STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF OR MERGER WITH

THE STANDARD FIRE INSURANCE COMPANY; THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT; TRAVELERS PERSONAL SECURITY INSURANCE COMPANY; TRAVELERS PROPERTY CASUALTY INSURANCE COMPANY; THE TRAVELERS INDEMNITY COMPANY; GULF INSURANCE COMPANY; GULF UNDERWRITERS INSURANCE COMPANY; THE CHARTER OAK FIRE INSURANCE COMPANY; THE PHOENIX INSURANCE COMPANY; THE TRAVELERS INDEMNITY COMPANY OF AMERICA; THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT; THE TRAVELERS HOME AND MARINE INSURANCE COMPANY; TRAVCO INSURANCE COMPANY; TRAVELERS COMMERCIAL CASUALTY COMPANY; TRAVELRS CASUALTY AND SURETY COMPANY; FARMINGTON CASUALTY COMPANY; TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA; TRAVELERS CASUALTY COMPANY OF CONNECTICUT; TRAVELERS COMMERCIAL INSURANCE COMPANY; TRAVELERS EXCESS AND SURPLUS LINES COMPANY; TRAVELERS PERSONAL INSURANCE COMPANY; TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA; and TRAVELERS CASUALTY INSURANCE COMPANY OF AMERICA,

each an indirect, wholly owned Connecticut domiciled subsidiary of

TRAVELERS PROPERTY CASUALTY CORP., a Connecticut insurance holding company

by

THE ST. PAUL COMPANIES, INC., a corporation organized under the laws of the State of Minnesota

Docket No. EX 04-20

ORDER

I, Susan F. Cogswell, Insurance Commissioner of the State of Connecticut, having read the record and having been in attendance at the public hearing on February 10, 2004 related to the captioned matter, hereby adopt the findings and recommendations of Mark R. Franklin, Hearing Officer, and issue the following orders, TO WIT:

1. The Application of The St. Paul Companies, Inc. ("St. Paul" or the "Applicant") in which it seeks approval to acquire control of certain Connecticut-domiciled indirect wholly-owned subsidiaries of Travelers Property Casualty Corp. ("Travelers"), specifically, The Standard Fire Insurance Company, the Automobile Insurance Company of Hartford, Connecticut, Travelers Personal Security Insurance

Company, Travelers Property Casualty Insurance Company, The Travelers Indemnity Company, Gulf Insurance Company, Gulf Underwriters Insurance Company, The Charter Oak Fire Insurance Company, The Phoenix Insurance Company, The Travelers Indemnity Company of America, The Travelers Indemnity Company of Connecticut, The Travelers Home and Marine Insurance Company, Travco Insurance Company, Travelers Commercial Casualty Company, Travelers Casualty and Surety Company, Farmington Casualty Company, Travelers Casualty and Surety Company of America, Travelers Casualty Company of Connecticut, Travelers Commercial Insurance Company, Travelers Excess and Surplus Lines Company, Travelers Personal Insurance Company, Travelers Property Casualty Company of American and Travelers Insurance Company of America (collectively, the "Domestic Insurers" or the "Travelers Companies"), is hereby approved.

2. The Applicant shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by St. Paul of the Domestic Insurers.

3. The Applicant and the Domestic Insurers shall comply with the commitments made to the State of Connecticut in connection with this proceeding as described in paragraphs 59 to 72 of the Proposed Final Decision dated March 2, 2004.

4. For a period of three (3) years, the Domestic Insurers shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report of its business operations in Connecticut, including but not limited to, changes to the business of the Domestic Insurers and employment; as well as compliance with the commitments made to the State of

Connecticut in connection with this proceeding as described in paragraphs 59 to 72 of the Proposed Final Decision.

5. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. §38a-138-10.

6. If the proposed transaction is not consummated within three (3) months of the date of this Order and St. Paul intends to consummate the proposed transaction, St. Paul shall submit to the Commissioner a statement, which shall include (1) the reason for the inability to consummate the proposed transaction; (2) any material changes in the information contained in the Form A Statement; and (3) the current financial statements of the St. Paul and the Domestic Insurers.

7. The Domestic Insurers shall, at all times, maintain their books and records in Connecticut, unless otherwise approved by the Commissioner.

8. The Applicant shall pay all expenses incurred by the Department in connection with the Form A proceedings pursuant to Conn. Gen. Stat. §38a-132(c).

Dated at Hartford, Connecticut, this 3rd day of March, 2004.

Susan F. Cogswell

Susan F. Cogswell
Insurance Commissioner

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In the Matter of: PROPOSED ACQUISITION OF CONTROL OF OR MERGER WITH THE STANDARD FIRE INSURANCE COMPANY; THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT; TRAVELERS PERSONAL SECURITY INSURANCE COMPANY; TRAVELERS PROPERTY CASUALTY INSURANCE COMPANY; THE TRAVELERS INDEMNITY COMPANY; GULF INSURANCE COMPANY; GULF UNDERWRITERS INSURANCE COMPANY; THE CHARTER OAK FIRE INSURANCE COMPANY; THE PHOENIX INSURANCE COMPANY; THE TRAVELERS INDEMNITY COMPANY OF AMERICA; THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT; THE TRAVELERS HOME AND MARINE INSURANCE COMPANY; TRAVCO INSURANCE COMPANY; TRAVELERS COMMERCIAL CASUALTY COMPANY; TRAVELRS CASUALTY AND SURETY COMPANY; FARMINGTON CASUALTY COMPANY; TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA; TRAVELERS CASUALTY COMPANY OF CONNECTICUT; TRAVELERS COMMERCIAL INSURANCE COMPANY; TRAVELERS EXCESS AND SURPLUS LINES COMPANY; TRAVELERS PERSONAL INSURANCE COMPANY; TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA; and TRAVELERS CASUALTY INSURANCE COMPANY OF AMERICA, each an indirect, wholly owned Connecticut domiciled subsidiary of TRAVELERS PROPERTY CASUALTY CORP., a Connecticut insurance holding company by THE ST. PAUL COMPANIES, INC., a corporation organized under the laws of the State of Minnesota	Docket No. EX 04-20

PROPOSED FINAL DECISION

I. INTRODUCTION

On November 25, 2003, The St. Paul Companies, Inc., a corporation organized under the laws of Minnesota ("St. Paul" or the "Applicant"), filed an Application with the Connecticut Insurance Department ("Department") pursuant to Conn. Gen. Stat. §38a-130, requesting the Insurance Commissioner's approval of its proposed acquisition of control of certain indirect wholly owned subsidiaries of Travelers Property Casualty

Corp. ("Travelers"), specifically, The Standard Fire Insurance Company, the Automobile Insurance Company of Hartford, Connecticut, Travelers Personal Security Insurance Company, Travelers Property Casualty Insurance Company, The Travelers Indemnity Company, Gulf Insurance Company, Gulf Underwriters Insurance Company, The Charter Oak Fire Insurance Company, The Phoenix Insurance Company, The Travelers Indemnity Company of America, The Travelers Indemnity Company of Connecticut, The Travelers Home and Marine Insurance Company, Travco Insurance Company, Travelers Commercial Casualty Company, Travelers Casualty and Surety Company, Farmington Casualty Company, Travelers Casualty and Surety Company of America, Travelers Casualty Company of Connecticut, Travelers Commercial Insurance Company and Travelers Excess and Surplus Lines Company (collectively, the "Original Application Travelers Subsidiaries"). Subsequently, an amended and restated Form A application was filed on January 6, 2004. Travelers Personal Insurance Company, Travelers Property Casualty Company of American and Travelers Insurance Company of America (collectively the "Amendment 1 Travelers Subsidiaries") were added to the application by Amendment Number 1 to the Amended and Restated Form A dated January 22, 2004 . (Collectively, the Original Application Travelers Subsidiaries and the Amendment 1 Travelers Subsidiaries are "the Domestic Insurers" or the "Travelers Companies.")

St. Paul proposes to acquire control of the Travelers Companies through a tax free stock-for-stock transaction pursuant to an Agreement and Plan of Merger dated as of November 16, 2003 by and among St. Paul, Travelers and Adams Acquisition Corp., a Connecticut corporation and wholly owned subsidiary of St. Paul ("Merger Sub").

In accordance with Conn. Gen. Stat. §38a-132, and pursuant to the Notice of Public Hearing, dated January 23, 2004, the undersigned was appointed by the Honorable Susan F. Cogswell, Insurance Commissioner of the State of Connecticut ("Commissioner" or "Commissioner Cogswell"), to preside at the public hearing in connection with the proposed change of control of the Domestic Insurers on February 10, 2004. Commissioner Cogswell was in attendance at the entire public hearing.

The Notice of the public hearing was published in *The Hartford Courant* on January 27, 2004 and February 3, 2004. In addition, the Notice of Public Hearing was filed with the Office of the Secretary of the State on January 27, 2004, and the notice was posted on the Insurance Department's internet website. The Domestic Insurers waived the 20-day notice of the public hearing to which they were entitled by a waiver of notice dated January 23, 2004.

In the Notice of Public Hearing and at the February 10, 2004 Public Hearing, the Insurance Department invited oral and written comments from members of the public on the proposed acquisition of control of the Domestic Insurers. In addition, the record of the proceeding was held open until the close of business on February 10, 2004, to allow for additional written comments from the public. One speaker, the Honorable Richard Blumenthal, Attorney General of the State of Connecticut, spoke regarding his concerns that the transaction be in the public interest. In addition, the Department received fifteen public comment letters from various organizations attesting to the many contributions of the Travelers Foundation to community organizations in the city of Hartford, the Hartford region and throughout the state of Connecticut, and indicating that they looked forward in a positive light to continuing to work with the Travelers Foundation following the proposed transaction. (The oral and written public comment is discussed in greater detail below.)

In accordance with Conn. Agencies Regs. §38a-8-48, the following were designated parties to this proceeding: St. Paul, the Domestic Insurers, and Merger Sub.

At the February 10, 2004 public hearing, the following individuals testified in support of the Application filed by St. Paul: Jay S. Fishman, Chairman, President and Chief Executive Officer of St. Paul; Robert I. Lipp, Chairman and Chief Executive Officer of Travelers; Bruce H. Saul, Vice President of Corporate Legal Services for St. Paul; Paul H. Eddy, Deputy General Counsel of Travelers; Gregory Vistnes, Ph.D., an economist and vice president of Charles River Associates; Jay S. Benet, Chief Financial Officer of Travelers; and Thomas A. Bradley, Chief Financial Officer of St. Paul.

II. FINDINGS OF FACT

Upon review of the exhibits entered into the record of this proceeding, and based upon the testimony of witnesses at the February 10, 2004 public hearing, the following findings of fact are hereby made:

A. The Parties

1. St. Paul is incorporated under the laws of the State of Minnesota and is a publicly traded company whose common stock trades on the New York Stock Exchange under the symbol "SPC". The principal business address of the Applicant is 385 Washington Street, St. Paul, Minnesota 55102. St. Paul and its subsidiaries constitute one of the oldest insurance organizations in the United States, dating back to 1853. St.

Paul is a holding company principally engaged, through its subsidiaries, in providing commercial property-liability insurance products and services. St. Paul also has a 79% majority ownership of Nuveen Investments, Inc., a leading company in the asset management industry.

2. Travelers is incorporated under the laws of the State of Connecticut and is a publicly traded company whose Class A common stock trades on the New York Stock Exchange under the symbol "TAP.A" and whose Class B common stock trades on the New York Stock Exchange under the symbol "TAP.B". Travelers is a holding company principally engaged, through its subsidiaries, in providing property and casualty insurance products and services. The Travelers Companies are wholly owned Connecticut-domiciled insurance company subsidiaries of Travelers. Travelers and the Domestic Insurers have their main administrative offices at One Tower Square, Hartford, Connecticut 06183.

B. The Proposed Transaction

3. The Applicant proposes to acquire control of Travelers and the Domestic Insurers (the "Proposed Transaction") pursuant to the Agreement and Plan of Merger, effective as of November 16, 2003 (the "Merger Agreement"), by and among St. Paul, Travelers and Merger Sub. Subject to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into Travelers, with Travelers surviving as a wholly owned subsidiary of St. Paul. At the effective time of the Proposed Transaction (the "Closing"), each share of Travelers Class A common stock, $0.01 par value per share ("Travelers Class A Common Stock"), and Class B common stock, $0.01 par value per

share ("Travelers Class B Common Stock" and, together with the Travelers Class A Common Stock, the "Travelers Common Stock"), together with associated preferred stock purchase rights, will be converted into the right to receive 0.4334 share of St. Paul common stock, no designated par value ("St. Paul Common Stock"). Based on (1) the closing price of St Paul Common Stock on the New York Stock Exchange of $36.77 on November 14, 2003, the last trading day before the announcement of the Merger Agreement, and (2) an aggregate of 1,004,889,793 shares of Travelers Common Stock issued and outstanding as of October 31, 2003, the total value of the consideration for the Proposed Transaction would be approximately $16 billion.

4. No cash consideration will be paid in connection with the Proposed Transaction, except that holders of Travelers Common Stock that are to receive fractional shares of St. Paul Common Stock will instead receive cash for those shares.

5. No borrowings or debt will be a source of any of the consideration to effect the Proposed Transaction.

6. As a result of the Proposed Transaction, Travelers will become a direct, wholly owned subsidiary of St. Paul and all of the current subsidiaries of Travelers, including the Domestic Insurers, will become indirect wholly owned subsidiaries of St. Paul. St. Paul will simultaneously change its name to The St. Paul Travelers Companies, Inc. ("St. Paul Travelers"), which will remain a Minnesota corporation with its corporate headquarters in St. Paul, Minnesota.

7. The nature and amount of the consideration to be paid in connection with the Proposed Transaction were determined through arm's-length negotiations among the parties to the Merger Agreement.

8. St. Paul engaged Goldman, Sachs & Co. ("Goldman Sachs") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") as its financial advisors in connection with the Proposed Transaction. On November 16, 2003, each of Goldman Sachs and Merrill Lynch delivered its opinion to the St. Paul board of directors that, as of that date and based upon and subject to the factors and assumptions set forth in their respective opinions, the exchange ratio of 0.4334 of a share of St. Paul Common Stock to be issued in the Proposed Transaction in respect of each share of Travelers Common Stock was fair from a financial point of view to St. Paul.

9. Travelers engaged Citigroup Global Markets Inc. ("Citigroup") and Lehman Brothers Inc. ("Lehman Brothers") as its financial advisors in connection with the Proposed Transaction. On November 16, 2003, each of Citigroup and Lehman Brothers delivered its opinion to the Travelers board of directors to the effect that, as of that date and based on and subject to the matters described in their respective opinions, the exchange ratio provided for in the Proposed Transaction was fair, from a financial point of view, to the holders of Travelers Common Stock.

10. The Proposed Transaction has been approved by the boards of directors of both St. Paul and Travelers, and will be submitted for approval by the shareholders of both St. Paul and Travelers at separate meetings on March 19, 2004.

C. The Financial Condition of the Parties

11. At and for the year ended December 31, 2002 and the nine months ended September 30, 2003, St. Paul reported the following consolidated balance sheet and income statement data on a GAAP basis (in millions):

	December 31, 2002	September 30, 2003
Assets	$39,959	$40,363
Liabilities	33,324	34,095
Stockholders' Equity	5,746[1]	6,268
Net Income (Loss)	218	609
Premium Revenues	7,502	5,237

12. Following completion of the Proposed Transaction and on a pro forma GAAP basis at and for the nine months ended September 30, 2003, St. Paul Travelers would have total assets, premiums and shareholders' equity of $109.1 billion, $14.5 billion and $20.2 billion, respectively, on a pro forma basis at September 30, 2003. As for policyholder surplus, the Travelers insurers had $8.2 billion in surplus and the St. Paul insurers had $4.8 billion in surplus on a statutory basis at September 30, 2003. On a combined statutory basis at September 30, 2003, St. Paul Travelers would have had $13 billion in policyholder surplus.

13. At and for the year ended December 31, 2002 and the nine months ended September 30, 2003, Travelers reported the following consolidated balance sheet and income statement data on a GAAP basis (in millions):

	December 31, 2002	September 30, 2003
Assets	$64,138	$63,535
Liabilities	53,101	52,063
Stockholders' Equity	10,137[2]	11,472
Net Income (Loss)	(27)	1,207
Premium Revenues	11,155	9,228

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[1] Excludes $889 million in certain mandatorily redeemable preferred securities as St. Paul adopted the provisions of SFAS No. 150 in the third quarter of 2003.

[2] Excludes $900 million in certain mandatorily redeemable securities of subsidiary trusts in 2003.

14. As of December 31, 2002, the Domestic Insurers had capital and policyholder surplus as follows:

	Capital	Policyholder Surplus
The Standard Fire Insurance Company	$5,000,000	$741,652,010
The Automobile Insurance Company of Hartford, Connecticut	6,000,000	215,200,796
Travelers Personal Security Insurance Company	2,000,000	50,006,324
Travelers Property Casualty Insurance Company	3,000,000	50,201,743
The Travelers Indemnity Company	10,000,000	3,963,326,203
Gulf Insurance Company	6,500,000	490,984,289
Gulf Underwriters Insurance Company	4,000,000	36,713,630
The Charter Oak Fire Insurance Company	4,200,000	148,573,155
The Phoenix Insurance Company	10,000,000	771,326,904
The Travelers Indemnity Company of America	5,250,000	112,757,364
The Travelers Indemnity Company of Connecticut	5,000,000	254,544,550
The Travelers Home and Marine Insurance Company	5,000,000	56,637,691
TravCo Insurance Company	6,000,000	54,763,921
Travelers Commercial Casualty Company	4,500,000	62,654,596
Travelers Casualty and Surety Company	25,000,000	2,572,746,429
Farmington Casualty Company	6,000,000	173,485,143
Travelers Casualty and Surety Company of America	6,000,000	707,744,210
Travelers Casualty Company of Connecticut	6,000,000	60,133,072
Travelers Commercial Insurance Company	6,000,000	66,287,427
Travelers Excess and Surplus Lines Company	3,500,000	46,321,907
Travelers Personal Insurance Company	1,400,000	49,368,871
Travelers Property Casualty Company of America	5,040,000	74,389,885
Travelers Casualty Insurance Company of America	6,000,000	352,325,060

15. Mr. Saul testified that the Domestic Insurers will continue to meet the requirements for the issuance of a license following the closing of the proposed transaction. He stated that the Domestic Insurers' management, capitalization and business plans will remain unchanged.

16. With respect to the specific ratings by major rating agencies, Messrs. Fishman and Eddy testified that both St. Paul and Travelers are highly rated by the rating

agencies, both on a debt and claims paying ability basis. Mr. Fishman testified that Standard & Poors has indicated that following the closing, the financial strength rating of the combined company will be A+ and the long term debt rating will be B+. Prior to the proposed merger, Standard & Poors rated Travelers at AA- and St. Paul at A+; A.M. Best rated Travelers at A++ and St. Paul at A; and Moody's rated Travelers at Aa3 and St. Paul at A1.

D. Plans for the Insurers

17. The Applicant has no present plans or proposals (i) to cause any Domestic Insurer to declare an extraordinary dividend or make other distributions; (ii) to liquidate any Domestic Insurer; (iii) to sell any Domestic Insurer's assets (other than such sales of assets as may be contemplated in the ordinary course of such Domestic Insurer's business); (iv) to merge or consolidate any Domestic Insurer with any person or persons; (v) to make any other material change in any Domestic Insurer's business operations or corporate structure or management; or (vi) to cause any Domestic Insurer to enter into material contracts, agreements, arrangements, understandings or transactions of any kind with any party.

18. At the present time, the Applicant and its affiliates have no plans or proposals (including change of ownership or control proposals) which may have a material effect on the Domestic Insurers.

19. The Applicant will not change the boards of directors of the Domestic Insurers immediately following the Proposed Transaction.

20. St. Paul and Travelers have determined that the combined company's general commercial lines, personal lines, surety and construction businesses will be under the Travelers brand and headquartered in Hartford. These lines account for a majority of the combined net written premiums of the two companies.

21. The current directors of St. Paul are:

Carolyn Hogan Byrd	Thomas R. Hodgson
John H. Dasburg	William H. Kling
Janet M. Dolan	James A. Lawrence
Kenneth M. Duberstein	John A. MacColl
Jay S. Fishman	Glen D. Nelson, M.D.
Lawrence G. Graev	Gordon M. Sprenger

22. The current executive officers of St. Paul are:

Jay S. Fishman	Chairman, Chief Executive Officer and President
Thomas A. Bradley	Executive Vice President and Chief Financial Officer
William H. Heyman	Executive Vice President and Chief Investment Officer
John A. MacColl	Vice Chairman and General Counsel
Andy F. Bessette	Executive Vice President and Chief Administrative Officer
Timothy M. Yessman	Executive Vice President – Claim, Fire and Marine
Marita Zuraitis	Executive Vice President – Commercial Lines, Fire and Marine
T. Michael Miller	Executive Vice President – Specialty Commercial, Fire and Marine
Kent D. Urness	Executive Vice President – International Insurance Operations, Fire and Marine

Samuel G. Liss	Executive Vice President – Business Development
Bruce A. Backberg	Senior Vice President and Corporate Secretary
John P. Clifford	Senior Vice President – Human Resources
John C. Treacy	Vice President and Corporate Controller
Laura C. Gagnon	Vice President – Finance and Investor Relations

23. Twelve of the current directors of Travelers and 11 of the current directors of St. Paul will constitute the 23 members of St. Paul Travelers board of directors. The proposed directors of St. Paul Travelers are:

Carolyn Hogan Byrd	Howard P. Berkowitz
John H. Dasburg	Kenneth J. Bialkin
Janet M. Dolan	Leslie B. Disharoon
Kenneth M. Duberstein	Meryl D. Hartzband
Jay S. Fishman	Robert I. Lipp
Lawrence G. Graev	Blythe J. McGarvie
Thomas R. Hodgson	Clarence Otis, Jr.
William H. Kling	Jeffrey M. Peek
James A. Lawrence	Nancy A. Roseman
Glen D. Nelson, M.D.	Charles W. Scharf
Gordon M. Sprenger	Frank J. Tasco
	Laurie J. Thomsen

24. The proposed executive officers of St. Paul Travelers are:

Jay S. Fishman	Chief Executive Officer

Robert I. Lipp	Executive Chairman
John A. MacColl	Vice Chairman and General Counsel
Charles J. Clarke	Vice Chairman
Irwin R. Ettinger	Vice Chairman
Douglas G. Elliot	Chief Executive Officer - Commercial and Personal Lines
T. Michael Miller	Chief Executive Officer - Specialty Operations
Jay S. Benet	Executive Vice President and Chief Financial Officer
Andy F. Bessette	Executive Vice President and Chief Administrative Officer
William H. Heyman	Executive Vice President and Chief Investment Officer
Samuel G. Liss	Executive Vice President of Strategic Development
Maria Olivo	Executive Vice President of Financial Planning & Analysis and Investor Relations
Marita Zuraitis	Executive Vice President - Integration and Operational Strategy
Brian W. MacLean	Executive Vice President - Claim
Timothy M. Yessman	Executive Vice President - Claim
John P. Clifford	Senior Vice President of Human Resources

25. The biographical affidavits of the current directors and executive officers of the Applicant and the proposed directors and executive officers of St. Paul Travelers, which include each individual's educational background, professional credentials and employment history, are included in the record. The information contained in the biographical affidavits attests to the competence, experience and integrity of the

individuals who are expected to ultimately be responsible for the governance and operation of the Domestic Insurers.

26. Messrs. Saul and Eddy testified that both St. Paul and Travelers have discussed and are aware of the regulatory requirements in Connecticut requiring that books and records be kept in Connecticut except as approved by the Insurance Commissioner, and that both companies will comply with the requirements.

27. Mr. Saul testified that the Domestic Insurers' surplus will continue to bear a reasonable relationship to their respective liabilities based upon the type, volume, and nature of the insurance business transacted, and risk-based capital related to total adjusted capital will continue to be adequate for the types of business the Domestic Insurers transact.

28. Mr. Saul testified that planning teams have been formed and are meeting to facilitate integration of the two companies. He estimated that the integration process will take as many as 18 to 24 months following the closing. Mr. Fishman testified that an analysis of the companies’ exposure to wind and earthquake events is part of the integration process.

29. Mr. Saul testified that, based on 2002 direct written premium data compiled by A.M. Best, the combined company will rank second in domestic commercial lines property casualty lines, and fifth overall among domestic property casualty insurance companies. It will be among the top three commercial insurers in 40 states and the District of Columbia.

30. Mr. Fishman testified that there will be no disruption in the marketplace with respect to the availability of surety products to small contractors. He also testified

that although St. Paul has exited from certain esoteric gas supply line bonds, it and the post-merger company will continue to offer conventional contract surety bonds.

31. Mr. Fishman testified that there are no plans by the combined company to withdraw from any personal lines business, and gave assurances that there will be no disruption in the personal lines marketplace. While St. Paul exited the medical malpractice marketplace in 2001 and does not plan to re-enter that line, Mr. Fishman testified that there are no plans to withdraw from any other line of commercial insurance.

32. Mr. Saul testified that payroll and investment management services, which are currently provided to Travelers by Citigroup, will be performed by St. Paul for the combined company as soon as practical after the closing.

33. Mr. Benet testified that charges related to the transaction with respect to severance, asset write-offs and other issues would be approximately $300 million.

34. The Applicant has estimated that the combined company expects to realize approximately $228 million in annual after-tax cost savings by 2006.

35. The Applicant has estimated that the combined company expects revenue synergies of approximately $55 million in 2004, which would increase to $160 million in 2006.

E. Competition

36. The parties filed a Hart-Scott-Rodino pre-merger competitive notification with the U.S. Department of Justice and The Federal Trade Commission ("FTC"). On December 22, 2003, the FTC notified the parties that their request for early termination of the waiting period had been granted.

37. In the Products Liability market, St. Paul's existing 7.45% market share would be combined with Travelers' 3.60%, for a post-transaction total of 11.05%.[3] After the Proposed Transaction, the top four competitors will have a combined market share of 53%. There are 25 competitors in that market with market shares exceeding 0.5%. Of competitors not related to this transaction, four have more than 10% each, two have over 4% each, and three more have at least 2% each.

