordance with sound loss reserving and actuarial principles, are based on factors and assumptions relevant to the provisions in the related insurance contracts, and are in material compliance with the requirements of the WIC. Except as set forth in Section 2.19 of the MIHC Disclosure Schedule, neither MIHC nor MIC is involved in any dispute with or inquiry initiated by its outside accountants or the OCI with respect to MIC's actuarial or reserving practices. MIC owns assets that qualify as admitted assets under applicable state insurance laws in an amount at least equal to all of its required insurance reserves. All reinsurance recoverables reflected or otherwise included, either as assets or contra-liabilities, in the MIC Statutory Financial Statements are fairly stated in accordance with applicable SAP.

2.20 Insurance Business.

2.20.1 Insurance Practices. The insurance practices and business operations of MIC (including, without limitation, its reserving, marketing, investment, financial, claims, underwriting, premium collection and refunding and other practices) conform in all material respects to all applicable legal and regulatory requirements and accepted or prescribed insurance company practices.

2.20.2 Insurance Benefit Contracts and Rates. Except as set forth in Section 2.20.2 of the MIHC Disclosure Schedule, all insurance policies issued by MIC as now in force are, to the extent required under applicable law, on forms approved by applicable insurance regulatory authorities or that have been filed and not objected to by such authorities within the period provided for objection. Any premium rates required to be filed with or approved by

insurance regulatory authorities have been so filed or approved and premiums charged conform thereto.

2.20.3 Producers. Each of the written or oral contracts between MIC (or its predecessor Milwaukee Mutual Insurance Company) and its agents, managers, brokers or producers is in full force and effect. MIC is not, and to the knowledge of MIHC and MIC none of MIC's agents are, in default in any material respect thereunder, and no such party thereto may terminate any such agreements by reason of the transactions contemplated by this Agreement.

2.20.4 Assessments. MIC has paid in full or properly reserved for all guaranty fund and residual market assessments required by any regulatory authority to be paid by MIC.

2.21 Regulatory Filings. MIHC has made available for inspection by FNMHC all registrations, filings or submissions made by MIHC and MIC (including its predecessor Milwaukee Mutual Insurance Company) with the OCI since December 31, 1998, including without limitation all annual and quarterly statutory financial statements filed with or submitted to the OCI, and any state insurance reports of examination issued by OCI or other state insurance governmental or regulatory body since December 31, 1998. Each of MIHC and MIC has filed all reports, statements, documents, registrations, filings or submissions required to be filed by it with any governmental or regulatory body, except (i) those with respect to which the imposition, levy or collection of all fines, penalties, assessments, taxes, forfeitures, money judgments or sanctions of any type are barred by statute of limitations, (ii) with respect to which the failure to so file individually and in the aggregate would not cause an MIHC Material Adverse Effect, (iii) except as may be required for the transactions contemplated by this Agreement, and (iv) as otherwise agreed to in writing by the applicable governmental or regulatory body. Except as set forth in Section 2.21 of the MIHC Disclosure Schedule, (A) all such registrations, filings and submissions were in material compliance with applicable law when filed, and (B) no material deficiencies have been asserted by any such governmental or regulatory body with respect to such registrations, filings and submissions that have not been satisfied. Except as may be required for the transactions contemplated by this Agreement, each of MIHC and MIC has duly filed with appropriate insurance authorities, to the extent that filing of the same is required by laws, rules or regulations, all annual and quarterly statements and other statements, documents and reports (including, without limitation, any filings required under applicable state insurance holding company systems acts) required by the insurance and other laws of its state of domicile and in each of the states in which it is licensed to conduct an insurance business. All such statements and filings are substantially correct as filed, and there are no material omissions therefrom. Section 2.21 of the MIHC Disclosure Schedule sets forth all financial, market conduct or other reports of examination issued by any department of insurance or regulatory body with respect to MIC since December 31, 1998. MIC has resolved all issues raised in such reports to the satisfaction of the issuer of such reports.

2.22 Finders and Investment Bankers. Neither MIHC nor MIC has retained any broker, finder or other agent or incurred any liability for any brokerage fees, commissions or finders' fees with respect to the Merger.

2.23 Third-Party Discussions. Other than pursuant to this Agreement or as disclosed to FNMHC, neither MIHC nor MIC is currently entertaining discussions with any third party regarding a possible sale or business combination of MIHC or MIC with another entity or any disposition of MIHC or MIC or a substantial portion of their assets or business.

2.24 Disclosure. No representation or warranty of MIHC and no statement or information relating to MIHC or MIC or their respective businesses or properties contained in (i) this Agreement, (ii) the MIHC Disclosure Schedule, or (iii) any certificate furnished to FNMHC pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made herein or therein not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF FNMHC

FNMHC represents and warrants to MIHC as follows:

3.1 Organization of FNMHC, Subsidiaries and FNIC.

3.1.1 FNMHC. FNMHC is a mutual holding company duly organized, validly existing and in good standing under the laws of the State of Illinois and has the corporate power to own or lease its properties and to carry on its business as now being conducted.

3.1.2 Subsidiaries. Section 3.1.2 of a schedule delivered by FNMHC to MIHC concurrently with the execution of this Agreement (the "FNMHC Disclosure Schedule") sets forth a list of all of FNMHC's subsidiaries (hereinafter separately called an "FNMHC Subsidiary" and collectively called the "FNMHC Subsidiaries"). Such Schedule sets forth the authorized capital stock, the number of shares duly issued and outstanding, the number so owned by FNMHC and the jurisdiction of incorporation of each FNMHC Subsidiary. The shares of capital stock of the FNMHC Subsidiaries owned directly or indirectly by FNMHC are validly issued, fully paid and non-assessable, and are owned free and clear of any liens, claims, charges or encumbrances except as set forth on Section 3.1.2 of the FNMHC Disclosure Schedule. Neither FNMHC nor any of the FNMHC Subsidiaries has any investment in any subsidiary, partnership, joint venture, limited liability company or similar entity. Each of the FNMHC Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power to own or lease its properties and carry on its business as now being conducted. Each of the FNMHC Subsidiaries is duly qualified or otherwise authorized to transact business as a foreign corporation and is in good

standing in every jurisdiction in which such qualification or authorization is required by law to carry on its business as now being conducted, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on the business, assets, liabilities, results of operations or financial condition of FNMHC and the FNMHC Subsidiaries, taken as a whole, or adversely affect the ability of FNMHC to consummate the transactions contemplated by this Agreement in any material respect (an "FNMHC Material Adverse Effect").

3.1.3 FNIC. FNIC is an insurance company duly organized, validly existing and in good standing under the laws of the State of Illinois and has the corporate power to own or lease its properties and to carry on its business as now being conducted. FNIC has all requisite power and authority to carry on its insurance business pursuant to and to the extent of the certificates of authority issued under the laws of the jurisdictions listed in Section 3.1.3 of the FNMHC Disclosure Schedule. FNIC is not required to be licensed in any other jurisdiction. No certificate of authority identified in such Schedule has been revoked, restricted, suspended, limited or modified nor is any certificate of authority the subject of, nor to the knowledge of FNMHC is there a basis for, a proceeding for revocation, restriction, suspension, limitation or modification, nor is FNIC operating under any formal or informal agreement or understanding with the licensing authority of any state which restricts its authority to do business or requires FNIC to take, or refrain from taking, any action. Except as set forth in Section 3.1.3 of such Schedule or as is contemplated by this Agreement, neither FNMHC nor FNIC has issued any surplus note or similar instrument.

3.2 Authorization. The Board of Directors of FNMHC has adopted resolutions approving this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement. This Agreement has been duly executed and delivered by FNMHC and constitutes the valid and legally binding obligation of FNMHC, enforceable against it in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or similar laws affecting or relating to creditors' rights generally and general principles of equity.

3.3 Articles of Incorporation and By-Laws. FNMHC has made available to FNMHC true and complete copies of its and each of the FNMHC Subsidiaries' Articles of Incorporation and bylaws as in effect as of the date hereof. Neither FNMHC nor any of the FNMHC Subsidiaries is in default under its Articles of Incorporation or bylaws.

3.4 Consents and Approvals. Except for the consents and approvals listed in Section 3.4 of the FNMHC Disclosure Schedule, no filing with, and no permit, authorization, consent or approval of any public body, authority or any other person is necessary for the consummation by FNMHC of the transactions contemplated by this Agreement, except for such consents, approvals, filings, permits or authorizations the failure of which to obtain, make or give, as the case may be, would not, individually or in the aggregate, be reasonably likely to have an FNMHC Material Adverse Effect.

3.5 Defaults and Conflicts. Subject to the receipt of all consents and approvals contemplated by this Agreement and Section 3.4 of the FNMHC Disclosure Schedule, neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of and compliance with the terms and provisions hereof, will (i) violate any judicial, administrative or arbitral order, writ, award, judgment, injunction or decree involving FNMHC or any of the FNMHC Subsidiaries, (ii) conflict with the terms, conditions or provisions of the Articles of Incorporation or bylaws of FNMHC or any of the FNMHC Subsidiaries, (iii) conflict with, result in a breach of, constitute a default under or accelerate or permit the acceleration of the performance required by, any agreement listed in Section 3.13 of the FNMHC Disclosure Schedule, (iv) result in the creation of any lien, charge or encumbrance upon any of the assets of FNMHC or any of the FNMHC Subsidiaries under any such agreement, or (v) terminate or give any party thereto the right to terminate any such agreement, except for any such violation, conflict, lien or termination that would not be reasonably likely to result in an FNMHC Material Adverse Effect. Except as set forth in Section 3.4 of the FNMHC Disclosure Schedule, no consent of any third party to any agreement listed in Section 3.13 of the FNMHC Disclosure Schedule to which FNMHC or FNIC is a party is required in connection with the Merger.

3.6 Financial Statements.

3.6.1 Statutory Financial Statements. FNMHC has furnished to MIHC copies of statutory financial statements (the "FNIC Statutory Financial Statements") for FNIC (including its predecessor First Nonprofit Mutual Insurance Company) for the years ended December 31, 2000, 1999 and 1998 and the quarters ended June 30, 2001 (the balance sheets as of June 30, 2001 and December 31, 2000 included in the financial statements are referred to as the "Most Recent FNMHC Subsidiaries' Balance Sheets") as filed with the Illinois Director. The FNIC Statutory Financial Statements, including, without limitation, the provisions made therein for investments and the valuation thereof, reserves, policy and contract claims, together with the notes thereto, fairly present the financial position, assets, liabilities, change in financial position, surplus and other funds of FNIC (including its predecessor First Nonprofit Mutual Insurance Company) as of the dates thereof and the results of its operations for the periods indicated in conformity with "SAP" prescribed or permitted by the Illinois Director and the National Association of Insurance Commissioners, applied on a consistent basis with prior periods, except as set forth therein. Each of the FNIC Statutory Financial Statements was in compliance with applicable law and correct in every material respect when filed and there were no material omissions therefrom.

3.6.2 Subsidiary GAAP Financial Statements. FNMHC has furnished to MIHC copies of the balance sheets and income statements of First Nonprofit Insurance Agency Incorporated and First Nonprofit Companies Incorporated for the years ended December 31, 2000, 1999 and 1998 and the six month period ended June 30, 2001 (the "FNMHC Subsidiary GAAP Financial Statements"). The FNMHC Subsidiary GAAP Financial Statements fairly present the financial position, assets and liabilities of such companies as of the dates thereof and the results of their operations for the periods then ended in conformity with generally

accepted accounting principles applied on a consistent basis, except as set forth therein. As used herein, the term "Most Recent FNMHC Subsidiaries' Balance Sheets" includes the balance sheets as of June 30, 2001 and December 31, 2000 included in the FNMHC Subsidiary GAAP Financial Statements.

3.7 Changes Since. Since there has been no event or condition that has had (or is reasonably likely to result in) an FNMHC Material Adverse Effect, and except as set forth in Section 3.7 of the FNMHC Disclosure Schedule, FNMHC and the FNMHC Subsidiaries have conducted their businesses in the ordinary course consistent with past practices and have not taken any action that, if taken after the date hereof, would violate Section 6.1 hereof.

3.8 No Undisclosed Liabilities. Except for liabilities and obligations disclosed or provided for in the Most Recent FNMHC Subsidiaries' Balance Sheets, neither FNMHC nor any of the FNMHC Subsidiaries had, as of the respective date of each such Balance Sheet, any liabilities or obligations (whether absolute or contingent and whether due or to become due) except (i) for contractual liabilities arising in the ordinary course of business consistent with prior practice, (ii) liabilities incurred after the date of this Agreement without violation of Section 6.1 hereof, or (iii) liabilities that, individually or in the aggregate, are not reasonably likely to result in an FNMHC Material Adverse Effect. All books of account of FNMHC and the FNMHC Subsidiaries fully and accurately disclose in all material respects all the transactions, properties, assets, investments, liabilities and obligations thereof, and all such books of account are in the possession of such entity.

