



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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DATE: October 8, 2015 – PUBLIC

TO: Rebecca Easland 
Elena Vetrina

FROM: Kristin Forsberg *KLF*
EVV

SUBJECT: Form A — Acquisition of Control of Pacific Indemnity Company (the “Wisconsin Domestic Insurer”) by ACE Limited, ACE Group Holdings, Inc. and ACE INA Holdings Inc. (Collectively, the “Applicant” or the “Acquiring Party”)

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Form A Exhibits (filed with the Wisconsin OCI on August 14, 2015 and August 19, 2015):

Exhibit 1:	Merger Agreement
Exhibit 2-A:	Organizational Chart Prior to the Transaction
Exhibit 2-B:	Organizational Chart Following the Transaction
Exhibit 3:	List of Applicant's Directors & Officers; Biographical Affidavits [CONFIDENTIAL]
Exhibit 4:	Transaction Funding Sources and Flows
Exhibit 5:	Business Plan and 3-Year Financial Projections for the WI Domestic [CONFIDENTIAL]
Exhibit 6:	Statutory Financial Statements of the Domestic Insurer (2012-2014)
Exhibit 7:	Audited Consolidated Financial Statements of the Acquiring Party (2010-2014)
Exhibit 8:	Unaudited Consolidated Financial Statements of the Acquiring Party (Q1 & Q2 2015)
Exhibit 9:	Annual Reports to the Shareholders of Chubb for the Last Two Years
Exhibit 10:	Annual Reports to the Shareholders of the Acquiring Party for the Last Two Years

BACKGROUND

Parties to the Transaction:

The Acquirer/Applicant:

- ACE Limited ("ACE")¹: Incorporated in Zurich, Switzerland, ACE is a publicly traded Swiss-domiciled holding company, and the ultimate parent company of the ACE insurance and reinsurance group (NYSE Ticker Symbol: ACE). ACE was incorporated in the Cayman Islands in 1985, and moved its place of incorporation to Zurich, Switzerland in 2008.

Through its subsidiaries, ACE is a global insurance and reinsurance organization, serving commercial and individual customers in more than 170 countries. The group offers commercial insurance products, and other services, such as risk management programs, loss control and engineering, and complex claims management. The group also provides specialized insurance products (e.g. aviation and energy), personal lines products (e.g. homeowners, auto, valuables, umbrella, and recreational marine), as well as personal accident, supplemental health and life products to individuals in select countries. Operations are organized by the following business segments:

- Insurance – North American: This segment, which includes operations in the U.S., Canada and Bermuda, accounted for 35% of 2014 consolidated net premiums earned. Products offered include a broad array of commercial, specialty, and personal lines products.
- Insurance – North American Agriculture: This segment, which includes operations in the U.S. and Canada, accounted for 9% of 2014 consolidated net premiums earned. Products offered consist of multi-peril crop/hail insurance.
- Insurance – Overseas General: This segment, which includes operations outside of the U.S., Bermuda and Canada, accounted for 39% of 2014 consolidated net premiums earned. Products offered include a broad array of P&C, professional lines, marine, energy, aviation, political risk, consumer specialty, and A&H products.
- Global Reinsurance: This segment accounted for 6% of 2014 consolidated net premiums earned. ACE's reinsurance operations are comprised of: ACE Tempest Re Bermuda, ACE Tempest Re

¹ ACE's U.S. insurance operations consist of 31 domestic insurers, located in the following jurisdictions: PA (Lead State), CT, GA, IA, IL, IN, NY, NJ and PR.

USA, ACE Tempest Re International, and ACE Tempest Re Canada. The reinsurance products, marketed worldwide under the ACE Tempest Re brand name, provide a broad range of coverages to a diverse array of primary P&C insurers. The Global Reinsurance segment also includes the reinsurance operations of ACE Global Markets, a London-based wholesale market business that includes a syndicate on the Lloyd's trading floor.

- Life: This segment accounted for 11% of the 2014 consolidated net premiums earned. Product offerings include: (1) Individual and group life products primarily in emerging markets (through ACE Life); (2) Reinsurance to primary life insurers (through Bermuda-based ACE Tempest Life Re); and (3) Supplemental health and life products targeted to middle-income consumers in the U.S. and Canada (through Combined Insurance).
- ACE Group Holdings, Inc. ("ACE Group Holdings"): Incorporated as a Delaware insurance holding company in 1999, ACE Group Holdings is a direct wholly owned subsidiary of ACE. Upon completion of the proposed transaction, ACE Group Holdings will continue to own 80% of the shares of ACE INA Holdings Inc. ("ACE INA") and will become the indirect owner of the Domestic Insurer.
- ACE INA: Incorporated as a Delaware insurance holding company in 1988, ACE INA is owned 80% by ACE Group Holdings, with the remaining 20% owned by ACE. Upon completion of the proposed transaction, ACE INA will be the 100% direct owner of The Chubb Corporation ("Chubb"), and as such, will be the 100% indirect owner of the Domestic Insurer.

In addition to the proposed transaction, ACE has been involved in several strategic acquisitions in recent years, as discussed below:

- Fireman's Fund Insurance Company, high net worth U.S. personal lines business: On April 1, 2015, ACE acquired Fireman's Fund Insurance Company's high net worth personal lines insurance business in the U.S. for \$365 million in cash. The acquisition integrates into ACE's existing high net worth personal lines business, which offers a broad range of coverage including home, auto, umbrella, and excess liability.
- Itaú Seguros, S.A. ("Itaú Seguros"): On October 31, 2014, ACE expanded its presence in Brazil by acquiring the large corporate account property and casualty insurance business of Itaú Seguros for \$610 million in cash (subject to a working capital adjustment).
- The Siam Commercial Samaggi Insurance PLC ("Samaggi"): On April 28, 2014, and on June 17, 2014, ACE and its local partner acquired a 93.03% interest in Samaggi for \$176 million in cash, thus expanding ACE's presence in Thailand and Southeast Asia.

The Party to be Acquired (directly):

- The Chubb Corporation²: Located in Warren, New Jersey, Chubb is a publicly traded New-Jersey holding company, and the ultimate parent company of the Chubb insurance group (NYSE Ticker Symbol: CB). Chubb was incorporated in 1967, and became listed on the NYSE in 1984.

Through its subsidiaries, Chubb is one of the leading providers of property and casualty insurance in the U.S.³ (approximately 75% of direct business is produced in the U.S., with a heavy concentration in

² Chubb's U.S. insurance operations consist of 12 domestic insurers, located in the following jurisdictions: IN (Lead State), CT, DE, NY, NJ, TX and WI. Nine of these companies, including Pacific Indemnity, participate in an intercompany pooling arrangement with Federal Insurance Company (the lead company).

the Northeast). Globally, the group serves customers in 26 countries, with operations distributed throughout North America, Europe, South America, and the Pacific Rim. The group's operations are organized into the following strategic business units:

- Chubb Personal Insurance: This unit accounted for approximately 36% of consolidated net premiums written for 2014. Products offered include personal insurance products for homes and valuable articles (e.g. artwork and jewelry) for high net worth individuals.
- Chubb Commercial Insurance: This unit accounted for approximately 43% of consolidated net premiums written for 2014. Products offered include commercial insurance products (covering multi-peril, primary liability, excess and umbrella liability, auto, workers' compensation and marine).
- Chubb Specialty Insurance: This unit accounted for approximately 21% of consolidated net premiums written for 2014. Products offered include specialized professional liability products for privately held and publicly traded companies, financial institutions, professional firms, healthcare and not-for-profit organizations.

The Wisconsin Domestic Insurer to be Acquired (indirectly):

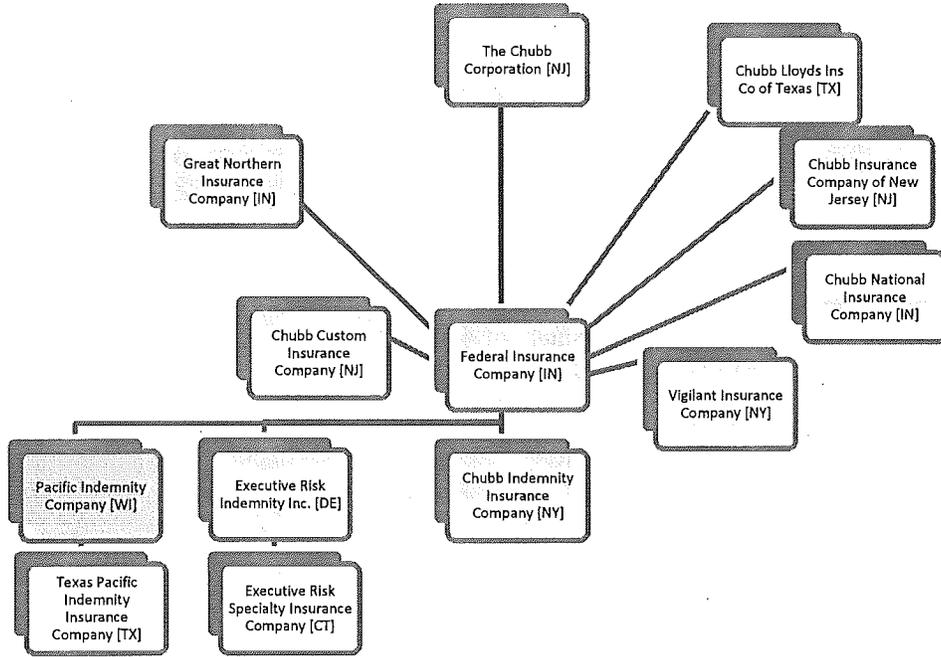
- Pacific Indemnity Company ("Pacific Indemnity" or the "Wisconsin Domiciled Insurer"): Pacific Indemnity is a Wisconsin-domiciled property and casualty insurer licensed under Chapter 611 of the Wisconsin statutes, and an indirect wholly-owned subsidiary of The Chubb Corporation. The Company is licensed in all 50 states plus the District of Columbia, and writes over 50% of its direct premiums in the northeast.

Below is an abbreviated organizational chart showing how the U.S. Domestic insurers currently fit into the Chubb holding company system: [Note: Post-Merger, ACE INA (as it may be renamed to incorporate the "Chubb" name) will be the direct parent company to Federal Insurance Company. ACE INA will, in turn, be directly owned by ACE Group Holdings (as it may be renamed to incorporate the "Chubb" name), which in turn, will be directly owned by Chubb Limited (Switzerland).⁴]

³ Per A.M. Best, Chubb ranks among the top 15 property/casualty U.S. insurers based on gross premiums written.

⁴ According to the Form A, Item 1, ACE is seeking approval of its shareholders to change its name to "Chubb Limited" as of the effective time of the merger.

Federal Insurance Company and its U.S. Insurance Company Subsidiaries



The Proposed Transaction:

The Applicant intends to acquire control of Chubb in accordance with the terms and conditions of the Agreement and Plan of Merger dated June 30, 2015 (the "Merger Agreement") by and between ACE Limited, William Investment Holdings Corporation ("William Holdings"), and The Chubb Corporation.

As stated in Form A, Item 1:

[T]he Acquiring Party proposes to acquire control of the [Wisconsin] Domestic Insurer by becoming, directly through ACE INA, the sole owner of 100% of the common stock of Chubb (the "Proposed Acquisition"). The Proposed Acquisition will be effected through the merger (the "Merger") of William Holdings, a direct wholly owned subsidiary of ACE INA, with and into Chubb, with Chubb surviving the Merger. The Acquiring Party anticipates that immediately following the Merger, the Acquiring Party will cause Chubb to merge with and into ACE INA, with ACE INA as the surviving corporation (the "Holding Company Merger"). After the Merger and the Holding Company Merger, (i) [Pacific Indemnity] will be a wholly owned subsidiary of ACE INA, and (ii) ACE INA will remain an indirect wholly owned subsidiary of ACE.

The Transaction is expected to close during the first quarter of 2016, subject to approval by ACE and Chubb shareholders, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), and receipt of all specified regulatory approvals (including approvals from all applicable Form A and Form E state regulators).

According to Form A, Item 1 (emphasis added):

"ACE intends to create a global leader in commercial and personal property/casualty insurance...The Acquiring Party expects Chubb's insurance subsidiaries...to contribute significantly to the continued growth of ACE's commercial, specialty, surety and personal lines businesses both domestically and internationally...

Additionally, ACE and Chubb will each bring unique strengths to the combined enterprise, creating an exceptional franchise with a focus on growth... Chubb is currently a best-in-class operator with a leadership position in the U.S. personal lines, professional lines and middle market commercial sectors and also offers its products outside the United States. ACE has an established presence in the industrial and multinational commercial, specialty & wholesale, crop and international P&C businesses, and also offers global professional lines and accident and health (A&H) products. ***ACE is seeking approval of its shareholders to change its name to "Chubb Limited" as of the Effective Time.***

Form A Filing – Summary

Item 1: Method of Control

The Applicant intends to acquire control of Chubb in accordance with the terms and conditions of the Merger Agreement dated June 30, 2015, by and among ACE Limited ("Parent"), William Investment Holdings Corporation ("Merger Sub"), and The Chubb Corporation ("Company"). Material terms of the Merger Agreement (**Exhibit 1**) that relate to post-closing matters are summarized below.⁵

Article 6.22 (Post-Closing Matters and Governance): Following the Closing, Parent shall cause the Surviving Corporation and its Subsidiaries to continue to use the brand and marketing names used by the

⁵ Capitalized terms used in this Summary but not otherwise defined have the meanings assigned to them in the Merger Agreement.

Company and its Subsidiaries immediately prior to the Closing Date, and as promptly as practicable following the Effective Time, submit to its shareholders an amendment of the Articles of Association of Parent to change the name of Parent to Chubb Limited, and begin using (and cause its subsidiaries to begin using) the brand and marketing names used by the Company immediately prior to the Closing Date, and maintain substantial operations, and manage the majority of its and its subsidiaries' North American division-related headquarters functions in Warren, NJ.

Item 2: Identity and Background of the Applicant

The businesses addresses of the Applicants are:

ACE Limited
Bärengasse 32
Zurich, Switzerland CH-8001

ACE Group Holdings, Inc.
1133 Avenue of the Americas
New York, NY 10036

ACE INA Holdings Inc.
436 Walnut Street
Philadelphia, PA 19106

A pre-transaction organizational chart was included as Exhibit 2(a). A post-transaction organizational chart was included as Exhibit 2(b). There are currently no involuntary court proceedings involving a reorganization or liquidation pending against any of Applicants listed above.

Item 3: Identity and Background of Individuals Associated with the Applicants

Officers and Directors: A list setting forth the names and business addresses of the current directors and executive officers of the Applicant was included as Exhibit 3. The Form A stated that: "To the best knowledge, information and belief of the Acquiring Party, no person listed in Exhibit 3 has been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years."

Biographical Affidavits were reviewed for each of the officers and directors listed in Exhibit 3. No exceptional responses requiring further comment were noted.

Ownership: The Form A stated that: "To the best of the Acquiring Party's knowledge, there is no shareholder owning 10% or more of ACE's voting securities."

Item 4: Nature, Source and Amount of Consideration

The Aggregate Merger Consideration is estimated to be \$28.3B. ACE intends to fund this amount as follows (See "Transaction Funding Sources & Flows" Chart at Exhibit 4):

- 1) Approximately \$6B from dividends from several of ACE's U.S. and Bermuda subsidiaries: ACE intends to fund approximately \$5 billion of the Aggregate Merger Consideration from undeployed surplus of various subsidiaries of ACE which are domiciled in Bermuda and expects an additional \$1 billion to be funded through direct ordinary and extraordinary cash dividends from various U.S. subsidiaries of ACE. ACE currently intends to submit to the relevant regulators any required filings for these dividends on or before December 31, 2015. Although the receipt of a portion of these dividends will be subject to regulatory approval, such approval is not a condition to the Closing of the proposed acquisition.

- 2) Approximately \$3B from dividends from Chubb and Federal Insurance Company (or a short-term loan of such amount): Chubb and the Acquiring Party estimate that approximately \$2 billion of the \$3 billion of dividends from Chubb and Federal Insurance Company will be sourced from cash and liquid assets held at Chubb and that Federal Insurance Company will seek regulatory approval to pay to Chubb, prior to the Closing, an extraordinary dividend of approximately \$1 billion, sourced from Federal Insurance Company and one or more of Federal Insurance Company's wholly owned subsidiaries. While the extraordinary dividend from Federal Insurance Company is subject to approval by its domiciliary insurance regulator, neither such approval nor the payment of the dividend is a condition to Closing under the Merger Agreement. If the extraordinary dividend were disapproved, the Acquiring Party would fund a corresponding amount from a short-term loan (the "Short-Term Loan").

If the Short-Term Loan is ultimately required to fund a portion of the Aggregate Merger Consideration, the Acquiring Party currently expects that it will be obtained from a potential lender with which the Acquiring Party believes it has reached agreement in principle on the majority of the material terms and conditions of the Short-Term Loan. If the Short-Term Loan is drawn, ACE INA intends to repay the Short-Term Loan from dividends that it will cause Chubb to pay after the Closing.

- 3) \$5.3B from the issuance of senior unsecured notes: An additional \$5.3 billion is expected to be generated from the issuance by ACE INA, under a shelf registration statement, of senior unsecured notes guaranteed by ACE with a range of maturities to be determined. At this time, the proposed underwriter(s) that ACE will utilize in connection with the senior note issuance has not been selected.
- 4) ACE Common Shares valued at approximately \$14B: The balance of the Aggregate Merger Consideration will consist of approximately \$14.0 billion of ACE Common Shares, which will be transferred to a third party exchange agent for distribution to Chubb's shareholders.

The nature and amount of consideration to be paid for the Chubb shares was determined by arm's-length negotiations between unaffiliated parties assisted by independent advisors (Morgan Stanley & Co. LLC for ACE, and Guggenheim Securities, LLC for Chubb).

Item 5: Acquiring Party's Future Plans for Insurer

Other than as discussed in the Form A, including the business plan for the domestic insurer (Exhibit 5), and in Item 4(2), the Acquiring Party does not have, nor does it contemplate, any plans or proposals to cause the Domestic Insurer to pay any extraordinary dividends, liquidate the Domestic Insurer, sell any of its assets or merge or consolidate it with any person or persons. The Acquiring Party is currently considering potential synergies that may be achieved as a result of the Proposed Acquisition, but has no immediate plans to make any other material change in the Domestic Insurer's business operations or corporate structure or management, or cause the Domestic Insurer to enter into material agreements, arrangements or transactions of any kind with any party.

Item 6: Voting Securities to be Acquired

The Acquiring Party intends to directly acquire control of the Domestic Insurer by acquiring all of Chubb's outstanding shares. At the Effective Time, each outstanding Chubb share (approximately 227 million, as of the close of business on June 30, 2015) will automatically be converted into the right to receive the Merger Consideration.

The Acquiring Party anticipates that, immediately following the Merger, the Acquiring Party will cause the Holding Company Merger, which will be effected in accordance with an agreement and plan of merger, to be entered into between ACE INA and William Holdings.

Item 8: Contracts with Respect to Voting Securities of the Insurer

Other than the Merger Agreement, there are no contracts, arrangements or understandings with respect to the voting securities of Chubb and the Domestic Insurer involving the Acquiring Party, its affiliates, or persons listed in Exhibit 3.

Item 9: Recent Purchases of Voting Shares

Other than securities of Chubb acquired by ACE insurance subsidiaries as general account investments, there have been no purchases of any voting securities of Chubb or the Domestic Insurer by the Acquiring Party or, to the Acquiring Party's knowledge, by its affiliates or any person listed in Exhibit 3, during the twelve (12) months preceding the filing of the Form A.

Item 10: Recent Recommendations to Purchase

To the best of the Acquiring Party's knowledge, there have been no recommendations to purchase any voting security of Chubb or the Domestic Insurer made by the Acquiring Party, its affiliates, or any person listed in Exhibit 3, during the twelve (12) calendar months preceding the filing of the Form A.

Item 11: Agreements with Broker-Dealers

Arrangements may be made with brokers, banks, nominees and custodians to forward solicitation materials to the beneficial owners of Chubb Shares held of record by these persons, and Chubb may reimburse banks, brokerage firms, other nominees or their respective agents for their expenses in forwarding proxy materials to beneficial owners of Chubb Shares. In addition, Chubb has engaged Georgeson Inc. to act as its proxy solicitor and to assist it in the solicitation of proxies for the special meeting of Chubb shareholders. Chubb has agreed to pay such proxy solicitor approximately \$30,000 plus reasonable out-of-pocket expenses for such services and also will indemnify it against certain claims, costs, damages, liabilities, judgments and expenses.

Financial Trend (Applicant)

Financial Trend ("Applicant")

The Audited Consolidated Financial Statements for ACE Limited and Subsidiaries were reviewed for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. Below is a summary of key financial data (including unaudited data from the Unaudited Consolidated Financial Statements for ACE Limited and Subsidiaries for the quarter ended June 30, 2015):

ACE Limited - Consolidated Financial Trend

<i>Financial Highlights (in millions of dollars):</i>	Unaudited	Consolidated				
	Three months ended June 30, 2015	2014	2013	2012	2011	2010
Total Revenues.....	5,048	19,171	19,261	17,936	16,834	16,006
Net Income	942	2,853	3,758	2,706	1,540	3,085
Total Assets	99,840	98,248	94,510	92,545	87,321	83,355
Total Liabilities	70,285	68,661	65,685	65,014	62,989	60,381
Total Shareholders' Equity.....	29,555	29,587	28,825	27,531	24,332	22,974
Net Cash Flows from Operating Activities.....	1,891	4,496	4,022	3,995	3,470	3,546

Wisconsin Specific Requirements

The following checklist addresses the requirements of s. 611.72 (3) (am), Wis. Stat. (Grounds for Disapproval):

- a) After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed?

Did the Filing Adequately Address this Concern? Yes

Comments: Review of the Pro Forma financial statements for Pacific Indemnity Company did not raise concerns regarding Pacific Indemnity Company's ability to satisfy Wisconsin's licensure requirements.

- b) The effect of the merger or other acquisition of control would not be to create a monopoly or substantially lessen competition in insurance in this state?

Did the Filing Adequately Address this Concern? Yes

Comments: Analysis of the market for the applicable lines of business did not raise concerns that the proposed transaction would harm the competitive market in the State of Wisconsin.

- c) The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders?

Did the Filing Adequately Address this Concern? Yes

Comments: Review of the Form A did not raise concerns regarding the Applicant's recent financial trend, or financial condition.

- d) The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest?

Did the Filing Adequately Address this Concern? Yes

Comments: Review of the Form A did not indicate any plans or proposals that would jeopardize Pacific Indemnity Company, its policyholders, or the public interest.

- e) The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of policyholders of the corporation and of the public to permit the merger or acquisition of control?

Did the Filing Adequately Address this Concern? Yes

Comments: Review of the Biographical Affidavits did not raise concerns regarding the competence or integrity of the Officers and Directors of the Applicant.

Hearing Requirement: Per s. 611.72 (3m), Wis. Stat.: “A hearing is not required under sub. (3) Before approval of a proposed plan of merger or other plan for acquisition of control if the proposed merger is with, or the proposed acquirer is, an affiliate of the insurer and the proposed merger or other acquisition of control does not change the controlling person of the insurer.” Is a hearing required for this filing? (Y/N)

Yes. The Applicant is not an affiliate of Pacific Indemnity Company, and the proposed transaction will result in indirect control of Pacific Indemnity Company by the Applicant.

Follow-up Items

The Applicant adequately addressed the issues identified in OCI's September 1, 2015 and September 22, 2015 application follow-up letters.

Conclusion

It is recommended that the proposed acquisition of control of Pacific Indemnity Company be approved on the basis that there are no statutory grounds for denial pursuant to s. 611.72 (3), Wisconsin Statutes.