

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	Pursuant to Sections 1401, 1402 and 1403
	:	of the Insurance Holding Companies Act,
Application of Armour	:	Article XIV of the Insurance Company
Reinsurance Group Limited in	:	Law of 1921, Act of May 17, 1921, P.L.
Support of the Request for	:	682, <u>as amended</u> , 40 P.S. §§ 991.1401 -
Approval to Acquire Control of	:	991.1403 and Chapter 25 of Title 31 of the
PMA Capital Insurance Company	:	Pennsylvania Code, 31 Pa. Code §§ 25.1 -
	:	25.23
	:	
	:	Order No. ID-RC-09-42

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Armour Reinsurance Group Limited (“Armour Re”) in support of the request for approval to acquire control of PMA Capital Insurance Company (“PMACIC”), as set forth in the application as amended, is hereby approved, subject to this Order and the following conditions:

1. The form of the Buyer Surplus Note, Seller Surplus Note and the Promissory Note are hereby approved.
2. The requested prescribed accounting practices to discount of all of PMACIC’s loss and LAE reserves, excluding ULAE, for all lines of business, including reserves for incurred but not reported and incurred but not enough reported, using an annual interest rate of 4%, and to treat the economic value of the Liability Policies Support Agreement and the Workers’ Compensation Support Agreement to be entered into by PMA in connection with the acquisition as an admitted asset are hereby approved.
3. All other necessary regulatory filings and approvals shall be obtained prior to consummation of the transaction.
4. Armour Re shall provide a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Pennsylvania Insurance Department (“Department”) for a period of not less than five (5) years from the date of consummation.

5. PMACIC shall not acquire investments except securities rated “1” or “2” by the National Association of Insurance Commissioner (“NAIC”) Securities Valuation Office or as otherwise authorized by prior written approval of the Commissioner; PMACIC may continue to hold all securities in the company’s portfolio on the date of this Order until they reach maturity.
6. PMACIC shall not write any new business without prior written approval of the Commissioner except as required by law or contract.
7. PMACIC shall not file an application for voluntary dissolution within five (5) years of the effective date of this Order.
8. PMACIC shall not redomesticate without prior written approval of the Commissioner.
9. An independent actuary shall review and analyze the reserves of PMACIC, including but not limited to the adequacy of the reserves for reinsurance uncollectibles, every year, beginning with the year ending December 31, 2010, and the selection of the actuary and scope of the review shall be subject to the prior written approval of the Commissioner. The Department may waive this requirement in any year during which the Department performs a financial examination of PMACIC.
10. PMACIC shall annually provide to the Department, on or before March 31, a stress test that will demonstrate the adequacy of the company to continue to runoff the business. The format of the annual stress test shall be approved by the Department in advance. The first stress test shall be filed on or before March 31, 2011.
11. PMACIC shall annually provide to the Department a two-year financial projection, updated annually. The first two-year financial projection shall be filed on or before March 31, 2011. All subsequent two-year financial projections shall be filed annually with the Department, on or before March 31.
12. PMACIC shall not establish security deposits with any other jurisdiction without the Commissioner’s prior written approval except to the extent required by law.
13. PMACIC shall annually meet with the Department to review the operating results by the end of May of each year. PMACIC shall meet with the Department at other times upon reasonable advance notice by the Department.

14. PMACIC shall not engage in any transactions with affiliates or other entities owned by its officers and/or directors without prior written approval of the Department.
15. PMACIC shall make no dividends or other distributions without the prior written approval of the Department.
16. PMACIC shall not make any disbursements, payments or transfers of assets, except as otherwise provided herein, outside the normal and ordinary course of business, without the Department's prior written approval, provided however that no prior approval shall be required for any commutation agreements between PMACIC and its counterparties where such agreements are at or below the aggregate level of outstanding payment obligations, case reserves and IBNR then carried in the books of PMACIC.
17. The request of Armour Re to change the name of PMACIC to "Excalibur Reinsurance Corporation" after the consummation of the subject transaction is hereby approved.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application. This one year limitation does not apply to any conditions prescribed by the Department in the Order.

Joel Ario
Insurance Commissioner