

**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 Americas, Inc. in	:	Companies Act, Article XIV of the
Support of the Request for Approval to	:	Insurance Company Law of 1921, Act of
Merge Capital City Insurance Company,	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
Inc. with and into North Pointe Insurance	:	P.S. §§991.1401, 991.1402, and
Company in a Transaction Exempt from	:	991.1403; Sections 1921 through
the Filing Requirements of 40 P.S.	:	1929 of the 1988 Business
§991.1402	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	177, as amended, 15 Pa. C.S.
	:	§§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-10-34

DECISION AND ORDER

AND NOW, on this 13th day of December, 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, 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 Parties

1. Capital City Insurance Company, Inc. (“CCIC”) is a stock casualty insurance company organized under the laws of the State of South Carolina with its principal place of business located in Columbia, South Carolina.

2. North Pointe Insurance Company (“NPIC”) 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. North Pointe Financial Services, Inc. (“NPFS”) is a business corporation organized under the laws of the State of Michigan with its principal place of business located in Southfield, Michigan. CCIC and NPIC are both direct wholly-owned subsidiaries of NPFS.
4. 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. NPFS is an indirect wholly-owned subsidiary of QBE.
5. QBE is the sole ultimate controlling person of CCIC and NPIC.

Filing of the Request

6. 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.
7. 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.
8. 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.
9. On November 8, 2010, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from QBE Americas, Inc. requesting approval to cause the merger of CCIC with and into NPIC with NPIC as the survivor of the merger.
10. 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

11. On November 27, 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 fourteen (14) day period, ending December 11, 2010.
12. During the fourteen (14) day public comment period, the Department received no comments regarding the proposed merger.

The Transaction

13. CCIC and NPIC executed an Agreement and Plan of Merger (“Plan of Merger”) dated November 23, 2010.
14. As described in the Request, the Plan of Merger was adopted by resolution of the board of directors of CCIC and NPIC on November 23, 2010.
15. As described in the Request, the Plan of Merger was adopted by resolution of the sole shareholder of CCIC and NPIC on November 23, 2010.
16. The Plan of Merger provides for CCIC to merge with and into NPIC with NPIC being the surviving corporation (“the Merger”).
17. As described in the Request, NPIC shall acquire all of the assets of CCIC and assume all of the debts and other liabilities of CCIC.
18. As described in the Request, the articles of incorporation and by-laws of NPIC in effect immediately prior to the Merger shall be the articles of incorporation and by-laws of NPIC upon the effective date of the Merger.
19. As described in the Request, the members of the board of directors and the officers of NPIC prior to the Merger shall be the members of the board of directors and the officers of NPIC after the Merger.
20. As described in the Request, each share of CCIC common stock issued and outstanding immediately prior to the effective date of the Merger shall be cancelled.
21. As described in the Request, each share of NPIC common stock issued and outstanding immediately prior to the effective date of the Merger shall remain issued and outstanding and be unaffected by the Merger.
22. As described in the Request, QBE Insurance Group Limited will remain the sole ultimate controlling person of NPIC upon the effective date of the Merger.
23. 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 CCIC with and into NPIC.
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 a domestic insurer and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of the Plan of Merger, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. Pursuant to Section 1924 of the 1988 BCL, the Deputy Commissioner concludes that the Plan of Merger has been adopted and consented to by the sole shareholder of CCIC and NPIC, and by the board of directors of CCIC and NPIC.
6. The Deputy Commissioner concludes that the Plan of Merger satisfies the requirements of Section 1925 of the 1988 BCL because the Plan of Merger is subject to the approval of the insurance department of the state of domicile of CCIC.
7. 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.
8. The Deputy Commissioner concludes that the Plan of Merger 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.
9. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of CCIC will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
10. 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 CCIC and NPIC.
11. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.

12. 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-10-34

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of QBE Americas, Inc. in support of the request for approval to merge Capital City Insurance Company, Inc. with and into North Pointe Insurance Company subject to the following conditions:

1. QBE Americas, Inc. shall submit any changes made to the Articles of Merger, Plan of Merger or any of the draft documents provided with the Request to the Deputy Commissioner prior to execution of the changed document.
2. An approving determination must be granted by the South Carolina Department of Insurance, before Articles of Merger are filed with the Pennsylvania Department of State. A certified copy of the South Carolina Department of Insurance approval shall be provided to the Deputy Commissioner within three (3) business days of receipt by QBE Americas, Inc.
3. 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.

4. Capital City Insurance Company, Inc. shall surrender its Certificate of Authority to operate as a foreign stock casualty insurance company to the Deputy Commissioner not later than ten (10) days after the effective date of the Articles of Merger.
5. 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