

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Century Indemnity	:	Holding Companies Act, Article
Company in Support of the Request for	:	XIV of the Insurance Company
Approval to Merge Century Reinsurance	:	Law of 1921, Act of May 17, 1921,
Company with and into Century	:	P.L. 682, <u>as amended</u> , 40 P.S.
Indemnity Company in a Transaction	:	§§991.1401, 991.1402, and
Exempt from the Requirements of 40 P.S.	:	991.1403; Sections 1921 through
§991.1402	:	1929 of the 1988 Business
	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1928; 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-09-33

DECISION AND ORDER

AND NOW, on this 9th day of October, 2009, 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. Century Reinsurance Company (“Century Re”) is a stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.

2. Century Indemnity Company (“Century Indemnity” and together with Century Re “Domestic Insurers”) is a stock property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania. Century Indemnity directly holds 100% of the issued and outstanding capital stock of Century Re.
3. Brandywine Holdings Corporation (“Brandywine”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of located in Wilmington, Delaware. Brandywine directly holds 100% of the issued and outstanding capital stock of Century Indemnity.
4. ACE Limited (“ACE”) is an insurance holding company organized under the laws of Switzerland with its principal place of located in Zurich, Switzerland. ACE indirectly holds 100% of the issued and outstanding capital stock of Brandywine.
5. ACE is a publicly traded company on the New York Stock Exchange. No person controls ACE.
6. ACE is the sole ultimate controlling person of Domestic Insurers.

Filing of the Application

7. 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.
8. 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.
9. 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, 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
10. On August 25, 2009, 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

Century Indemnity requesting approval to merge Century Re with and into Century Indemnity.

11. 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 of Filing and Comments

12. On September 12, 2009, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Domestic Insurer and such notice invited interested persons to submit comments to the Department regarding the Application for a seven day period, ending September 19, 2009.
13. During the seven day comment period, the Department received no comments regarding the proposed merger.

The Transaction

14. On September 29, 2009, Century Re and Century Indemnity entered into a Plan of Merger (“Plan of Merger”) pursuant to Section 1924(b) of the 1988 BCL.
15. Plan of Merger provides for Century Re to merge with and into Century Indemnity, with Century Indemnity being the surviving corporation.
16. As described in the Application, upon the effective date each share of common stock of Domestic Insurer issued and outstanding immediately prior to the effective date of the merger shall be cancelled without consideration.
17. As described in the Application, at the effective date, the Articles of Incorporation and By-Laws of Century Indemnity in effect at the effective date, shall be the Articles of Incorporation and By-Laws of Century Indemnity after the merger.
18. As described in the Application, the members of the board of directors and the officers of Century Indemnity at the effective date shall be the members of the board of directors and the officers of Century Indemnity after the merger.
19. As described in the Application, Century Indemnity would thenceforth be responsible and liable for all the liabilities and obligations of Century Re.
20. 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 Domestic Insurers.
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 the parties to the merger and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of Plan of Merger, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. The Deputy Commissioner concludes that Plan of Merger satisfies the requirements of Section 1924 of the 1988 BCL.
6. The Deputy Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Plan of Merger will be effective upon proper filing of Articles of Merger with the Pennsylvania 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 Century 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 terms and conditions of the proposed merger are fair and that the proposed merger is in accordance with law and not injurious to the interests of the policyholders and creditors.
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.S. §§21205 and 21207.
	:	:
	:	Order No. ID-RC-09-33

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Century Indemnity Company (“Century Indemnity”) requesting approval of the merger of Century Reinsurance Company with and into Century Indemnity subject to the following conditions:

1. Century Indemnity shall submit any changes made to the Articles of Merger, Plan of Merger or any of the documents provided with the Application for the written prior approval of the Deputy Commissioner prior to execution of the changed document.
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.
3. This transaction may be recorded as effective for accounting purpose as of the first day of the calendar quarter in which the merger is consummated.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania