

STATE OF WASHINGTON

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MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



FILED

2007 MAY 30 P 3: 01

**DECLARATION OF MAILING**

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to Parties listed below  
DATED this 30th day of May 2007.  
at Tumwater, Washington.

OFFICE OF  
INSURANCE COMMISSIONER

HEARINGS UNIT  
Fax: (360) 664-2782

Signed: Wendy Galloway

Patricia D. Petersen  
Chief Hearing Officer  
(360) 725-7105

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer  
Wendy Galloway  
Paralegal  
(360) 725-7002  
Wendyg@oic.wa.gov

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of:)

UNIGARD, INC., an Insurance Holding  
Company, UNIGARD INSURANCE  
COMPANY, UNIGARD INDEMNITY  
COMPANY, and UNIGARD PACIFIC  
INSURANCE COMPANY, Washington  
Insurers, by  
QBE HOLDINGS, INC., and  
QBE INSURANCE GROUP LIMITED,  
Applicants.

) G07-0156

) ORDER APPROVING  
) ACQUISITION OF CONTROL

TO: Peter T. Maloney, Senior VP, Corporate Counsel and Corporate Secretary  
QBE Holdings, Inc.  
Wall Street Plaza  
88 Pine Street, 16<sup>th</sup> Floor  
New York, NY 10005

Charles R. Welsh, Esq.  
Alan J. Levin, Esq.  
Edwards Angell Palmer & Dodge LLP  
90 State House Square  
Hartford, Connecticut 06103

Peter Christen, President and CEO  
Unigard Insurance Group  
15805 NE 24<sup>th</sup> Street  
Bellevue, WA, 98008

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Anne B. Smith, Esq.  
Senior Vice President and General Counsel  
Unigard Insurance Company & Winterthur U.S. Holdings, Inc.  
One General Drive  
Sun Prairie, WI 53596

**COPY TO:** Mike Kreidler, Insurance Commissioner  
Michael G. Watson, Chief Deputy Insurance Commissioner  
James T. Odiorne, Deputy Commissioner, Company Supervision Division  
Carol Sureau, Deputy Commissioner, Legal Affairs Division  
Thomas P. Rowland, Staff Attorney, Legal Affairs Division  
Ronald J. Pastuch, Holding Company Manager, Company Supervision Division  
Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Pursuant to Chapter 48.04 RCW, Chapter 34.05 RCW, RCW 48.31B.015, and Chapter 284-18 WAC, and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Washington State Insurance Commissioner (Commissioner) commencing at 10:00 a.m. on May 29, 2007, in the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, WA 98501. All persons to be affected by the above-entitled matter were given the right to be present at such hearing during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses and present oral and written statements. The Applicants, QBE Holdings, Inc. ("QBE Holdings") and QBE Insurance Group Limited ("QBE Limited"), were represented by Charles R. Welsh, Esq. of Edwards, Angell, Palmer & Dodge LLP in Hartford, Connecticut. Winterthur U.S. Holdings, Inc., Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company were represented by Anne B. Smith, Esq., their Senior Vice President and Corporate Counsel. The Commissioner was represented by Thomas Rowland, Staff Attorney in his Legal Affairs Division. Other individuals participating in the proceeding were Peter T. Maloney, Sr. Vice President, Corporate Counsel & Corporate Secretary of QBE the Americas; Christopher C. Fish, Executive Vice President & Chief Financial Officer of QBE the Americas; Peter Christen, President and CEO of Unigard Insurance Group; John McPeak, CPA, Chief Administrative Officer of Unigard Insurance Group; and Michael Smith, Corporate Counsel of Winterthur North America; and Ronald J. Pastuch, Holding Company Manager with the Commissioner's Company Supervision Division.

**NATURE OF PROCEEDINGS**

On January 24, 2007, QBE Reinsurance Corporation ("QBE Re") and QBE Limited, by and through their counsel, Charles R. Welsh, Esq. and Alan J. Levin, Esq., both of Edwards Angell Palmer & Dodge LLP in Hartford, Connecticut, filed a Form A Statement Regarding the Proposed Acquisition of Control of or Merger with a Domestic Insurer ("Form A") with the

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Commissioner, requesting approval for the proposed acquisition of Unigard, Inc., Unigard Insurance Company ("Unigard Insurance"), Unigard Indemnity Company ("Unigard Indemnity") and Unigard Pacific Insurance Company ("Unigard Pacific") pursuant to a Stock Purchase Agreement, dated January 4, 2007, by and among Winterthur Schweizerische Versicherungs-Gesellschaft, aka Winterthur Swiss Insurance Company, a Swiss stock corporation ("Winterthur Schweizerische"), QBE Re and QBE Limited. On March 15, 2007, the Applicants filed an Amendment No. 1 to the Form A (the "Amendment"), whereby QBE Holdings replaced QBE Re as one of the purchasers, pursuant to an Assignment and Assumption Agreement under which QBE Re assigned all of its rights and obligations under the subject Stock Purchase Agreement to QBE Holdings.

The Applicants propose to acquire all issued and outstanding shares of Winterthur U.S. Holdings, Inc., from Winterthur Schweizerische, so that Winterthur U.S. Holdings, Inc. will become a direct wholly-owned subsidiary of QBE Holdings. Further, as a result of the acquisition of all of the issued and outstanding shares of Winterthur U.S. Holdings, Inc., Unigard Inc., which is a wholly-owned subsidiary of Winterthur U.S. Holdings, Inc., and an insurance holding corporation, together with Unigard Inc.'s three wholly-owned subsidiaries, Unigard Insurance, Unigard Indemnity and Unigard Pacific (collectively referred to herein as "Unigard Companies" unless otherwise indicated), will become indirect wholly-owned subsidiaries of QBE Holdings. As part of the overall transaction, the Applicants also propose to acquire control of General Casualty Company of Wisconsin (a Wisconsin domiciled company) and its subsidiaries: Blue Ridge Indemnity Company, Blue Ridge Insurance Company, MassWest Insurance Company, Inc., 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). The aggregate purchase price is approximately \$1,156,000,000 and also includes the Wisconsin, Illinois and Indiana insurance companies. In addition, the Stock Purchase Agreement requires QBE Holdings to cause Winterthur U.S. to repay approximately \$557,000,000 in intercompany loans. The repayment of such intercompany loans will be financed by a capital contribution from QBE Holdings. The portion of the proposed transaction that involves acquisition of the Wisconsin, Illinois and Indiana companies is subject to the jurisdiction of those domiciliary states and is therefore not the subject of the proceeding herein.

RCW 48.31B.015, part of Washington Insurer Holding Company Act, requires that the Commissioner hold a hearing to examine the evidence and determine whether the proposed acquisition of control of the Unigard Companies satisfies the applicable statutory criteria and should be approved. In a pre-hearing conference held on May 9, 2007, the Applicants, through their counsel, Mr. Welsh, noted that the desired effective date of the proposed acquisition of control is May 31, 2007.

**FINDINGS OF FACT**

Having considered the written and oral evidence presented at the hearing, and the documents filed herein, including the Form A and exhibits thereto, the undersigned finds as follows:

1. The Commissioner has duly and properly appointed the undersigned to conduct the adjudicative proceeding in this matter and to make the final decision herein. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.
2. The Applicants are QBE Limited and QBE Holdings. QBE Limited is an Australia-based international general insurance and reinsurance group established in 1886 and one of the world's 25 largest insurers and reinsurers measured by net written premium, with a market cap of approximately A\$28 billion (US\$23 billion) and net assets of A\$6.3 billion (US\$5.2 billion). QBE Limited is publicly traded on the Australia Securities Exchange, and is the ultimate parent company of QBE Holdings. QBE Holdings is a Delaware domiciled holding company which through its subsidiaries underwrites a diverse mix of business that includes private passenger and commercial auto liability, commercial multi-peril, and health insurance and property proportional, catastrophe, property excess of loss and casualty reinsurance business. [Form A, Exhibit B; Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 3.]
3. Winterthur Schweizerische is a Swiss stock corporation that is not licensed in the United States. Winterthur Schweizerische owns all of the issued and outstanding shares of capital stock of Winterthur U.S. Holdings, Inc., which acts as a holding company for Winterthur Schweizerische's (Winterthur Swiss') operations in the United States. Winterthur U.S. Holdings, Inc. owns all of the issued and outstanding shares of capital stock of Unigard Inc., a Washington insurance holding company, that owns all of the issued and outstanding shares of capital stock of Unigard Insurance (NAIC Co. Code 25747), which owns all of the issued and outstanding shares of capital stock of Unigard Indemnity (NAIC Code 25798) and Unigard Pacific (NAIC Code 11096). [Form A, included in its complete form, and as amended, in Ex. 1 herein.] Unigard Insurance, Unigard Indemnity and Unigard Pacific are all Washington-domiciled insurance companies specializing in property and casualty insurance risks written through independent agents in Washington and other states where they are licensed, and currently employ approximately 315 people in their Bellevue and Spokane offices. The Applicants propose to acquire the Unigard Companies because the Applicants believe they will complement the existing insurance activities of QBE in the United States and is consistent with QBE's focus on small to medium regional markets in the United States. [Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 7; Form A.]
4. The Applicants propose to acquire control of Unigard, Inc., Unigard Insurance, Unigard Indemnity and Unigard Pacific (collectively, "Unigard Companies") by purchasing from Winterthur Schweizerische 100% of the issued and outstanding capital stock of Winterthur

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U.S. Holdings, Inc. in exchange for (i) cash to be paid by QBE Holdings and (ii) the repayment of intercompany debt to be financed by a capital contribution from QBE Holdings. Total payment for the Unigard Companies and other specified Wisconsin, Illinois and Indiana companies is \$1,156,000,000 plus the obligation of QBE Holdings to cause Winterthur U.S. to repay approximately \$557,000,000 in intercompany loans. [Testimony of Peter T. Maloney; Ex. 1, Stock Purchase Agreement; Ex. 3, Written Testimony of Peter T. Maloney, p. 8.]

5. On January 23, 2007, the Applicants properly filed their Form A with the Commissioner. Said Form A, which, as later amended on March 16, 2007 and supplemented, was filed over 60 days prior to the proposed effective date of the proposed acquisition, and includes substantial information and agreements concerning this proposed acquisition as required, including a copy of their Stock Purchase Agreement, dated January 4, 2007. The Applicants request that approval of this transaction be granted as soon as possible as they seek to complete a closing of this proposed transaction on or prior to May 31, 2007. [Testimony of Peter T. Maloney; Written Testimony of Peter T. Maloney; Form A.]
6. The subject Form A was submitted in the form required by, and contains the information required by, the Commissioner and applicable statutes. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch.]
7. After the proposed change of control, Unigard Insurance, Unigard Indemnity and Unigard Pacific would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch; Written Testimony of Peter T. Maloney, p. 9.]
8. The effect of this proposed acquisition of control would not be to substantially lessen competition in insurance in the State of Washington or to create a monopoly therein. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch; Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 9.]
9. The financial condition of the Applicants is not such as might, after completion of the proposed acquisition, jeopardize the financial stability of the Unigard Companies or prejudice the interest of the policyholders of Unigard Insurance, Unigard Indemnity or Unigard Pacific. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch; Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 9.]
10. After completion of this proposed acquisition, there are no plans to declare an extraordinary dividend, to liquidate, to sell the assets, consolidate or merge with any other person or persons or to make any material changes in the business operations or corporate structure of the Unigard Companies, nor does QBE or its affiliates have any current plans to enter into a business relationship with the Unigard Companies. Further, the general business plan for the Unigard Companies will not change and the Applicants do not intend to change the names of the Unigard Companies. There are plans to change officers and directors of the Unigard Companies, but the plans are not unfair or unreasonable to the policyholders of Unigard

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Insurance, Unigard Indemnity and Unigard Pacific, and such proposed change is not against the public interest. [Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 7, 9, 10.]

11. It cannot be found that the competence, experience and integrity of those persons who would control the operation of the Unigard Companies after the proposed acquisition are such that it would not be in the interest of the policyholders of Unigard Insurance, Unigard Indemnity or Unigard Pacific, or of the public, to permit this proposed acquisition of control. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch; Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 7, 8, 10.]
12. It is not likely that this proposed acquisition is hazardous or prejudicial to the insurance-buying public. [Testimony of Ronald J. Pastuch; Ex. 2c, Declaration of Ronald J. Pastuch; Testimony of Peter T. Maloney; Ex. 3, Written Testimony of Peter T. Maloney, p. 10.] After completion of this proposed acquisition, all rights and privileges of the policyholders of Unigard Insurance, Unigard Indemnity and Unigard Pacific will remain the same as they are at this time. [Testimony of Peter T. Maloney.]
13. The Notice of Hearing on the Proposed Acquisition herein [Ex. 1], which contains information concerning this proposed acquisition and the hearing thereon, was published in its entirety on the Commissioner's website commencing on May 15, 2007 and continuously since that date. [Testimony of Ronald J. Pastuch; Ex. 2a, Affidavit of Publication by Ronald J. Pastuch.]
14. As indicated in the Notice of Hearing herein [Ex. 1, pages 4 and 5], all interested parties were given the opportunity to submit any comments on, or objections to, this proposed acquisition up until May 29, 2007 at 10 a.m. to the undersigned by fax, U.S. mail, or personal delivery or email. All interested parties were also advised therein that they would be given the opportunity to present evidence at hearing and to examine and cross-examine witnesses and offer oral and written arguments, and in connection therewith to conduct discovery proceedings. No communications of any kind were received from outside parties by the Applicants or the Unigard Companies [Testimony of Peter T. Maloney; Testimony of Anne B. Smith.] Further, no communications of any kind were received by the Commissioner. [Testimony of Ronald J. Pastuch; Ex. 2b, Affidavit of Communications to Ronald J. Pastuch.] Further, no communications of any kind were received by the undersigned or her assistants. Based upon this evidence, it is here found that reasonable notice of the hearing herein was given and that no reasonable objection to this proposed acquisition exists.
15. The sole witness for the Commissioner was Ronald J. Pastuch, Holding Company Manager in the Company Supervision Division of the Office of Insurance Commissioner. Mr. Pastuch presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.

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16. Peter T. Maloney, Esq., Senior Vice President, Corporate Counsel and Secretary of QBE Holdings, testified on behalf of the Applicants. Mr. Maloney presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.
17. Anne B. Smith, Sr. Vice President and General Counsel of Winterthur U.S. Holdings, testified on behalf of Winterthur U.S. Holdings and the Unigard Companies. Ms. Smith presented her testimony in a clear, detailed and credible manner and exhibited no apparent biases.
18. Based upon the above Findings of Facts, it is here found that there exists no basis for denial of the Applicants' request for approval of its proposed acquisition of control of Unigard Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company and that therefore it is reasonable that this proposed acquisition and change of control be approved.

