

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of QBE Holdings, Inc.	:	Companies Act, Article XIV of the
Requesting Exemption from the	:	Insurance Company Law of 1921, Act of
Requirements of 40 P.S. §991.1402 for	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
the Restructure of the Insurance Holding	:	P.S. §§991.1401, 991.1402, and
Company System Which Contains	:	991.1403; Sections 1921 through
Redland Insurance Company and	:	1929 of the 1988 Business
Praetorian Insurance Company to include	:	Corporation Law, Act of
a Merger of Redland Insurance Company	:	December 21, 1988, P.L. 1444, No.
with and into Praetorian Insurance	:	177, as amended, 15 Pa. C.S.
Company	:	§§1921-1929; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, as amended, 15
	:	P.S. §§21205 and 21207.
	:	:
	:	Order No. ID-RC-10-03

DECISION AND ORDER

AND NOW, on this 23rd day of March, 2010, 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 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 Parties

1. Redland Insurance Company (“RIC”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.

2. Praetorian Insurance Company (“PIC”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in New York, New York.
3. Praetorian Financial Group, Inc. is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business located in New York, New York. RIC and PIC are both direct wholly-owned subsidiaries of Praetorian Financial Group, Inc.
4. QBE Holdings, Inc. is a business corporation organized pursuant to the laws of State of Delaware with its principal place of business located in New York, New York. Praetorian Financial Group, Inc. is a direct wholly-owned subsidiary of QBE Holdings, Inc.
5. QBE Insurance Group Limited (“QBE”) is a business corporation organized under the laws of Australia with its principal place of business located in Sydney, Australia. QBE Holdings, Inc. is an indirect wholly-owned subsidiary of QBE.
6. QBE is the sole ultimate controlling person of RIC and PIC.

Filing of the Request

7. On January 29, 2010, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from QBE Holdings, Inc. for approval to change direct ownership of RIC and PIC from Praetorian Financial Group, Inc. to QBE Holdings, Inc. and subsequently merge RIC with and into PIC.
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 the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not have the effect of changing or influencing the control of a domestic insurer, or
 - b. is otherwise not comprehended within the purposes of the section.
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. The Request 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

12. On February 20, 2010, the Department published notice in the *Pennsylvania Bulletin* that the Request had been received and such notice invited interested persons to submit comments to the Department regarding the Request for a thirty (30) day period, ending March 22, 2010.
13. During the thirty (30) day public comment period, the Department received no comments regarding the Request.

The Transaction

14. As described in the Request, the restructure involves the following steps:
 - a. QBE Holdings, Inc. will acquire direct ownership of RIC and PIC resulting from a merger of Praetorian Financial Group, Inc. with and into QBE Holdings, Inc. (“Praetorian/QBE Merger”).
 - b. Subsequent to and immediately following the Praetorian/QBE Merger, RIC will merge with and into PIC with PIC being the surviving corporation (“RIC/PIC Merger”).
15. RIC and PIC executed an Agreement and Plan of Merger dated as of March 22, 2010 (“Merger Agreement”), which provides for the RIC/PIC Merger.
16. As described in the Request, the Merger Agreement was adopted by written consent of the board of directors of RIC and PIC on February 18, 2010.
17. As described in the Request, the Merger Agreement was adopted by written consent of the sole shareholder of RIC and PIC on March 18, 2010.
18. As described in the Request, PIC shall acquire all of the assets of RIC and assume all of the debts and other liabilities of RIC.
19. As described in the Request, the articles of incorporation and by-laws of PIC in effect immediately prior to the RIC/PIC Merger shall be the articles of incorporation and by-laws of PIC upon the effective date of the RIC/PIC Merger.
20. As described in the Request, the members of the board of directors and the officers of PIC prior to the RIC/PIC Merger shall be the members of the board of directors and the officers of PIC after the RIC/PIC Merger.

21. As described in the Request, each share of RIC common stock issued and outstanding immediately prior to the effective date of the RIC/PIC Merger shall be cancelled.
22. As described in the Request, each share of PIC common stock issued and outstanding immediately prior to the effective date of the RIC/PIC Merger shall remain issued and outstanding and be unaffected by the RIC/PIC Merger.
23. As described in the Request, QBE Insurance Group Limited will remain the sole ultimate controlling person of PIC upon the effective date of the RIC/PIC 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 acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The change in direct ownership of RIC and PIC capital stock proposed in the Request is not being contemplated to change or influence the ultimate control of RIC and PIC, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of RIC and PIC.
4. 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.
5. 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.
6. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
7. 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.

8. 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 RIC and PIC, and by the board of directors of RIC and PIC.
9. 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.
10. 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.
11. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of RIC will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
12. 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 RIC and PIC.
13. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
14. 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 Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the request for exemption from the requirements of 40 P.S. §991.1402(b) for the restructure of the insurance holding company system which contains Redland Insurance Company and Praetorian Insurance Company to include a merger of Redland Insurance Company with and into Praetorian Insurance Company, as set forth in the Request, is hereby granted subject to the following conditions:

1. Praetorian Insurance Company shall file a copy of the Articles of Merger with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.
2. Redland Insurance Company shall surrender its Certificate of Authority to operate as a domestic stock casualty insurance company to the Deputy Commissioner not later than ten (10) days after the filing of the Articles of Merger with the Pennsylvania Department of State.

3. This transaction may be recorded as effective for accounting purposes as of the first day of the calendar quarter in which the merger is consummated.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation