

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of CNA Financial Corporation	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Restructuring of the Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System that includes Valley Forge	:	§§991.1401, 991.1402, and
Insurance Company	:	991.1403
	:	
	:	Order No. ID-RC-03-37

DECISION AND ORDER

AND NOW, on this 11th day of September, 2003, 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. Valley Forge Insurance Company (“VFIC”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Chicago, Illinois.
2. Continental Casualty Company (“Continental Casualty”) is a stock casualty insurance company organized pursuant to the laws of the state of Illinois with its principal place of business located in Chicago, Illinois. Continental Casualty indirectly owns 100% of the issued and outstanding voting stock of VFIC.

3. The Continental Corporation is an insurance holding company organized pursuant to the laws of the state of New York with its principal place of business located in Chicago, Illinois.
4. CNA Financial Corporation (“CNA”) is an insurance holding company organized pursuant to the laws of the state of Delaware with its principal place of business located in Chicago, Illinois. CNA directly owns 100% of the issued and outstanding voting stock of Continental Casualty and The Continental Corporation.
5. Loews Corporation (“Loews”) is a holding company organized pursuant to the laws of the state of Delaware with its principal place of business located in New York, New York. Loews directly owns 90% of the outstanding voting securities of CNA.
6. Loews is the sole ultimate controlling person of VFIC.

#### Filing of the Request

7. On August 22, 2003, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from CNA for approval to effectuate a corporate restructuring that would result in a change in control of VFIC within the holding company system.
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 changes in control of domestic insurers must be filed with the Department for approval or disapproval.
9. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
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.

#### The Transaction

11. As described in the Request, CNA proposes to transfer direct ownership of Continental Casualty from CNA to The Continental Corporation. Continental Casualty’s subsidiaries, which include VFIC, would be transferred as a group together with Continental Casualty.

12. As described in the Request, The Continental Corporation would become an indirect owner of VFIC.
13. As described in the Request, CNA would remain an indirect owner of VFIC and Loews would remain the sole ultimate controlling person of VFIC.
14. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
15. 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 Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The restructuring of the holding company system proposed in the Request is not being contemplated to change or influence the ultimate control of VFIC, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
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 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 restructuring of the holding company system containing Valley Forge Insurance Company, as set forth in the Request, is hereby granted.

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

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