

BEFORE THE ACTING INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Columbia Insurance : Companies Act, Article XIV of the
Company in Support of the Request for : Insurance Company Law of 1921, Act
Approval to Acquire Control of : of May 17, 1921, P. L. 682, as
Philadelphia Reinsurance Corporation : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403; Chapter
: 25 of Title 31 of the Pennsylvania
: Code, 31 Pa. Code §§25.1-.23.
:
: Order No. ID-RC-08-03

DECISION AND ORDER

AND NOW, on this 5th day of June, 2008, Joel Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Involved Persons

Domestic Insurer

1. Philadelphia Reinsurance Corporation (“Philadelphia Re”) is a stock fire insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.
2. NRG America Holding Company (“NRG America”) is an insurance holding company organized pursuant to the laws of the state of Delaware with its principal place of business located in Philadelphia, Pennsylvania. NRG America controls 100% of the

issued and outstanding capital stock of Philadelphia Re.

3. Nederlandse Reassurantie Groep N.V. (“Nederlandse Reassurantie”) is a business corporation organized pursuant to the laws of the country of the Netherlands. Nederlandse Reassurantie controls 100% of the issued and outstanding capital stock of NRG America.
4. ING Insurance International B.V. (“ING”) is a business corporation organized pursuant to the laws of the country of the Netherlands. ING controls 100% of the issued and outstanding capital stock of Nederlandse Reassurantie.

Acquiring Persons

5. Columbia Insurance Company (“Columbia”) is a nonadmitted insurance company organized under the laws of the State of Nebraska with its principal place of business in Omaha, Nebraska.
6. Berkshire Hathaway Inc. is a business corporation organized under the laws of the State of Delaware with its principal place of business in Omaha, Nebraska. Columbia is an indirect wholly-owned subsidiary of Berkshire Hathaway Inc.
7. The stock of Berkshire Hathaway Inc. is traded on the New York Stock Exchange.
8. Warren E. Buffett (“Buffett”) is an individual with his principal place of business in Omaha, Nebraska. Buffett owns approximately 32.4% of the issued and outstanding shares of Berkshire Hathaway Inc.
9. Buffett is the sole ultimate controlling person of Columbia.

Acquisition Filing

10. On March 7, 2008, Columbia and ING signed a Stock Purchase Agreement (“Agreement”) whereby Columbia would acquire all of the issued and outstanding capital stock of Nederlandse Reassurantie.
11. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
12. On March 24, 2008, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all

material received subsequently is hereinafter referenced as “Application”) from Columbia for approval to acquire control of Philadelphia Re.

13. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

14. On April 5, 2008, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by Columbia and such notice invited interested persons to submit comments to the Department regarding the Application for seven days following the date of the publication (“Comment Period”).
15. During the Comment Period, the Department received no comments regarding the Application.

Description of the Proposed Acquisition

16. As described in the Application and pursuant to the Agreement, Columbia would acquire control of Philadelphia Re when it acquires Nederlandse Reassurantie.
17. As described in the Application, Columbia anticipates deriving the cash consideration to be used in the transaction from its internally generated corporate funds.

Standards for Review

18. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.

Licensing Requirements

19. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
20. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).

21. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
22. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Philadelphia Re is required to maintain a minimum paid up capital stock of \$2,350,000 and a minimum paid in surplus of \$1,175,000 to write the lines of insurance for which it is presently licensed.
23. As of March 31, 2008, Philadelphia Re maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
24. Upon completion of the transaction, Philadelphia Re will have the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.

Competitive Impact

25. The acquisition of control of the Philadelphia Re is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
26. The acquisition of control of Philadelphia Re will not lessen competition or tend to create a monopoly in the Commonwealth because Philadelphia Re has no market share in the Commonwealth of Pennsylvania.
27. Since there will be no increase in market share as a result of the acquisition, the Competitive Standard of Section 1403 of the Insurance Holding Companies Act is not applicable.

Financial Condition of Applicant

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
29. The Department has reviewed the annual financial statement submitted by Columbia as of December 31, 2007.

30. The Department has reviewed the financial statement submitted by Buffett as of December 31, 2007.
31. The financial condition of Columbia and Buffett will not pose any impediments to the change in control nor jeopardize the financial condition of Philadelphia Re.

Plans for the Acquired Insurer

32. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
33. As provided in the Application, Columbia has no future plans or proposals to liquidate Philadelphia Re, to sell its assets to or merge it with any person or persons.
34. As provided in the Application, Columbia has no current plans for the underwriting of new business by Philadelphia Re and will continue with the orderly run-off of Philadelphia Re's liabilities.

Management

35. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
36. Biographical affidavits for all directors and executive officers of Columbia in addition to those new intended directors and officers of Philadelphia Re were reviewed by the Department.
37. The Department is satisfied that the persons who would control the operations of Philadelphia Re have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
38. 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 change in control of Philadelphia Re.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Philadelphia Re.
4. 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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ORDER

Upon consideration of the foregoing, the Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Columbia Insurance Company in support of the request for approval to acquire control of Philadelphia Reinsurance Corporation as set forth in the Application, is hereby approved, subject to this Order and the following condition:

Columbia shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation.

JOEL ARIO
Acting Insurance Commissioner
Commonwealth of Pennsylvania