3.9 Title to Property. Except as set forth in Section 3.9 of the FNMHC Disclosure Schedule, FNMHC and each of the FNMHC Subsidiaries has good and marketable title to all real properties owned by it and good title to all other assets and properties shown as owned by it on the Most Recent FNMHC Subsidiaries' Balance Sheets or acquired since that date (except properties disposed of in the ordinary course of business subsequent to that date), in each case free of all mortgages, liens, charges and encumbrances of any nature whatsoever, other than (i) liens for Taxes not yet due and payable and (ii) such minor liens, charges and encumbrances as, in the aggregate, do not and would not if asserted be reasonably likely to have an FNMHC Material Adverse Effect ("Permitted FNMHC Liens").

3.10 Investment Securities. All transactions in securities, mortgages and other investments owned by FNMHC or any of the FNMHC Subsidiaries (collectively, the "FNMHC Investments") since December 31, 1998 have complied with the written investment policies of FNMHC and the FNMHC Subsidiaries, as applicable, and all applicable laws. Except as set forth in Section 3.11 of the FNMHC Disclosure Schedule, FNMHC and each of the FNMHC Subsidiaries has good title to its FNMHC Investments other than with respect to those FNMHC Investments that have been disposed of in the ordinary course of business or redeemed in accordance with their terms since such date and other than Permitted FNMHC Liens or with respect to statutory deposits that are subject to customary restrictions on transfer. None of the FNMHC Investments, to the knowledge of FNMHC, are as of the date of this Agreement in default in the payment of principal or interest, except for any such defaults that individually, or collectively, would not be reasonably likely to have an FNMHC Material Adverse Effect.

Except as set forth in Section 3.11 of the FNMHC Disclosure Schedule, there are no liens, claims or encumbrances on any of FNMHC Investments, other than Permitted FNMHC Liens, and none of FNMHC Investments consists of securities loaned to third parties.

3.11 Environmental Laws. Except as set forth in Section 3.11 of the FNMHC Disclosure Schedule, FNMHC and each of the FNMHC Subsidiaries have conducted and are conducting their business in compliance in all material respects with all applicable Environmental Laws. Except as set forth in Section 3.11 of the FNMHC Disclosure Schedule, there is no pending, or to the knowledge of FNMHC, threatened, civil or criminal litigation, written notice of violation, or administrative proceeding relating to such Environmental Laws involving FNMHC or any of the FNMHC Subsidiaries or any previously or presently owned property or asset of FNMHC or any of the FNMHC Subsidiaries. To the knowledge of FNMHC, there are no conditions existing with respect to the release, emission, discharge or presence of hazardous substances in connection with the business of FNMHC or any of the FNMHC Subsidiaries, which conditions could, individually or in the aggregate, be reasonably likely to have an FNMHC Material Adverse Effect. Neither FNMHC nor any of the FNMHC Subsidiaries require any approvals, consents, licenses, or permits with respect to environmental matters to carry on their business substantially as currently conducted.

3.12 Proprietary Rights. All registered trademarks, registered trade names, registered service marks (and all registrations and applications with respect thereto), computer software, programs and similar systems used in the business of FNMHC or any of the FNMHC Subsidiaries are collectively referred to herein as "FNMHC Proprietary Rights." Except as otherwise set forth in Section 3.12 of the FNMHC Disclosure Schedule, FNMHC or one of the FNMHC Subsidiaries owns or is duly authorized to use all of such FNMHC Proprietary Rights. The FNMHC Proprietary Rights do not, to the knowledge of FNMHC, violate or infringe upon the proprietary rights of any third party, and there is no claim, action, proceeding or investigation pending or, to FNMHC's knowledge, threatened against FNMHC or any FNMHC Subsidiary with respect to any of the FNMHC Proprietary Rights

3.13 Agreements. Except as set forth in Section 3.13 of the FNMHC Disclosure Schedule, neither FNMHC nor any of the FNMHC Subsidiaries is a party to, nor is FNMHC or any such subsidiary bound by, any oral or written (i) contract for the employment of any officer or employee that, pursuant to its terms, is not terminable without liability on 30 days' (or less) notice or that provides for any further payments following such termination, or contract with a former officer or employee pursuant to which payments are required to be made at any time following the date hereof, (ii) stock ownership, profit-sharing, bonus, deferred compensation, stock option, severance pay, pension, retirement or similar plan or agreement, (iii) mortgage, indenture, note or installment obligation the unpaid balance of which exceeds \$100,000, or other instrument for or relating to any borrowing of money by FNMHC or any of the FNMHC Subsidiaries, the unpaid balance of which exceeds \$100,000, (iv) guaranty of any obligation for borrowings or otherwise, which in the aggregate exceed \$100,000, (v) agreement or arrangement for the sale or lease of any material amount of its assets or part of its business other than in the ordinary course of business or for the preferential rights to purchase or lease any material amount of its assets or part of its business, (vi) agreement or arrangement obligating it to register any of

its outstanding shares or other securities with the SEC, (vii) reinsurance or retrocession treaty or agreement (including terminated treaties or agreements containing residual or unexpired liabilities), (viii) agreement or contract with any insurance agent or other producer other than pursuant to the forms of agreement listed in such Disclosure Schedule, (ix) agreement with any investment adviser, (x) agreement or arrangement pursuant to which FNMHC or any FNMHC Subsidiary has agreed to acquire or dispose of any FNMHC Investments, other than in the ordinary course of business, or (xi) contract, agreement or other instrument that is otherwise material to the business, assets, liabilities, results of operations or financial condition of FNMHC and the FNMHC Subsidiaries taken as a whole. All contracts, plans, mortgages, indentures, guaranties and other agreements set forth in Section 3.13 of the FNMHC Disclosure Schedule are in full force and effect as of the date hereof, neither FNMHC nor any FNMHC Subsidiary or to the knowledge of FNMHC any other party thereto is in default as to any provision thereof, except for defaults that individually or in the aggregate would not be reasonably likely to have an FNMHC Material Adverse Effect, and no party thereto may terminate any of such agreements by reason of the transactions contemplated by this Agreement.

3.14 Litigation. Except as set forth in Section 3.14 of the FNMHC Disclosure Schedule, and except for insurance-claims litigation arising in the ordinary course of business for which reserves have been established in accordance with Section 3.19 hereof, there are no actions, suits or proceedings pending, or to the knowledge of FNMHC, threatened, against or affecting FNMHC or any FNMHC Subsidiary or its properties or businesses, at law or in equity, or before any governmental or administrative body or agency or before any arbitrator that, alone or in the aggregate, could be reasonably likely to have an FNMHC Material Adverse Effect. Except as may be set forth on such Disclosure Schedule, there are no unresolved disputes under any contract to which FNMHC or any FNMHC Subsidiary is a party or by which FNMHC or any such subsidiary is bound involving in the aggregate an amount in excess of \$100,000. Neither FNMHC nor any FNMHC Subsidiary is in default with respect to any order, writ, award, judgment, injunction or decree of any court, arbitrator or governmental entity applicable to it that is reasonably likely to have an FNMHC Material Adverse Effect.

3.15 Compliance with Laws. FNMHC and each of the FNMHC Subsidiaries has complied with all laws, regulations, orders, ordinances, judgments or decrees of all governmental authorities (federal, state, local, foreign or otherwise) applicable to its business, except where the failure to have so complied would not, individually or in the aggregate, have an FNMHC Material Adverse Effect. Neither FNMHC nor any FNMHC Subsidiary has received any notification of any asserted failure by it to comply with any of such laws.

3.16 Taxes.

3.16.1 Except as set forth in Section 3.16.1 of the FNMHC Disclosure Schedule: (i) all Tax Returns required to be filed with the appropriate taxing authorities have been filed by or on behalf of FNMHC and the FNMHC Subsidiaries (including FNIC's predecessor, First Nonprofit Mutual Insurance Company) and all Taxes due have been paid or provided for in full; (ii) there are no liens for Taxes upon the assets of FNMHC or the FNMHC Subsidiaries except statutory liens for Taxes not yet due; (iii) there are no outstanding

deficiencies in respect of Taxes asserted or threatened or assessments of Taxes made or threatened, nor any administrative or judicial proceedings pending or threatened concerning Taxes, with respect to FNMHC or any of the FNMHC Subsidiaries and any deficiencies, assessments or proceedings shown in the FNMHC Disclosure Schedule are being contested in good faith through appropriate proceedings; (iv) FNMHC and each of the FNMHC Subsidiaries has established on the financial statements described in Section 3.6 of this Agreement reserves and accruals adequate for the payment of all Taxes accrued with respect to or payable by FNMHC or the respective FNMHC Subsidiaries for all periods reflected therein; (v) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed with respect to FNMHC or the FNMHC Subsidiaries; and (vi) neither FNMHC nor any of the FNMHC Subsidiaries has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

3.16.2 The income Tax Returns of FNMHC and the FNMHC Subsidiaries have been examined by the Internal Revenue Service and the taxing authorities of the states set forth in Section 3.1.2 of the FNMHC Disclosure Schedule or the statute of limitations has expired for all periods up to and including December 31, 1997, and there are no outstanding or unresolved proposed adjustments.

3.16.3 The consummation of the transactions contemplated by this Agreement will not give rise to any payment by FNMHC or any of the FNMHC Subsidiaries that will not be deductible (in whole or in part) by reason of Section 280G of the Code and the regulations promulgated thereunder.

3.16.4 Except as set forth in Section 3.16.4 of the FNMHC Disclosure Schedule, no currently effective power of attorney has been granted by FNMHC or any FNMHC Subsidiary with respect to any matter relating to Taxes.

3.17 Related-Party Transactions. Except as set forth in Section 3.17 of the FNMHC Disclosure Schedule and other than transactions exclusively between FNMHC and any of the FNMHC Subsidiaries, neither FNMHC nor any of such subsidiaries has entered into any loan or other transaction with any director, officer or other affiliate of FNMHC that remains outstanding nor has FNMHC or any FNMHC Subsidiary entered into any agreement, other than an agreement referred to in Section 3.13 hereof, for the purchase or sale of any property or services from or to any director, officer or other affiliate of FNMHC.

3.18 Employee Benefit Plans.

3.18.1 Section 3.18.1 of the FNMHC Disclosure Schedule sets forth a true and complete list of each ERISA Plan and each other plan, arrangement and agreement providing employee benefits (collectively the "Plans"), that covers current or former employees of FNMHC or any FNMHC Subsidiary or affiliate thereof and is presently maintained by FNMHC or any FNMHC Subsidiary or any affiliate thereof or by any trade or business, whether or not incorporated (an "FNMHC ERISA Affiliate"), which together with FNMHC would be deemed a "single employer" within the meaning of Section 4001 of ERISA. None of the Plans is

a “multiemployer plan,” as defined in Section 3(37) of ERISA. FNMHC has delivered or made available to FNMHC copies of all such Plans; any related trust agreements, group annuity contracts, insurance policies or other funding agreements or arrangements relating thereto; the most recent determination letter, if any, from the Internal Revenue Service with respect to each of the Plans that is intended to be a tax-qualified plan under Section 401(a) of the Code; actuarial valuations, if applicable, for the most recent plan year for which such valuations are available; the current summary plan descriptions; and the annual return/report on Form 5500 and summary annual reports for each of the Plans for each of the last three years.

3.18.2 Each of the ERISA Plans is in substantial compliance with all applicable provisions of law, including the Code and ERISA. Neither FNMHC nor any FNMHC ERISA Affiliate currently maintains or sponsors a defined benefit pension plan, as defined in Section 414(j) of the Code, and neither FNMHC nor any FNMHC ERISA Affiliate has ever maintained or sponsored any such plan that could give rise to a liability against FNMHC or FNIC.

3.18.3 The written terms of each of the Plans, and any related trust agreement, group annuity contract, insurance policy or other funding arrangement are in substantial compliance with all applicable laws including ERISA, the Code, and the Age Discrimination in Employment Act, as applicable, and each of such Plans has been administered in substantial compliance with such requirements.

3.18.4 Except with respect to income taxes on benefits paid or provided, (i) no income, excise or other tax or penalty (federal or state) has been waived or excused, has been paid or is owed by any person (including, but not limited to, any Plan, any Plan fiduciary, FNMHC or FNMHC ERISA Affiliate) with respect to the operations of or any transactions with respect to any Plan, and (ii) no action has been taken, nor has there been any failure to take any action, nor is any action or failure to take action contemplated, that would subject any person or entity to any liability for any tax or penalty in connection with any Plan. No reserve for any taxes or penalties has been established with respect to any Plan, nor has any advice been given to any person with respect to the need to establish such a reserve.

3.18.5 There are no (i) actions, suits, arbitrations or claims (other than routine claims for benefits), (ii) legal, administrative or other proceedings or governmental investigations or audits, or (iii) complaints to or by any governmental entity, which are pending, anticipated or threatened, against the Plans or their assets.

3.18.6 The present value of the future cost to FNMHC and FNMHC ERISA Affiliates of post-retirement medical benefits that FNMHC or any FNMHC ERISA Affiliate is obligated to provide, calculated on the basis of actuarial assumptions FNMHC considers reasonable estimates of future experience and which have been provided to FNMHC, does not exceed the amount specified in Section 3.18.6 of the FNMHC Disclosure Schedule.

3.18.7 Neither FNMHC nor any FNMHC ERISA Affiliate, nor any of the ERISA Plans, nor any trust created thereunder, nor any trustee or administrator thereof has

engaged in a transaction in connection with which FNMHC or any FNMHC ERISA Affiliate, any of the ERISA Plans, any such trust, or any trustee or administrator thereof, or any party dealing with the ERISA Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

3.19 Reserves and Reinsurance. Except as set forth in Section 3.19 of the FNMHC Disclosure Schedule, the insurance reserves and liabilities reflected in the Most Recent FNMHC Subsidiaries' Balance Sheets and established on the books of FNIC for all future insurance policy benefits, dividends, losses, unearned premiums, claims and expenses make sufficient provision for all reasonably anticipated matured and unmatured liabilities and obligations of FNIC, under all insurance policies and reinsurance and coinsurance agreements or other similar contracts outstanding at the foregoing dates pursuant to which FNIC had or has any liability or obligation. All such reserves are computed in all material respects in accordance with applicable loss reserving practices, consistently applied, are fairly stated in accordance with sound loss reserving and actuarial principles, are based on factors and assumptions relevant to the provisions in the related insurance contracts, and are in material compliance with the requirements of the IIC. Except as set forth in Section 3.19 of the FNMHC Disclosure Schedule, neither FNMHC nor FNIC is involved in any dispute with or inquiry initiated by FNIC's outside accountants or the Illinois Director with respect to its actuarial or reserving practices. FNIC owns assets that qualify as admitted assets under applicable state insurance laws in an amount at least equal to all of its required insurance reserves. All reinsurance recoverables reflected or otherwise included, either as assets or contra-liabilities, in the FNIC Statutory Financial Statements are fairly stated in accordance with applicable SAP.

3.20 Insurance Business.

3.20.1 Insurance Practices. The insurance practices and business operations of FNIC (including, without limitation, its reserving, marketing, investment, financial, claims, underwriting, premium collection and refunding and other practices) conform in all material respects to all applicable legal and regulatory requirements and accepted or prescribed insurance company practices.

3.20.2 Insurance Benefit Contracts and Rates. Except as set forth in Section 3.20.2 of the FNMHC Disclosure Schedule, all insurance policies issued by FNIC as now in force are, to the extent required under applicable law, on forms approved by applicable insurance regulatory authorities or that have been filed and not objected to by such authorities within the period provided for objection. Any premium rates required to be filed with or approved by insurance regulatory authorities have been so filed or approved and premiums charged conform thereto.

3.20.3 Producers. Each of the written or oral contracts between FNIC (or FNIC's predecessor First Nonprofit Mutual Insurance Company) and its agents, managers, brokers or producers is in full force and effect. FNIC is not, and to the knowledge of FNMHC and FNIC none of FNIC's agents are, in default in any material respect thereunder, and no such

party thereto may terminate any such agreements by reason of the transactions contemplated by this Agreement.

3.20.4 Assessments. FNIC has paid in full or properly reserved for all guaranty fund and residual market assessments required by any regulatory authority to be paid by FNIC.

3.21 Regulatory Filings. FNMHC has made available for inspection by MIHC all registrations, filings or submissions made by FNMHC and FNIC (including its predecessor First Nonprofit Mutual Insurance Company) with the Illinois Director since December 31, 1998, including without limitation all annual and quarterly statutory financial statements filed with or submitted to the Illinois Director, and any state insurance reports of examination issued by the Illinois Director or other state insurance governmental or regulatory body since December 31, 1998. Each of FNMHC and FNIC has filed all reports, statements, documents, registrations, filings or submissions required to be filed by it with any governmental or regulatory body, except (i) those with respect to which the imposition, levy or collection of all fines, penalties, assessments, taxes, forfeitures, money judgments or sanctions of any type are barred by statute of limitations, (ii) with respect to which the failure to so file individually and in the aggregate would not cause an FNMHC Material Adverse Effect, (iii) except as may be required for the transactions contemplated by this Agreement, and (iv) as otherwise agreed to in writing by the applicable governmental or regulatory body. Except as set forth in Section 3.21 of the FNMHC Disclosure Schedule, (A) all such registrations, filings and submissions were in material compliance with applicable law when filed, and (B) no material deficiencies have been asserted by any such governmental or regulatory body with respect to such registrations, filings and submissions that have not been satisfied. Except as may be required for the transactions contemplated by this Agreement, each of FNMHC and FNIC has duly filed with appropriate insurance authorities, to the extent that filing of the same is required by laws, rules or regulations, all annual and quarterly statements and other statements, documents and reports (including, without limitation, any filings required under applicable state insurance holding company systems acts) required by the insurance and other laws of its state of domicile and in each of the states in which it is licensed to conduct an insurance business. All such statements and filings are substantially correct as filed, and there are no material omissions therefrom. Section 3.21 of the FNMHC Disclosure Schedule sets forth all financial, market conduct or other reports of examination issued by any department of insurance or regulatory body with respect to FNIC since December 31, 1998. FNIC has resolved all issues raised in such reports to the satisfaction of the issuer of such reports.

3.22 Finders and Investment Bankers. Neither FNMHC nor any of the FNMHC Subsidiaries has retained any broker, finder or other agent or incurred any liability for any brokerage fees, commissions or finders' fees with respect to the Merger.

3.23 Third-Party Discussions. Other than pursuant to this Agreement, neither FNMHC nor any of the FNMHC Subsidiaries is currently entertaining discussions with any third party regarding a possible sale or business combination of FNMHC or any of the FNMHC

Subsidiaries with another entity or any disposition of FNMHC or any of the FNMHC Subsidiaries or a substantial portion of their assets or business.

3.24 Disclosure. No representation or warranty of FNMHC and no statement or information relating to FNMHC or a FNMHC Subsidiary or their respective businesses or properties contained in (i) this Agreement, (ii) the FNMHC Disclosure Schedule, or (iii) any certificate furnished to MIHC pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made herein or therein not misleading.

ARTICLE IV

ACCESS TO BOOKS AND RECORDS

MIHC and FNMHC shall each afford to the other and the other's representatives reasonable access during normal business hours and upon reasonable notice through the period immediately prior to the Effective Time to all of their and their subsidiaries' respective assets, books and records, contracts, commitments and records (including, without limitation, Tax Returns and accountants' work papers) and, during such period, MIHC and FNMHC shall each furnish promptly to the other (i) a copy of each material report, schedule and other document filed or received by it pursuant to the requirements of law, including, without limitation, statutory financial statements and (ii) all such other information concerning its and its subsidiaries' business, assets and personnel as the other may reasonably request. Information provided by each party to the other party hereunder shall be deemed to be Confidential Information pursuant to paragraph 7 of that certain Letter of Intent previously executed by the predecessors of MIC and FNIC and dated January 31, 2001, which paragraph the parties adopt and hereby incorporate by this reference.

ARTICLE V

COVENANTS OF MIHC

5.1 Conduct of Business Pending the Merger. From the date hereof until the Effective Time, unless FNMHC shall otherwise agree in writing, or except as set forth in Section 5.1 of the MIHC Disclosure Schedule or as otherwise contemplated by this Agreement, MIHC and MIC shall conduct their respective businesses in the ordinary course consistent with past practice and shall use all reasonable efforts to preserve intact their licenses, permits and certificates of authority, business organizations and relationships with third parties (including but not limited to their respective relationships with members, policyholders, agents, underwriters and brokers).

5.2 Consents. MIHC shall, as soon as practicable, prepare or cause to be prepared and made all necessary filings with all governmental or regulatory bodies or other persons and shall use its best efforts to obtain all consents, waivers, approvals, authorizations, rulings or orders from all governmental or regulatory bodies or other persons listed on Section 2.4 of the MIHC Disclosure Schedule and furnish true, correct and complete copies of each thereof to FNMHC. MIHC agrees that prior to the Effective Time it shall obtain all required consents of

parties to any indenture, agreement or other instrument referred to in Section 2.4 of MIHC Disclosure Schedule.

5.3 Notice. MIHC shall give prompt notice to FNMHC of (i) any notice of, or other communication relating to, a default or event that with notice or lapse of time or both would become a default, received by MIHC or MIC subsequent to the date of this Agreement and prior to the Effective Time, under its Articles of Incorporation or bylaws or any indenture, or material instrument or agreement, to which MIHC or MIC is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (ii) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated hereby, and (iii) any matter that, if it had occurred prior to the date hereof, would have been required to be included in the MIHC Disclosure Schedule.

5.4 Disclosure of Acquisition Proposals. MIHC shall promptly inform FNMHC of any solicitation, inquiry, proposal or negotiations relating to any (i) merger or consolidation or other business combination of MIHC or MIC, (ii) sale of a significant amount of assets of MIHC or MIC outside the ordinary course of business, (iii) purchase or sale of shares of capital stock of MIC or (iv) any similar action or transaction involving MIHC or MIC other than the transactions contemplated by this Agreement.

5.5 Execution of Surplus Note. At the Closing, MIC shall loan FNIC \$2 million to be evidenced by a surplus note executed by FNIC in the form of Exhibit C hereto (the "FNIC Surplus Note").

5.6 Statutory Financial Statements. MIHC shall promptly furnish to FNMHC a copy of any statutory financial statement that is filed by either MIHC or MIC with the OCI prior to the Effective Time. Each such statutory financial statement shall be prepared in accordance with the standards specified in Section 2.6 hereof and shall be deemed to be a MIC Statutory Financial Statement for purposes of Section 2.6 hereof.

5.7 Regulatory Matters. MIHC shall promptly advise FNMHC with respect to any and all regulatory matters or proceedings affecting MIHC or MIC and shall furnish to FNMHC a copy of all (i) filings with regulatory agencies, including the OCI and (ii) correspondence, notices, orders, memoranda or other written material received from any regulatory agency (to the extent permitted by law), other than in the ordinary course of business. MIHC shall provide FNMHC reasonable access to its regulatory files to the extent not prohibited by law.

5.8 Cooperation. MIHC shall, and shall cause MIC to, execute such documents and other papers, provide such information, and take such further actions as may be reasonably requested by FNMHC to carry out the provisions hereof and to consummate the transactions contemplated hereby.

5.9 Conditions Precedent. MIHC shall, and shall cause MIC to, use all reasonable efforts to cause all of the conditions precedent to the consummation of the Merger applicable to it and them to be met.

ARTICLE VI

COVENANTS OF FNMHC

6.1 Conduct of Business Pending the Merger. From the date hereof until the Effective Time, unless MIHC shall otherwise agree in writing, or except as set forth in Section 6.1 of the FNMHC Disclosure Schedule or as otherwise contemplated by this Agreement, FNMHC and the FNMHC Subsidiaries shall conduct their respective businesses in the ordinary course consistent and past practice and shall use all reasonable efforts to preserve intact their licenses, permits and certificates of authority, business organizations and relationships with third parties (including but not limited to their respective relationships with members, policyholders, agents, underwriters and brokers).

6.2 Consents. FNMHC shall, as soon as practicable, prepare and make all necessary filings with all governmental or regulatory bodies or other entities and shall use its best efforts to obtain all consents, waivers, approvals, authorizations, rulings or orders from all governmental or regulatory bodies or other entities listed on Section 3.4 of the FNMHC Disclosure Schedule and furnish true, correct and complete copies of each thereof to MIHC. FNMHC agrees that prior to the Effective Time it shall obtain all required consents of parties to any indenture, agreement or other instrument referred to in Section 3.4 of FNMHC Disclosure Schedule.

6.3 Notice. FNMHC shall give prompt notice to MIHC of (i) any notice of, or other communication relating to, a default or event that with notice or lapse of time or both would become a default, received by FNMHC or any FNMHC Subsidiary subsequent to the date of this Agreement and prior to the Effective Time, under its Articles of Incorporation or bylaws or any indenture, or material instrument or agreement, to which FNMHC or any FNMHC Subsidiary is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (ii) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated hereby, and (iii) any matter that, if it had occurred prior to the date hereof, would have been required to be included in the FNMHC Disclosure Schedule.

6.4 No Solicitation of Acquisition Proposals. FNMHC shall not, nor shall it permit any of the FNMHC Subsidiaries, or authorize or permit any of its or their officers, directors or employees or any investment banker, financial adviser, attorney, accountant or other representative or agent retained by FNMHC or any FNMHC Subsidiary, to, directly or indirectly, make, solicit, initiate, encourage or take any other action to facilitate any inquiry or proposal, provide any information to or participate in any negotiations with, any Third Party relating to any (i) merger or consolidation or other business combination of FNMHC or any of the FNMHC Subsidiaries, (ii) sale of a significant amount of assets of FNMHC or any of the Subsidiaries outside the ordinary course of business, (iii) purchase or sale of shares of capital stock of any

FNMHC Subsidiary or (iv) any similar action or transaction involving FNMHC or any of FNMHC Subsidiaries other than the transactions contemplated by this Agreement (an "FNMHC Extraordinary Transaction"), or agree to or consummate any FNMHC Extraordinary Transaction. FNMHC shall immediately inform MIHC in writing of any inquiry, proposal or request for information (including the terms thereof and the person making such inquiry) that it may receive in respect of such a transaction and provide MIHC with a copy of any such written inquiries, proposals and offers.

6.5 Statutory Financial Statements. FNMHC shall promptly furnish to MIHC a copy of any statutory financial statement that is filed by either FNMHC or FNIC with the Illinois Director prior to the Effective Time. Each such statutory financial statement shall be prepared in accordance with the standards specified in Section 3.6 hereof and shall be deemed to be a FNIC Statutory Financial Statement for purposes of Section 3.6 hereof

6.6 Regulatory Matters. FNMHC shall promptly advise MIHC with respect to any and all regulatory matters or proceedings affecting FNMHC or any FNMHC Subsidiary and shall furnish to MIHC a copy of all (i) filings with regulatory agencies, including the Illinois Director and (ii) correspondence, notices, orders, memoranda or other written material received from any regulatory agency (to the extent permitted by law), other than in the ordinary course of business. FNMHC shall provide MIHC reasonable access to its regulatory files to the extent not prohibited by law.

6.7 Director and Officer Liability. For six years after the Effective Time, the Surviving Corporation shall indemnify and hold harmless each person who is or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of either of the Constituent Corporations or any of their subsidiaries, in respect of acts or omissions occurring prior to the Effective Time (the "Indemnified Parties") (including but not limited to the transactions contemplated by this Agreement) to the extent provided under the Articles of Incorporation and the bylaws of such company in effect on the date hereof, provided that such indemnification shall be subject to any limitation imposed from time to time under applicable law.

6.8 Post-Closing Benefits and Operations of FNMHC. Following the Merger, the Surviving Corporation shall take such actions as may be necessary to (i) continue the incentive plans and employee benefits of officers and employees of FNMHC and the FNMHC Subsidiaries as were in effect immediately prior to the Merger on substantially the same terms (except for the employment contract with FNIC's Chief Executive Officer as provided in Section 9.5), and (ii) subject to FNIC's election to outsource certain company functions as previously disclosed in writing, maintain FNIC's operations and related staffing in substantially the same manner as had been in effect prior to the Merger.

6.9 Cooperation. FNMHC shall, and shall cause each of the FNMHC Subsidiaries to, execute such documents and other papers, provide such information, and take such further actions as may be reasonably requested by MIHC to carry out the provisions hereof and to consummate the transactions contemplated hereby.

6.10 Conditions Precedent. FNMHC shall, and shall cause each of the FNMHC Subsidiaries to, use all reasonable efforts to cause all of the conditions precedent to the consummation of the Merger applicable to it and them to be met.

ARTICLE VII

CLOSING

The closing ("Closing") under this Agreement shall be held at the offices of _____ at 10:00 a.m., local time, as promptly as practicable after the fulfillment or waiver of all the terms and conditions contained in Articles VIII, IX and X of this Agreement, or at such other place and time as shall be mutually agreeable to the parties.

ARTICLE VIII

CONDITIONS TO THE OBLIGATIONS OF FNMHC

The obligations of FNMHC under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are, at its option, subject to the conditions that:

8.1 Validity of Representations and Warranties. The representations and warranties of MIHC herein contained shall be true and correct at and as of the Closing, as if made at and as of that time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations or warranties made as of a specified date shall be determined only as of such specified date) and except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not resulted, or may not be reasonably expected to result, in an MIHC Material Adverse Effect.

8.2 Performance of Obligations. MIHC shall have performed in all material respects all obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed and complied with by it at or prior to the Effective Time.

8.3 Consents. All consents, waivers, approvals, authorizations or orders listed on Section 2.4 of the MIHC Disclosure Schedule shall have been obtained by MIHC in form and substance reasonably acceptable to FNMHC and copies the same shall have been delivered to FNMHC.

8.4 Material Adverse Change. Since the date of this Agreement, no facts, events or circumstances shall have occurred that, in the reasonable judgment of FNMHC, could have an MIHC Material Adverse Effect.

8.5 MIHC Certificate. MIHC shall have delivered or caused to be delivered to FNMHC at the Closing a certificate of MIHC, signed by its Chief Executive Officer, which shall

confirm that the conditions to FNMHC's obligations set forth in Sections 8.1 and 8.2 have been satisfied.

8.6 FNIC Surplus Note. MIC shall have loaned FNIC \$2 million and FNIC shall have executed and delivered to MIC the FNIC Surplus Note.

ARTICLE IX

CONDITIONS TO THE OBLIGATIONS OF MIHC

The obligations of MIHC under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are, at its option, subject to the conditions that:

9.1 Validity of Representations and Warranties. The representations and warranties of FNMHC herein contained shall be true and correct at and as of the Closing, as if made at and as of that time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations or warranties made as of a specified date shall be determined only as of such specified date) and except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not resulted, or may not be reasonably expected to result, in an FNMHC Material Adverse Effect.

9.2 Performance of Obligations. FNMHC shall have performed in all material respects all obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed and complied with by it at or prior to the Effective Time.

9.3 Consents. All consents, waivers, approvals, authorizations or orders listed on Section 3.4 of the FNMHC Disclosure Schedule shall have been obtained by FNMHC in form and substance reasonably acceptable to MIHC and copies of the same shall have been delivered to MIHC.

9.4 Material Adverse Change. Since the date of this Agreement, no facts, events or circumstances shall have occurred that, in the reasonable judgment of MIHC, could have an FNMHC Material Adverse Effect.

9.5 Executed Employment Contract with FNIC's CEO. FNIC shall have executed a new employment contract with FNIC's Chief Executive Officer on substantially the same terms as the contract previously delivered to MIC or its predecessor, except that the "change of control" provisions and benefits contained in the new contract shall be triggered only upon the sale, merger, or dissolution of Unitrin, Inc., and a copy of the same shall have been delivered to MIHC.

9.6 FNMHC Certificate. FNMHC shall have delivered or caused to be delivered to MIHC at the Closing a certificate of FNMHC, signed by its Chief Executive Officer, which shall

confirm that the conditions to MIHC's obligations set forth in Sections 9.1 and 9.2 have been satisfied.

ARTICLE X

CONDITIONS APPLICABLE TO FNMHC AND MIHC

The obligations of FNMHC and MIHC under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are subject to the following terms and conditions:

10.1 Governmental Approvals. Written orders approving the Merger and the transactions contemplated thereby from the OCI and the Illinois Director shall have been obtained prior to the Effective Time in form and substance reasonably acceptable to FNMHC and MIHC.

10.2 Injunction. The consummation of the Merger shall not have been restrained, enjoined or prohibited by any court or governmental authority of competent jurisdiction. No material litigation or administrative proceeding shall be pending as of the Effective Time seeking to restrain, enjoin or prohibit the consummation of this Agreement or the Merger that, in the reasonable good faith determination of any party, is likely to render it impossible or unlawful to consummate such transactions; provided, however, that the provisions of this Section 10.2 shall not apply to any party that has directly or indirectly solicited or encouraged any such action.

10.3 Surviving Corporation Board of Directors. The Board of Directors of FNMHC and MIHC shall have adopted resolutions governing the composition of the Board of Directors of the Surviving Corporation, as described in Section 1.6 hereof.

10.4 Tax Opinion. The opinion of Lord, Bissell & Brook shall have been obtained to the effect that the Merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code, and that no gain or loss will be recognized by the parties to the Merger or by the members of FNMHC or MIHC as a result of the Merger.

10.5 Governance Matters. FNMHC and MIHC shall have delivered such resolutions, certificates and other instruments in form reasonably acceptable to FNMHC, MIHC and their respective counsel, as may be necessary to constitute the Board of Directors of the Surviving Corporation in accordance with Section 1.6 hereof.

10.6 Effective Time. The Effective Time shall be no later than 5:00 p.m. Central time on December 31, 2001.

ARTICLE XI
TERMINATION

11.1 Termination. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing (i) by mutual written consent of the Board of Directors of FNMHC and the Board of Directors of MIHC, (ii) by action of the Board of Directors of FNMHC or the Board of Directors of MIHC, if a material breach of any provision of this Agreement has been committed by the non-terminating party, and such breach has not been waived or cured within 10 business days of notice thereof, (iii) by action of the Board of Directors of FNMHC, in the event a condition set forth in Article VIII of this Agreement is or becomes impossible to satisfy (other than through the failure of FNMHC to comply with its obligations under this Agreement), (iv) by action of the Board of Directors of MIHC, in the event a condition set forth in Article IX of this Agreement is or becomes impossible to satisfy (other than through the failure of MIHC to comply with its obligations under this Agreement), (v) by action of the Board of Directors of FNMHC or the Board of Directors of MIHC in the event a condition set forth in Article X of this Agreement is or becomes impossible to satisfy (other than through the failure of the terminating party to comply with its obligations under this Agreement), (vi) by MIHC, upon no less than five business days' prior written notice, if there shall have occurred any event, change or development that has caused an FNMHC Material Adverse Effect, or (vii) by FNMHC, upon no less than five business days' prior written notice, if there shall have occurred any event, change or development that has caused an MIHC Material Adverse Effect.

11.2 Effect of Termination. In the event of the termination of this Agreement by either MIHC or FNMHC as provided above, this Agreement shall thereafter become void and there shall be no liability on the part of any party hereto against any other party hereto, or their respective directors, officers, members, or agents, except that (i) any such termination shall be without prejudice to the rights of any party hereto arising out of the willful and material breach by any other party of any representation or warranty or any covenant or agreement contained in this Agreement, and (ii) each of the parties hereto shall provide the other party hereto with a copy of any proposed public announcement regarding the occurrence of such termination and an opportunity to comment thereon prior to its dissemination.

ARTICLE XII
SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS

The representations, warranties and agreements of the parties hereto contained in this Agreement shall not survive the Closing, except for the agreements contained in Section 5.5, 6.7, and 6.8.

ARTICLE XIII

MISCELLANEOUS

13.1 Payment of Expenses. Whether or not the Merger shall be consummated, each party hereto shall pay its own expenses incident to preparing for, entering and carrying out this Agreement and to the consummation of the Merger.

13.2 Entire Agreement. This Agreement (together with the Schedules and Exhibits hereto and the documents referred to herein) contains, and is intended as, a complete statement of all of the terms of the arrangements between the parties with respect to the matters provided for herein, and supersedes any previous agreements and understandings between the parties with respect to those matters.

13.3 Third-Party Beneficiaries. There are no third-party beneficiaries to this Agreement, other than with respect to Sections 6.7 and 6.8.

13.4 Modifications, Amendments and Waivers. At any time prior to the Effective Time, the parties hereto may, by written agreement, (i) extend the time for the performance of any of the obligations or other acts of the parties hereto, (ii) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant hereto, (iii) waive compliance with any of the covenants or agreements contained in this Agreement, or (iv) make any other modification of this Agreement approved by the Boards of Directors of FNMHC and MIHC. This Agreement shall not be altered or otherwise amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto. For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

13.5 Assignment; Governing Law. Neither this Agreement nor any right, obligation or interest herein shall be assignable by any of the parties hereto, and any attempted assignment without each of the other party's consent shall be void. This Agreement shall be construed in accordance with the laws of the State of Illinois except with respect to its conflicts of law rules and except to the extent that Wisconsin law shall be held to govern the terms of the Merger as it applies to MIHC.

13.6 Schedules. All information set forth in the MIHC Disclosure Schedule and the FNMHC Disclosure Schedule shall be deemed a representation and warranty of MIHC and FNMHC, respectively, as to the accuracy of such information.

13.7 Publicity. Except as may otherwise be required by law, no publicity release or announcement concerning this Agreement or the transactions contemplated hereby shall be made prior to the Effective Time without advance approval thereof by MIHC and FNMHC. MIHC and FNMHC will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby.

13.8 Notices. Any notice to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, overnight express service or confirmed facsimile transmission, if to FNMHC, addressed to 111 N. Canal Street, Suite #801, Chicago, IL 60606-7206, Attention: Philip R. Warth, Jr., facsimile: (312) 930-5661 (with a copy to Lord, Bissell & Brook, 115 S. LaSalle Street, Chicago, IL 60603, Attention: Richard A. Hemmings, Esq., facsimile: (312) 443-0336); and if to MIHC, addressed to 250 North Sunny Slope Road, #250, Brookfield, Wisconsin 53005, Attention: Daniel R. Doucette, facsimile: (262) 938-0053 (with a copy to Foley & Lardner, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, Attention: Kevin G. Fitzgerald, Esq., facsimile: (414) 297-4900), or to such other persons as may be designated in writing by the parties.

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above written.

FIRST NONPROFIT MUTUAL HOLDING COMPANY

By: _____

MUTUAL INSURERS HOLDING COMPANY

By: _____