**CONCLUSIONS OF LAW**

1. Pursuant to Title 48 RCW and specifically RCW 48.31B, the Washington State Insurance Commissioner has jurisdiction over the plan of acquisition and change of control of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company. Further, the undersigned has been properly delegated the authority to conduct the proceeding in this matter, to review and consider all documents and evidence presented and to make the final determination herein.
2. Based on Finding of Fact No. 6 above, the Applicants properly filed the preacquisition notification, Form A, before the requested effective date of this proposed acquisition, as required by RCW 48.31B.015(1) and such preacquisition notification, Form A, contains the information required by RCW 48.31B.015(2).
3. Based on Finding of Fact No. 7 above, after the change of control Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company will continue to satisfy the requirements for a certificate of authority to conduct a property and casualty insurance business in this state, as contemplated by RCW 48.31B.015(4)(a)(ii).
4. Based on Finding of Fact No. 8 above, the change of control of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company will not substantially lessen competition in insurance in this state or tend to create a monopoly in the State of Washington, as contemplated by RCW 48.31B.015(4)(a)(ii).
5. Based on Finding of Fact No. 9 above, the financial condition of QBE Holdings, Inc. and QBE Insurance Group Limited is such that the financial stability of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company will not be jeopardized by the proposed acquisition, and the interest of the policyholders of

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Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company will not be prejudiced, as contemplated by RCW 48.31B.015(4)(a)(ii).

6. Based upon Finding of Fact No. 10 above, the Applicants have no plans to liquidate Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company, Unigard Pacific Insurance Company, or to sell their assets, consolidate or merge them with any person, or to make any other material change in their business or corporate structure or management, which are unfair or unreasonable to policyholders of the insurer or not in the public interest, as contemplated by RCW 48.31B.015(4)(a)(iv).
7. Based on Finding of Fact No. 11 above, the competence, experience and integrity of those persons who will control the operation of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Indemnity Company are such that, should this proposed acquisition be permitted, it would not be against the interest of policyholders of Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Indemnity Company, or of the public, as contemplated by RCW 48.31B.015(4)(a)(v).
8. Based on Finding of Fact No. 12 above, the acquisition of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Indemnity Company by QBE Holdings, Inc. and QBE Insurance Group Limited is not likely to be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31B.015(4)(a)(vi).
9. Based on Findings of Fact Nos. 13 and 14, reasonable notice of this proposed acquisition was given to the public, and no reasonable objections exist.
10. The provisions of the Insurance Code of the State of Washington, Chapter 48.31B RCW, and specifically RCW 48.31B.015 governing the approval of acquisitions, have been met. Pursuant to Chapter 48.31B RCW, and specifically RCW 48.31B.015, the Applicants' request for the approval of this proposed acquisition and change of control is granted. Oral ruling approving this proposed acquisition was entered into the record of the proceeding herein on May 29, 2007.

**ORDER**

On the basis of the foregoing Findings of Facts and Conclusions of Law, to the effect that the statutory criteria for approval of this proposed acquisition have been met, and to the effect that approval of this proposed acquisition should be granted,

**IT IS HEREBY ORDERED** that the application of QBE Holdings, Inc. and QBE Insurance Group Limited for the Washington State Insurance Commissioner's approval of their proposed acquisition of control of Unigard, Inc., Unigard Insurance Company, Unigard Indemnity Company and Unigard Pacific Insurance Company from Winterthur Schweizerische Versicherungs-Gesellschaft, aka Winterthur Swiss Insurance Company, upon the terms included into evidence in this proceeding, is **GRANTED** effective at close of business on May 29, 2007. Said grant of approval effective at close of business on May 29, 2007 was orally ordered by the

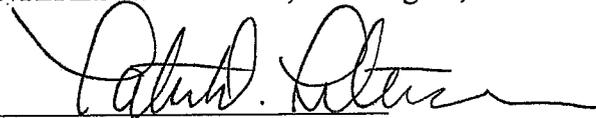
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undersigned at the close of the adjudicative proceeding herein, and this Order Approving Acquisition of Control confirms that grant of approval. Closing of this transaction may occur at any time after close of business on May 29, 2007.

This Order is entered pursuant to Title 48 RCW, and specifically RCW 48.31B.015. Title 34 RCW, and regulations applicable thereto.

ENTERED at Tumwater, Washington, this 30th day of May 2007.



PATRICIA D. PETERSEN  
Chief Hearing Officer  
Presiding Officer