38. In the Fidelity market, St. Paul's existing 1.42% market share would be combined with Travelers' 21.04%, for a post-transaction total of 22.46. After the Proposed Transaction, the top four competitors will have 66% of the market. There are 14 competitors in that market with market shares exceeding 0.5%. Of competitors not related to this transaction, one has 22%, one has at least 11%, one has at least 9%, and six more have between 2-7% each.

39. In the Burglary & Theft market, St. Paul's existing 1.13% market share would be combined with Travelers' existing 19.06%, for a post-transaction total of 20.19%. There are 14 competitors in that market with market shares exceeding 0.5%. Of competitors not related to this transaction, one has over 40%, one has over 10%, and three have over 5% each.

40. In the Boiler & Machinery market, St. Paul's existing 2.95% market share would be combined with Travelers' existing 9.44%, for a post-transaction total of 12.39%. There are 13 competitors in that market with market shares exceeding 0.5%. Of competitors not related to this transaction, one has over 28%, three have at least 10%

[3] Dr. Vistnes testified he used A.M. Best 2002 data for direct written premium throughout his testimony for his estimates of market share.

each and five have at least 1% each. The parties to the Proposed Transaction are not within the top four now.

41. In the Surety market, St. Paul's existing 14.54% market share would be combined with Travelers' existing 13.82%, for a post-transaction total of 28.36%. After the Proposed Transaction, the top four competitors will have 59% of the market. In addition, there are 22 competitors in that market with market shares exceeding 0.5%. Of competitors not related to this transaction, one has at least 14%, one has at least 9%, three have over 5%, and seven more have over 2%.

42. Dr. Vistnes, an economist with Charles River Associates, an international economic consulting firm, conducted an analysis of the competitive impact of the Proposed Transaction to determine whether the merger was likely to significantly reduce competition or tend to create a monopoly in any line of insurance in Connecticut.

43. Dr. Vistnes testified that for all the foregoing lines except for Surety, the nominal increases in market share were so small that the merger was extremely unlikely to affect competition in those lines.

44. Dr. Vistnes testified that numerous companies currently compete in the Surety market in Connecticut. These competitors include both regional companies and well known national insurers. Existing competitors include many of the largest Surety underwriters in the country.

45. Dr. Vistnes testified that there is no product differentiation in the Surety market, and the Surety product marketed by St. Paul and Travelers is essentially the same financial instrument offered by their competitors.

46. The Connecticut Insurance Department has licensed 331 insurers for Fidelity and Surety.

47. Dr. Vistnes testified that many of St. Paul's and Travelers' existing competitors have demonstrated through their competitive success in other states that they are fully capable of significantly increasing their market share of Surety sales in Connecticut. Zurich/Farmers had a 3.0% share in Connecticut in 2002, but enjoys a market share of 10 – 17% in several other states. Zurich is only the 8th largest Surety provider in Connecticut, but it is the 4th largest Surety provider in the U.S., and its overall national Surety market share is more than double its share in Connecticut (7.3% vs. 3.0%). Safeco has achieved much higher market shares in other parts of the U.S. than it has so far achieved in Connecticut. Although Safeco's share in Connecticut was only 2.6% in 2002, Safeco enjoys market shares of 10% or more in other states. Similarly, while Safeco is only the 9th largest Surety provider in Connecticut, it is the 5th largest Surety provider in the U.S., with a national market share that is almost double its Connecticut market share (4.6% v. 2.6%).

48. Dr. Vistnes testified that the success of existing competitors in other state markets, their products, financial strength, underwriting expertise, reputation, service, and capacity to expand in the Connecticut Surety market, demonstrate that they are competitive alternatives to St. Paul and Travelers in Connecticut, and that they would impose competitive constraints on the behavior of a merged company to raise prices or to engage in any other anticompetitive conduct.

49. The U.S. Treasury certification levels indicate (with certain exceptions) the maximum individual bond that a Surety provider can offer. St. Paul and Travelers are

just two of the nine companies that are certified to write Surety bonds in excess of $200 million. There are over 40 Surety companies nationwide that have been certified to write Surety Bonds in excess of $10 million; over 30 that have been certified to write Surety Bonds in excess of $25 million; and 12 that have been certified to write Surety Bonds in excess of $50 million.

50. Dr. Vistnes testified that both large and small existing competitors in Connecticut have the capacity to readily expand their sales if customers became dissatisfied with the merged entity's pricing or other practices, and could thereby constrain those practices, if they occurred.

51. Dr. Vistnes testified that insurers with individual market shares of less than 3% provide more than 25% of all Surety coverage in Connecticut. Thus, small firms collectively represent a significant competitor to the company that will result from the Proposed Transaction.

52. Dr. Vistnes testified that in addition to price constraints imposed by existing competitors, constraints are imposed by potential market entrants. Potential entrants include insurance firms already operating in Connecticut that do not currently offer Surety products, but offer them elsewhere. Those insurers' experience offering Surety in other states would leave them well positioned to begin offering Surety in Connecticut if a post-merger price increase created a profit opportunity. Potential entrants also include insurance firms not currently operating in the state of Connecticut, but selling Surety elsewhere.

53. Dr. Vistnes testified that these potential entrants could begin offering Surety products in Connecticut, and the collective impact of that entry would likely be

sufficient to prevent the company resulting from the Proposed Transaction from imposing any anticompetitive price increase. Potential entrants could easily enter the Surety market in Connecticut within a two-year timeline, which is a sufficient timeline to constrain pricing and other anticompetitive acts that may be taken by a merged company.

54. For an insurance firm that is already licensed in Connecticut, there would be no significant delays due to regulatory or licensing requirements. A license amendment for a company that is not currently licensed for Surety but is otherwise licensed to do business in Connecticut can take from two to six months.

55. Dr. Vistnes testified that an existing insurance company would have most of the necessary infrastructure necessary to support a Surety product. Hiring a small number of personnel with the appropriate underwriting expertise can be done without significant time delays.

56. Several insurers, including Quanta and Arch, have entered the Surety market in less than one year.

57. Dr. Vistnes testified that potential entrants have the capacity to enter the market and become competitive alternatives if customers became dissatisfied with the merged entity's pricing or other practices, thereby constraining those practices, if they were to occur.

58. Dr. Vistnes testified that based on the foregoing factors, the Proposed Transaction is unlikely to reduce competition significantly or tend to create a monopoly in the Connecticut Surety market.

F. Public Interest

59. On February 9, 2004, Messrs. Fishman and Lipp filed a letter with the Insurance Commissioner (the "Commitment Letter") which acknowledged that, in reviewing the Proposed Transaction, the Insurance Commissioner has an obligation to ensure that the Proposed Transaction is in the public interest. The purpose of the Commitment Letter was to provide the Insurance Commissioner with St. Paul's and Travelers' formal commitments to the State of Connecticut and the people of the State of Connecticut after the Proposed Transaction.

60. As stated in the Commitment Letter and the testimony of Mr. Saul, St. Paul and Travelers have confirmed that Travelers' headquarters building at One Tower Square will remain the location of significant operations of St. Paul Travelers for the foreseeable future. Further, the Commitment Letter states that the combined company's general commercial lines, personal lines, surety and construction operations will be headquartered in Hartford. These lines account for a majority of the net written premium of the combined company. The Commitment Letter also states that the operational functions associated with each of these lines of businesses will remain in Hartford. Some employment may be transferred to Hartford from other St. Paul and Travelers locations as a result.

61. As described in the Commitment Letter, many Travelers executives will hold key management positions with the combined company.

62. As stated in the Commitment Letter, the total number of employees in Connecticut of St. Paul and Travelers is 5,909. This total includes the 5,611 employees of Travelers in Connecticut and the 298 employees of St. Paul in Connecticut. Of the

5,611 employees of Travelers in Connecticut, over 75% of those employees are directly involved in the general commercial, personal, surety and construction lines of business that will be based in Hartford. The total combined payroll for St. Paul and Travelers in Connecticut is approximately $403 million.

63. The Commitment Letter also indicates that as a result of the Proposed Transaction, St. Paul and Travelers expect some loss of certain positions in Connecticut. However, St. Paul and Travelers also expect relocation of certain positions from Maryland and other areas to Connecticut. The Commitment Letter states that St. Paul and Travelers believe that these relocations of positions to Connecticut, in combination with anticipated growth in the major business lines based in Connecticut, should result in total staffing levels in Connecticut remaining unchanged as a result of the Proposed Transaction by the end of the 24 month integration period following the Closing.

64. As stated in the Commitment Letter, St. Paul and Travelers believe that the combined company's substantial presence and commitment to Connecticut should allow for a continuation of substantially the same level of tax revenues to the City of Hartford and the State of Connecticut as would be paid in the absence of the Proposed Transaction. The estimated 2003 tax revenues generated by Travelers and St. Paul in Connecticut are $29,858,000 and $2,838,734 respectively.

65. The Commitment Letter also states that St. Paul and Travelers intend to continue their commitment to the independent agents of Connecticut and anticipate no decrease in the number of appointed agents in Connecticut as a result of the Proposed Transaction.

66. As described in the Commitment Letter, in 2003, St. Paul and Travelers, either directly or indirectly through a subsidiary or foundation, made charitable contributions totaling approximately $2.7 million in Connecticut. In the Commitment Letter, St. Paul and Travelers state that they will ensure that the annual aggregate level of charitable giving by St. Paul Travelers in Connecticut will increase from the 2003 level to $3.5 million in 2004 and will remain at least at that $3.5 million level in 2005 and 2006.

67. As stated in the Commitment Letter, benefits of St. Paul and Travelers employees in Connecticut and elsewhere will be maintained in their current form through 2004. After that, the benefits of St. Paul and Travelers employees are expected to be combined and/or conformed with the objective of creating a benefits platform covering the employees of both companies. The Merger Agreement states the intention of the parties is to develop final plans which treat similarly situated employees of St. Paul Travelers on a substantially equivalent basis, and do not discriminate between employees who formerly were covered by St. Paul plans, on the one hand, and Travelers plans, on the other.

68. The Commitment Letter states that Travelers owns six buildings in Hartford, Connecticut, and occupies approximately 1.5 million square feet of office space in those buildings. In the Commitment Letter, St. Paul and Travelers indicate that they expect that following the Closing, St. Paul Travelers will continue to own and occupy those buildings in Hartford, Connecticut for the foreseeable future.

69. Lastly, in the Commitment Letter, St. Paul and Travelers indicate that the proposed Transaction will not impact the benefits of existing Travelers retirees in Connecticut.

