

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of CNA Financial Corp. in	:	Holding Companies Act, Article
Support of the Request for Approval to	:	XIV of the Insurance Company
Merge Continental Reinsurance	:	Law of 1921, Act of May 17, 1921,
Corporation With and Into Firemen’s	:	P.L. 682, <u>as amended</u> , 40 P.S.
Insurance Company of Newark, New	:	§§991.1401, 991.1402, and
Jersey With Firemen’s Insurance	:	991.1403; Sections 1921 through
Company of Newark, New Jersey Being	:	1929 of the 1988 Business
the Survivor in a Transaction Exempt	:	Corporation Law, Act of
from the Requirements of 40 P.S.	:	December 21, 1988, P.L. 1444, No.
§991.1402	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1929; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, <u>as amended</u> , 15
	:	P.S. §§21205 and 21207.
	:	
	:	Order No. ID-RC-06-28

DECISION AND ORDER

AND NOW, on this 7th day of November, 2006, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

## FINDINGS OF FACT

### Identity of Entities

1. Continental Reinsurance Corporation (“Continental Re”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Reading, Pennsylvania.
2. Firemen’s Insurance Company of Newark, New Jersey (“Firemen’s of Newark”) is a domestic stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Reading, Pennsylvania. Continental Re is a wholly-owned subsidiary of Firemen’s of Newark.
3. The Continental Insurance Company (“Continental”) is a domestic stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Reading, Pennsylvania. Firemen’s of Newark is a wholly-owned subsidiary of Continental.
4. CNA Financial Corp. (“CNA”) is an insurance holding company organized under the laws of Delaware with its principal place of business in Chicago, Illinois. Continental is an indirect wholly-owned subsidiary of CNA.
5. Loews Corporation is a holding company organized under the laws of Delaware with its principal place of business in New York, New York. CNA is a subsidiary of Loews Corporation.
6. Loews Corporation is a publicly-traded company on the New York Stock Exchange. No person controls Loews Corporation.
7. Loews Corporation is the sole ultimate controlling person of the holding company system that contains Continental Re and Firemen’s of Newark.

### Filing of the Application

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.
9. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:

- a) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or
  - b) if the transaction is otherwise not comprehended within the purposes of Section 1402.
10. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa.C.S. §§1921 through 1929 (“1988 BCL”), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205 and 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
  11. On August 14, 2006, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from CNA requesting approval to merge Continental Re with and into Firemen’s of Newark with Firemen’s of Newark being the survivor.
  12. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

#### Notice and Filing of Comments

13. On October 7, 2006, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by CNA and such notice invited interested persons to submit comments to the Department regarding the Application for a 30-day period, ending November 6, 2006
14. During the 30-day public comment period, the Department received no comments regarding the Application.

#### The Transaction

15. Continental Re and Firemen’s of Newark executed an Agreement and Plan of Merger dated as of August 11, 2006 (“Merger Agreement”), which provides for Continental Re to merge with and into Firemen’s of Newark, with Firemen’s of Newark being the surviving corporation.
16. As described in the Application, the Merger Agreement was adopted by unanimous written consent of the sole shareholders of Continental Re and Firemen’s of Newark on July 26, 2006.
17. As described in the Application, the Merger Agreement was adopted by unanimous written consent of the board of directors of Continental Re and

Firemen's of Newark on July 26, 2006.

18. As described in the Application, Firemen's of Newark shall acquire all of the assets of Continental Re and assume all of the debts and other liabilities of Continental Re.
19. As described in the Application, the articles of domestication and by-laws of Firemen's of Newark in effect immediately prior to the merger shall be the articles of domestication and by-laws of Firemen's of Newark upon the effective date of the merger.
20. As described in the Application, the members of the board of directors and the officers of Firemen's of Newark prior to the merger shall be the members of the board of directors and the officers of Firemen's of Newark after the merger.
21. As described in the Application, each share of Continental Re common stock issued and outstanding immediately prior to the effective date of the merger shall be surrendered for cancellation without consideration.
22. As described in the Application, each share of Firemen's of Newark common stock issued and outstanding immediately prior to the effective date shall remain issued and outstanding and be unaffected by the merger.
23. As described in the Application, Loews Corporation will remain the sole ultimate controlling person of Firemen's of Newark upon the effective date of the merger.
24. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

#### CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of Continental Re and Firemen's of Newark.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of a domestic insurer and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.

4. The Deputy Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. Pursuant to Section 1924 of the 1988 BCL, the Deputy Commissioner concludes that the Merger Agreement has been adopted and consented to by the sole shareholders of Continental Re and Firemen's of Newark, and by the board of directors of Continental Re and Firemen's of Newark.
6. The Deputy Commissioner concludes that the execution and contents of the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Merger Agreement will be effective on or after proper filing of Articles of Merger with the Department of State, pursuant to Sections 1927 and 1928 of the 1988 BCL.
8. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Continental Re will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
9. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner concludes that the proposed merger is in accordance with law and not injurious to the interests of policyholders and creditors of Continental Re and Firemen's of Newark.
10. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
11. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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: P.L. 834, No. 198, as amended, 15  
: P.S. §§21205 and 21207.  
:  
: Order No. ID-RC-06-28

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of CNA Financial Corp. in support of the request for approval to merge Continental Reinsurance Corporation with and into Firemen’s Insurance Company of Newark, New Jersey with Firemen’s Insurance Company of Newark, New Jersey being the survivor in a transaction exempt from the requirements of 40 P.S. §991.1402 subject to the following conditions:

A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately and valid for one year, provided no material changes are made to the Application.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania