

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and  
: 1403 of the Insurance Holding  
Application of Tokio Marine Holdings, : Companies Act, Article XIV of the  
Inc. in Support of the Request for : Insurance Company Law of 1921,  
Approval to Acquire Control of : Act of May 17, 1921, P.L. 682,  
Philadelphia Insurance Company and : as amended, 40 P.S. §§991.1401,  
Philadelphia Indemnity Insurance : 991.1402, and 991.1403  
Company :  
: Order No. ID-RC-08-14

DECISION AND ORDER

AND NOW, on this 2nd day of October, 2008, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company 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 Parties

1. Philadelphia Insurance Company ("PIC") is a stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania.

2. Philadelphia Indemnity Insurance Company (together with PIC “Domestic Insurers”) is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania.
3. Philadelphia Consolidated Holding Corporation (“PCHC”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of located in Bala Cynwyd, Pennsylvania. PCHC directly holds 100% of the issued and outstanding capital stock of Domestic Insurers.
4. Tokio Marine Investment (Pennsylvania) Inc. (“Merger Sub”) is a business corporation organized under of laws of the Commonwealth of Pennsylvania with its principal place of business located in Tokyo, Japan.
5. Tokio Marine & Nichido Fire Insurance Co., Ltd. (“Tokio Marine & Nichido Fire”) is a stock property insurance company organized under the laws of Japan with its principal place of business located in Tokyo, Japan. Tokio Marine & Nichido Fire directly holds 100% of the issued and outstanding capital stock of Merger Sub.
6. Tokio Marine Holdings, Inc. (“Tokio Marine Holdings”) is an insurance holding company organized under the laws of Japan with its principal place of business located in Tokyo, Japan. Tokio Marine Holdings directly holds 100% of the issued and outstanding capital stock of Tokio Marine & Nichido Fire.
7. Tokio Marine Holdings is a publicly traded company on the Tokyo and Osaka exchanges, with no single entity controlling 10% or greater of the issued and outstanding capital stock.
8. Tokio Marine Holdings is the sole ultimate controlling person of Merger Sub.

#### Acquisition Filing

9. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving the control of a domestic insurer must be filed with the Commissioner for approval or disapproval.

10. On August 12, 2008, 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 Tokio Marine Holdings for approval to acquire control of Domestic Insurers.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### Department Procedures

12. On August 23, 2008, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Tokio Marine Holdings and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty day period.
13. The Department received no comments regarding the Application during the thirty day comment period.

#### Description of the Proposed Acquisition

14. As described in the Application, on July 22, 2008, PCHC, Tokio Marine Holdings and Merger Sub signed an Agreement and Plan of Merger (which together with subsequent amendments is referenced herein as the “Agreement”) whereby Merger Sub would merge with and into PCHC, and Tokio Marine Holdings would acquire 100% of the issued and outstanding capital stock of PCHC.
15. As described in the Application and in accordance with the Agreement, Domestic Insurers would continue to be direct, wholly-owned subsidiaries of PCHC.
16. As described in the Application and in accordance with the Agreement, PCHC would become a direct, wholly-owned subsidiary of Tokio Marine & Nichido Fire.
17. As described in the Application and in accordance with the Agreement, Tokio Marine & Nichido Fire would continue to be a direct, wholly-owned subsidiary of Tokio Marine Holdings.
18. As described in the Application, Tokio Marine Holdings would be the sole ultimate controlling person of Domestic Insurers.

19. As described in the Application, Tokio Marine Holdings could fund the Acquisition from its existing corporate resources.

#### Standards for Review

20. 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.
21. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

#### Licensing Requirements

22. 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.
23. The classes 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).
24. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
25. Upon completion of the transaction, Domestic Insurers would have paid up capital in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held.
26. Upon completion of the transaction, Domestic Insurers would have paid in surplus in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held.

#### Competitive Impact

27. The acquisition of control of Domestic Insurers 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.

28. The acquisition of control of Domestic Insurers will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Tokio Marine Holdings, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Tokio Marine Holdings

29. 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 persons.

30. Tokio Marine Holdings reports that as of March 31, 2008, the Japanese GAAP account balances of Tokio Marine Holdings were:

Assets:	\$ 172,504,661,000
Liabilities:	\$ 146,760,176,000
Shareholder's Equity:	\$ 25,744,475,000

31. The financial condition of Tokio Marine Holdings would not pose any impediments to the change in control nor jeopardize the financial condition of Domestic Insurers.

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, Tokio Marine Holdings has disclosed that it does not intend to cause Domestic Insurers to declare an extraordinary dividend in the short term, to liquidate either Domestic Insurer, to sell their assets or to merge with any person or persons or to make any other material change in their business operations or corporate structure or insurer level management.

## Management

34. 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 insurers.
35. Biographical affidavits for all involved directors and executive officers of Tokio Marine Holdings were provided as part of the Application and the Department reviewed all affidavits that were submitted.
36. The Department is satisfied that the persons who would control the operations of Domestic Insurers have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
37. 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 Commissioner has jurisdiction to review and approve the change in control of Domestic Insurers.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner 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 it is 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 and fail to confer benefit on policyholders of the insurer and are 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;
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
  - 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 Domestic Insurers.
  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 Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The Application of Tokio Marine Holdings, Inc. in support of the request for approval to acquire control of Philadelphia Insurance Company and Philadelphia Indemnity Insurance Company is hereby approved, subject to this Order and the following condition:

Tokio Marine Holdings, Inc. shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction. Such documents shall be available for Department review for a period of not less than five years from the date of the closing of this acquisition.

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

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JOEL ARIO  
Insurance Commissioner  
Commonwealth of Pennsylvania