

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 ACE Indemnity Insurance : Companies Act, Article XIV of the
Company Requesting Exemption from : Insurance Company Law of 1921, Act of
the Requirements of 40 P.S. §991.1402 : May 17, 1921, P.L. 682, as amended, 40
for the Restructure of the Insurance : P.S. §§991.1401, 991.1402, and
Holding Company System Which : 991.1403; Sections 1921 through
Contains ACE Indemnity Insurance : 1929 of the 1988 Business
Company to include a Merger of : Corporation Law, Act of
Westchester Fire Insurance Company : December 21, 1988, P.L. 1444, No.
with and into ACE Indemnity 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-10-10

DECISION AND ORDER

AND NOW, on this 3rd day of May, 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. ACE Indemnity Insurance Company (“AIIC”) 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 Philadelphia, Pennsylvania.

2. Indemnity Insurance Company of North America (“IINA”) 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 Philadelphia, Pennsylvania. AIIC is a direct wholly-owned subsidiary of IINA.
3. Westchester Fire Insurance Company (“WFIC”) is a foreign stock fire insurance company organized pursuant to the laws of the State of New York with its principal place of business located in Philadelphia, Pennsylvania.
4. ACE US Holdings, Inc. (“ACE US”) is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business located in Wilmington, Delaware. WFIC is a direct wholly-owned subsidiary of ACE US.
5. ACE Limited is a business corporation organized under the laws of Switzerland with its principal place of business located in Zurich, Switzerland. ACE US and IINA are both indirectly wholly-owned subsidiaries 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 WFIC and AIIC.

Filing of the Request

8. On April 2, 2010, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from AIIC for approval to change direct ownership of AIIC from IINA to ACE US and subsequently merge WFIC with and into AIIC.
9. 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.
10. 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.

11. 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.
12. 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

13. On April 24, 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 seven (7) day period, ending May 1, 2010.
14. During the seven (7) day public comment period, the Department received no comments regarding the Request.

The Transaction

15. As described in the Request, the restructure involves the following steps:
 - a) ACE US will acquire direct ownership of AIIC by means of a Stock Purchase Agreement (“AIIC Acquisition”).
 - b) Subsequent to and immediately following the AIIC Acquisition, WFIC will merge with and into AIIC with AIIC being the surviving corporation (“WFIC/AIIC Merger”).
16. WFIC and AIIC executed an Agreement and Plan of Merger dated as of April 9, 2010 (“Merger Agreement”), which provides for the WFIC/AIIC Merger.
17. As described in the Request, the Merger Agreement was adopted by resolution of the boards of directors of WFIC and AIIC on March 23, 2010.
18. As described in the Request, the Merger Agreement was adopted by resolution of IINA as the sole shareholder of AIIC on March 23, 2010.
19. As described in the Request, the Merger Agreement was adopted by resolution of ACE US as the sole shareholder of WFIC and the prospective sole shareholder of AIIC on April 9, 2010.
20. As described in the Request, AIIC shall acquire all of the assets of WFIC and assume all of the debts and other liabilities of WFIC.

21. As described in the Request, the articles of incorporation and by-laws of AIIC in effect immediately prior to the WFIC/AIIC Merger shall be the articles of incorporation and by-laws of AIIC upon the effective date of the WFIC/AIIC Merger with the exception of an amendment to change the name of AIIC to “Westchester Fire Insurance Company” upon the effective date of the of the merger.
22. As described in the Request, the members of the board of directors and the officers of AIIC prior to the WFIC/AIIC Merger shall be the members of the board of directors and the officers of AIIC after the WFIC/AIIC Merger.
23. As described in the Request, each share of WFIC common stock issued and outstanding immediately prior to the effective date of the WFIC/AIIC Merger shall be cancelled without consideration.
24. As described in the Request, each share of AIIC common stock issued and outstanding immediately prior to the effective date of the WFIC/AIIC Merger shall remain issued and outstanding and be unaffected by the WFIC/AIIC Merger.
25. As provided in the Request, AIIC has filed applications to obtain a foreign certificate of authority from the insurance regulatory authority in the following jurisdictions:
 - a) Alabama
 - b) Maine
 - c) Nevada
 - d) New Hampshire
 - e) North Carolina
 - f) Tennessee
 - g) Puerto Rico
 - h) Virgin Islands
 - i) Guam
 - j) Northern Mariana Islands
26. As provided in the Request, AIIC has filed applications for additional authority from the insurance regulatory authority in the following jurisdictions in which they are currently licensed:
 - a) California
 - b) Delaware
 - c) Florida
 - d) Massachusetts
 - e) New Jersey
 - f) New York
 - g) Texas
27. As described in the Request, ACE Limited will remain the sole ultimate controlling person of AIIC upon the effective date of the AIIC and subsequent WFIC/AIIC

Merger.

28. 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 AIIC capital stock proposed in the Request is not being contemplated to change or influence the ultimate control of AIIC, 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 WFIC and AIIC.
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 WFIC and AIIC, and by the board of directors of WFIC and AIIC.
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 WFIC 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 WFIC and AIIC.
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 ACE Indemnity Insurance Company to include a merger of Westchester Fire Insurance Company (“WFIC”) with and into ACE Indemnity Insurance Company (“AIIC”), as set forth in the Request, is hereby granted subject to the following conditions:

1. AIIC shall obtain a foreign certificate of authority from the insurance regulatory authority in the following jurisdictions:
 - a) Alabama
 - b) Maine
 - c) Nevada
 - d) New Hampshire
 - e) North Carolina

- f) Tennessee
 - g) Puerto Rico
 - h) Virgin Islands
 - i) Guam
 - j) Northern Mariana Islands
2. AIIC shall obtain additional authority from the insurance regulatory authority in the following jurisdictions in which they are currently licensed:
- a) California
 - b) Delaware
 - c) Florida
 - d) Massachusetts
 - e) New Jersey
 - f) New York
 - g) Texas
3. An approving determination must be granted by the New York State, Insurance Department, before Articles of Merger are filed with the Pennsylvania Department of State. A certified copy of the New York approval shall be provided to the Deputy Commissioner within three (3) business days of receipt by WFIC.
4. AIIC 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.
5. WFIC shall surrender its Certificate of Authority to operate as a foreign stock fire 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.
6. 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