

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Swiss Re Life & Health : Companies Act, Article XIV of the
America, Inc. in Support of the Request for : Insurance Company Law of 1921,
Approval to Acquire Control of all the : Act of May 17, 1921, P.L. 682,
Issued and Outstanding Capital Stock of : as amended, 40 P.S. §§991.1401,
Valley Forge Life Insurance Company : 991.1402, and 991.1403
: :
: :
: :
: Order No. ID-RC-04-07

DECISION AND ORDER

AND NOW, on this 25th day of March, 2004, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Valley Forge Life Insurance Company (“VFLIC”) is a domestic stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Chicago, Illinois.
2. Continental Assurance Company (“CAC”) is a stock life insurance company organized pursuant to the laws of the state of Illinois with its principal place of business located in Chicago, Illinois. VFLIC is a direct wholly-owned subsidiary of CAC.

3. 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. VFLIC is a 90% owned indirect subsidiary of Loews.
4. Loews, a publicly-traded company on the New York Stock Exchange, is the sole ultimate controlling person of VFLIC.
5. Swiss Re Life & Health America, Inc. (“Swiss Re Life”) is an admitted stock life insurance company organized pursuant to the laws of the state of Connecticut with its principal place of business located in Armonk, New York.
6. Swiss Reinsurance Corporation, a Swiss corporation based in Zurich, Switzerland, is publicly traded on the Swiss Exchange. Swiss Re Life is a wholly-owned subsidiary of Swiss Reinsurance Corporation.
7. No person is an ultimate controlling person of Swiss Reinsurance Corporation.

Acquisition Filing

8. 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 all changes in control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
9. On February 10, 2004, the Pennsylvania Insurance Department (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Swiss Re Life for approval to acquire control of VFLIC.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On February 21, 2004, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Swiss Re Life and such notice invited interested persons to submit comments to the Department regarding the Application for a twenty-day period, ending March 12, 2004.
12. The Department received no comments regarding the Application during the twenty-day period.

Description of the Proposed Acquisition

13. As described in the Application, on February 5, 2004, Swiss Re Life and CAC executed an asset and stock purchase agreement under which Swiss Re Life would acquire control of VFLIC (“Stock Purchase Agreement”).
14. As described in the Application and pursuant to the Stock Purchase Agreement, Swiss Re Life would accomplish the acquisition by purchasing all the issued and outstanding capital stock and certain related assets of VFLIC for a consideration of cash.

Standards for Review

15. Section 1402(f)(1) of the Insurance Holding Companies Act (40 P.S. §991.1402(f)(1)) establishes the standards for approval of an application for a change in control of a domestic insurer.
16. 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

17. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
18. The line or lines 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 of 1921, May 17, P.L. 682 as amended (“Insurance Company Law”) (40 P.S. §382).
19. Section 206 of the Insurance Company Law (40 P.S. §386) sets out the minimum amount of paid up capital stock and paid in surplus required of a stock insurance company for each class of insurance for which it is incorporated.
20. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), VFLIC is required to maintain paid up capital stock of \$1,100,000 to maintain licensure.
21. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), VFLIC is required to maintain paid in surplus of \$550,000 to maintain licensure.
22. Upon completion of the transaction, VFLIC would have paid up capital in an amount that would satisfy the statutory minimum required of a stock life insurance company licensed to write in Pennsylvania.

23. Upon completion of the transaction, VFLIC would have paid in surplus in an amount that would satisfy the statutory minimum required of a stock life insurance company licensed to write in Pennsylvania.

Competitive Impact

24. The acquisition of control of VFLIC 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.
25. The acquisition of control of VFLIC would not lessen competition or tend to create a monopoly in the Commonwealth because the market share of VFLIC, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Swiss Re Life

26. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the financial condition of the acquiring person(s).
27. Swiss Re Life reported December 31, 2003, SAP account balances of:

Assets:	\$ 10,090,999,522
Liabilities:	\$ 8,488,806,847
Shareholder's Equity:	\$ 1,602,192,675

28. The financial condition of Swiss Re Life would not pose any impediments to the change in control nor jeopardize the financial condition of VFLIC.

Plans for the Acquired Insurer

29. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the plans or proposals that the acquiring party has for the insurer.
30. As provided in the Application, Swiss Re Life does not have any plans to liquidate VFLIC, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management that would be unfair and unreasonable to the policyholders of VFLIC and not in the public interest.

Management

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Department reviews the competence, experience, and integrity of the persons who would control the operations of the acquired insurer.
32. Biographical affidavits for all directors and executive officers of Swiss Re Life were provided as part of the Application and the Department reviewed all affidavits that were submitted.
33. The Department is satisfied that the persons who would control the operations of VFLIC have such competence, experience, and integrity that the interests of policyholders and the public would not be jeopardized.
34. 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 (40 P.S. §991.1402), the Commissioner has jurisdiction to review and approve the change in control of VFLIC.
2. Under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), 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 to policyholders of the insurer and 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 (40 P.S. §991.1402), the Commissioner has not found that any of the above conditions are present with respect to the change in control of VFLIC.
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 No. ID-RC-04-07

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The acquisition of control by Swiss Re Life & Health America, Inc. (“Swiss Re Life”) of all the issued and outstanding capital stock of Valley Forge Life Insurance Company is hereby approved, subject to this Order and the following condition:

1. Swiss Re Life shall make copies of the closing documents available to the Insurance Department within five (5) days after consummation of the subject transaction.
2. This transaction may be recorded as effective for accounting purpose on the first day of the calendar quarter in which the transaction is closed.

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

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania