

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of ACE American Insurance	:	Holding Companies Act, Article
Company in Support of the Request for	:	XIV of the Insurance Company
Approval to Merge ACE Insurance	:	Law of 1921, Act of May 17, 1921,
Company of Illinois with and into ACE	:	P.L. 682, <u>as amended</u> , 40 P.S.
American Insurance Company with ACE	:	§§991.1401, 991.1402, and
American Insurance Company Being the	:	991.1403; Sections 1921 through
Survivor in a Transaction Exempt from	:	1929 of the 1988 Business
the Requirements of 40 P.S. §991.1402	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	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-07-34

DECISION AND ORDER

AND NOW, on this 24th day of October, 2007, 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. ACE Insurance Company of Illinois (“ACE of Illinois”) is an unauthorized foreign stock insurance company organized under the laws of the State of Illinois.
2. ACE Property and Casualty Insurance Company (“ACE P&C”) is a domestic stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. ACE of Illinois is a wholly-owned subsidiary of ACE P&C.
3. ACE American Insurance Company (“AAIC”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
4. INA Holdings Corporation (“INA Holdings”) is a business corporation organized under the laws of the State of Delaware with its principal place of business in Wilmington, Delaware. AAIC and ACE P&C are wholly-owned subsidiaries of INA Holdings.
5. ACE Limited is a business corporation organized under the laws of the Cayman Islands with its principal place of business in Hamilton, Bermuda. INA Holdings is an indirect wholly-owned subsidiary of ACE Limited.
6. ACE Limited is a publicly-traded company on the New York Stock Exchange. No person controls ACE Limited.
7. ACE Limited is the sole ultimate controlling person of the holding company system that contains AAIC.

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 September 7, 2007, 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 AAIC requesting approval to merge ACE of Illinois with and into AAIC with AAIC 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 September 22, 2007, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by AAIC and such notice invited interested persons to submit comments to the Department regarding the Application for a 30-day period, ending October 22, 2007.
14. During the 30-day public comment period, the Department received no comments regarding the Application.

The Transaction

15. AAIC, ACE P&C and ACE of Illinois executed an Agreement and Plan of Merger dated as of September 19, 2007 (“Merger Agreement”), which provides for ACE of Illinois to merge with and into AAIC, with AAIC being the surviving corporation.
16. As described in the Application, the Merger Agreement was adopted by resolution of the sole shareholder of AAIC at a meeting held on September 14, 2007, and by resolution of the sole shareholder of ACE of Illinois at a meeting held on September 11, 2007.

17. As described in the Application, the Merger Agreement was adopted by resolution of the board of directors of AAIC at a meeting held on September 11, 2007, and by resolution of the board of directors of ACE of Illinois at a meeting held on September 11, 2007.
18. As described in the Application, AAIC shall acquire all of the assets of ACE of Illinois and assume all of the debts and other liabilities of ACE of Illinois.
19. As described in the Application, the articles of incorporation and by-laws of AAIC in effect immediately prior to the merger shall be the articles of incorporation and by-laws of AAIC upon the effective date of the merger.
20. As described in the Application, the members of the board of directors and the officers of AAIC prior to the merger shall be the members of the board of directors and the officers of AAIC after the merger.
21. As described in the Application, each share of ACE of Illinois common stock issued and outstanding immediately prior to the effective date of the merger shall no longer be outstanding and shall be converted into the right to receive cash or securities upon the effective date of the merger.
22. As described in the Application, each share of AAIC 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, ACE Limited will remain the sole ultimate controlling person of AAIC 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 AAIC and ACE of Illinois.
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 AAIC 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 AAIC and ACE of Illinois, and by the Board of Directors of AAIC and ACE of Illinois.
6. The Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1925 of the 1988 BCL because the Merger Agreement is subject to the approval of the insurance department of the state of domicile of ACE of Illinois.
7. 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.
8. 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.
9. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of ACE of Illinois will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
10. 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 AAIC and ACE of Illinois.
11. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
12. 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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: December 21, 1988, P.L. 1444, No.
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: P.L. 834, No. 198, as amended, 15
: P.S. §§21205 and 21207.
:
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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the Application of ACE American Insurance Company in Support of the Request for Approval to merge ACE Insurance Company of Illinois with and into ACE American Insurance Company with ACE American Insurance Company being the survivor in a transaction exempt from the requirements of 40 P.S. §991.1402 subject to the following conditions:

1. An approving determination must be granted by the Illinois Department of Insurance, before Articles of Merger are filed with the Pennsylvania Department of State. A certified copy of the Illinois approval shall be provided to the Deputy Commissioner within three (3) business days of

receipt by ACE Insurance Company of Illinois.

2. 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.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania