

# EDWARDS ANGELL PALMER & DODGE LLP

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## VIA E-MAIL

May 13, 2007

The Honorable Patricia D. Petersen  
Chief Hearing Officer  
State of Washington  
Office of Insurance Commissioner  
Hearings Unit  
5000 Capitol Blvd  
Tumwater, WA 98501

Re: Acquisition of Control of Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company (collectively, the "Unigard Companies") by QBE Holdings, Inc. and QBE Insurance Group Limited (together, "QBE")

Dear Judge Petersen:

As requested, this letter provides background information regarding the acquisition of the Unigard Companies by QBE.

### *Chronology*

Set forth below is a chronology of certain relevant events leading to the proposed acquisition of the Unigard Companies by QBE:

In June 2006, AXA, a French corporation, entered into a stock purchase agreement to purchase Winterthur Schweizerische Versicherungs-Gesellschaft, a Swiss stock corporation ("Winterthur Swiss"), from Credit Suisse Group. Winterthur Swiss owns all of the issued and outstanding shares of capital stock of Winterthur U.S. Holdings, Inc. ("Winterthur U.S. Holdings"), a Delaware stock corporation and a holding company that owns the Unigard Companies, a group of property and casualty insurance companies. AXA intended to effect the divestiture of Winterthur U.S. Holdings by Winterthur Swiss as soon as possible after entering into its agreement to acquire Winterthur Swiss, because the property and casualty insurance-oriented business of Winterthur U.S. Holdings and its subsidiaries did not fit into AXA's U.S. strategy, focused on life insurance.

Accordingly, in September 2006, while AXA's acquisition of Winterthur Swiss was pending, Winterthur Swiss, acting at AXA's request, began exploring the sale of Winterthur U.S. Holdings, and to that end initiated an auction process for the sale that continued into December 2006.

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On December 4, 2006, AXA received approval from the Washington Office of Insurance Commissioner to acquire the Unigard Companies through AXA's proposed acquisition of Winterthur Swiss. As noted above, Winterthur Swiss wholly owns Winterthur U.S. Holdings, which wholly owns Unigard Inc., a Washington stock corporation and holding company. Unigard Inc. wholly owns Unigard Insurance Company, a Washington domestic insurance company. Unigard Insurance Company wholly owns Unigard Indemnity Company and Unigard Pacific Insurance Company, both Washington domestic insurance companies.

On December 20, 2006, while the sale of Winterthur Swiss to AXA was still pending, Winterthur Swiss, acting with AXA's approval, verbally accepted QBE Reinsurance Corporation's and QBE Insurance Group Limited's offer to purchase all of the issued and outstanding capital stock of Winterthur U.S. Holdings. QBE Reinsurance Corporation is a Pennsylvania domestic insurance company and QBE Insurance Group Limited, QBE Reinsurance Corporation's ultimate parent company, is an Australia publicly traded holding company listed on the Australian Securities Exchange.

On December 22, 2006, AXA completed its acquisition of Winterthur Swiss, and as a result became the ultimate parent company of the direct and indirect subsidiaries of Winterthur Swiss, which include Winterthur U.S. Holdings and the Unigard Companies.

On January 4, 2006, Winterthur Swiss, QBE Reinsurance Corporation and QBE Insurance Group Limited entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") pursuant to which Winterthur Swiss (by this time a subsidiary of AXA) agreed to sell all of the issued and outstanding shares of capital stock of its wholly owned subsidiary Winterthur U.S. Holdings to QBE.

On January 22, 2007, QBE Reinsurance Corporation and QBE Insurance Group Limited, by and through its counsel, Charles R. Welsh, filed an Application with the Washington Office of Insurance Commissioner for approval of the proposed acquisition.

On March 14, 2007, pursuant to an Assignment and Assumption Agreement by and among QBE Holdings, Inc., QBE Reinsurance Corporation, Winterthur Swiss and QBE Insurance Group Limited (the "Assignment Agreement"), QBE Reinsurance Corporation, the buyer under the Stock Purchase Agreement with Winterthur Swiss, assigned and transferred all of its right, title and interest under the Stock Purchase Agreement to its immediate parent, QBE Holdings, Inc., so that QBE Holdings, Inc. would become the buyer.

On March 15, 2007, QBE Holdings, Inc. and QBE Insurance Group Limited filed with the Washington Office of Insurance Commissioner an Amendment No. 1 to the Application notifying the Office of the Assignment and Assumption Agreement, whereby QBE Holdings, Inc. replaced QBE Reinsurance Corporation as the buyer of Winterthur U.S. Holdings.

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## *Details of the Proposed Transaction*

Specifically, QBE, through QBE Holdings, Inc., proposes to acquire 100% of Winterthur U.S. Holdings, so that Winterthur U.S. Holdings would become a wholly owned subsidiary of QBE Holdings, Inc. As a result of the proposed acquisition, Winterthur U.S. Holdings' wholly owned subsidiary, Unigard Inc., and Unigard Inc.'s wholly owned subsidiaries, Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company, would all become indirect wholly-owned subsidiaries of QBE Holdings, Inc.

Pursuant to the Stock Purchase Agreement, QBE Holdings, Inc. will directly acquire all of the issued and outstanding voting securities of Winterthur U.S. Holdings, which consist of 200 shares of common stock, par value \$1.00 per share, from Winterthur Swiss. Winterthur U.S. Holdings is currently the owner of all of the issued and outstanding voting securities of Unigard Inc., which consist of 5,000 shares of common stock, no par value. Unigard Inc. is the owner of all of the issued and outstanding voting securities of Unigard Insurance Company, which consist of 30,000 shares of common stock, par value \$100 per share. Unigard Insurance Company is the owner of all of the issued and outstanding voting securities of Unigard Pacific Insurance Company, which consist of 30,000 shares of common stock, par value \$100 per share, and Unigard Insurance Company is also the owner of all of the issued and outstanding voting securities of Unigard Indemnity Company, which consist of 30,000 shares of common stock, par value \$100 per share.

At the closing under the Stock Purchase Agreement, QBE Holdings, Inc. will pay to Winterthur Swiss an aggregate purchase price of \$1,156,000,000 in exchange for all of the issued and outstanding capital stock of Winterthur U.S. Holdings. As noted above, Winterthur U.S. Holdings' subsidiary companies include the Unigard Companies. QBE Holdings, Inc. will also cause Winterthur U.S. Holdings to repay approximately \$557,000,000 in intercompany loans, with the repayment of such intercompany loans to be financed by a capital contribution from QBE Holdings, Inc. As part of the overall transaction, QBE Holdings, Inc. proposes to acquire other specified Wisconsin, Illinois and Indiana insurance companies, specifically, General Casualty Company of Wisconsin and its subsidiaries, Blue Ridge Indemnity Company, Blue Ridge Insurance Company, MassWest Insurance Company, Regent Insurance Company, Southern Guaranty Insurance Company, Southern Pilot Insurance Company, and Southern Fire & Casualty Company (each a Wisconsin domiciled company), General Casualty Company of Illinois (an Illinois domiciled company) and Hoosier Insurance Company (an Indiana domiciled company).

## *Seller and Purchaser*

The seller, Winterthur Swiss, is a Swiss stock corporation that is not licensed in the United States. Winterthur Swiss owns all of the issued and outstanding shares of capital stock of

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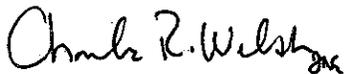
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Winterthur U.S. Holdings, a Delaware corporation and a holding company for Winterthur Swiss's U.S. operations, including the Unigard Companies.

The buyer, QBE Holdings, Inc., is a Delaware corporation and a holding company. QBE Insurance Group Limited is an Australia publicly traded holding company listed on the Australian Securities Exchange. QBE Insurance Group Limited is the ultimate parent company of QBE Holdings, Inc.

If you should have any additional questions in connection with the proposed acquisition, please do not hesitate to contact me.

Sincerely,



Charles R. Welsh

cc: Peter T. Maloney, Esquire  
Duncan A. Ramsay, Esquire  
Alan J. Levin, Esquire  
John N. Emmanuel, Esquire