70. On February 11, 2004, Mr. Fishman delivered a letter to Attorney General Blumenthal (the "Letter") in response to Attorney General Blumenthal's comments at the hearing and a letter from Attorney General Blumenthal to Mr. Fishman dated February 10, 2004. A copy of the Letter was provided to the Department on February 11, 2004. The Letter, on behalf of St. Paul and Travelers, indicated, among other items, that (i) there are no changes contemplated in the Travelers Foundation's activities and financial commitments to the State of Connecticut and City of Hartford following the merger; (ii) the combined company will support all outstanding commitments that the Travelers Foundation has already made to charities and programs during the present grant cycle; and (iii) the Travelers Foundation will continue to be funded through the practice of annual contributions by the combined company, as Travelers has done in the past.

71. On February 11, 2004, a letter was delivered to the Department responding to Attorney General Blumenthal's comments at the hearing. In this letter to the Department, St. Paul and Travelers confirmed their intention to headquarter the combined company's general commercial lines, surety and personal lines businesses in Hartford for a period of at least five years following the Closing, barring developments unrelated to the Proposed Transaction. Further, the letter indicated the intention of the combined company to continue participation in the Insurance Industry Cluster sponsored by the Department of Economic and Community Development.

72. In testimony at the public hearing, Mr. Fishman testified that the presence of the combined company in Hartford is permanent.

73. The record includes public comment letters from the following: Robert Henry, Superintendent of Schools of the Hartford Public Schools; Louise Blalock, chief

librarian of the Hartford Public Library; Lisa Richmond, director of development of Connecticut Humanities Council; Barbara Bartucca, director of development of Hartford Stage; George Bahamonde, president and chief executive officer of United Way of the Capital Area; Bob Kantor, director of Fannie Mae Connecticut Partnership Office and board member of The Neighborhoods of Hartford, Inc.; Howard S. Garval, president and chief executive officer of The Village for Families and Children, Inc.; Louis J. Golden, president of Junior Achievment of Southwest New England, Inc.; Martin Legault, president and CEO of Corporation for Independent Living; Geri Shaw, regional director of Special Olympics Connecticut, Inc.; Laura Green, executive director of Nutmeg Big Brothers Big Sisters; Judith C. Meyers, president of Child Health and Development Institute of Connecticut, Inc.; Linda Bayer, staff consultant of Hartford 2000; Thomas Phillips, president of Capital Workforce Partners; Linda Jackson, managing director of Connecticut Opera; J. Michael Stockman, exeductive director of Hartford Habitat for Humanity; Kenneth Darden, president of Boys & Girls Clubs of Hartford, Inc; Marie Dalton-Meyer, exeuctive director of Hartford Education foundation, Inc.; Ira Rubensahl, president of Capital Community College; Mary Christensen, director of Educational Main Street of the University of Hartford; and Major Charles Deitrick, divisional secretary, The Salvation Army of Greater Hartford. The letters all discussed the good works of The Travelers Foundation, and several indicated their organizations were looking forward to working with the foundation following the Proposed Merger.

III. DISCUSSION

Conn. Gen. Stat. §38a-132(b) requires the Insurance Commissioner to approve the proposed acquisition of control of the Domestic Insurers unless the Commissioner finds that:

(A) After the change of control, the Domestic Insurers would not be able to satisfy the requirements for the issuance of a license to write the lines of business for which they are presently licensed.

(B) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

(C) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interests of the policyholders.

(D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.

(E) The competence, experience and integrity of those persons who would control the operation of the Domestic Insurers are such that it would not be in the interest of the policyholders of the Domestic Insurers and of the public to permit the merger or other acquisition of control.

(F) The acquisition of control of the Domestic Insures is likely to be hazardous or prejudicial to those buying insurance.

A. The ability of the Domestic Insurers to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed following the proposed acquisition of control.

The Domestic Insurers are insurers licensed pursuant to Conn. Gen. Stat. §38a-41. Conn. Gen. Stat. §38a-72(b) sets forth the minimum capital and surplus requirements for stock insurance companies in various lines of business. The Domestic Insurers currently satisfy the requirements for the issuance of a license to write the lines of business for which they are licensed.

Following consummation of the Proposed Acquisition of control of the Domestic Insurers, the management, capitalization and business plans of the Domestic Insurers will remain unchanged. Accordingly, Mr. Saul testified that the Domestic Insurers will continue to meet the requirements for issuance of licenses for the lines of business for which they are currently licensed.

In addition to the criteria set forth in Conn. Gen. Stat. §38a-72, the Insurance Department considers the following criteria when evaluating an insurance company's ability to maintain a license issued pursuant to Conn. Gen. Stat. §38a-41 to write insurance in Connecticut: (1) the location of the company's books, records and assets; (2) whether there is a reasonable relationship of the company's surplus funds to liabilities based on the type, volume and nature of insurance business transacted; (3) the management of the company; and (4) whether the company's risk-based capital as related to total adjusted capital is adequate for the types of business transacted.

Messrs. Saul and Eddy testified that both St. Paul and Travelers are aware of the regulatory requirements that books and records of domestic insurers be kept in Connecticut except as approved by the Insurance Commissioner, and that both companies will comply with that requirement.

Testimony from Mr. Saul confirmed that following the consummation of the Proposed Acquisition, the Domestic Insurers' surplus funds will bear a reasonable relationship to their liabilities based on the type, volume and nature of the insurance transacted. Furthermore, Mr. Saul testified that risk-based capital ("RBC") as it relates to the Domestic Insurers' will continue to be adequate for the business transacted.

Moreover, following the consummation of the proposed transaction, the management of the Domestic Insurers will be comprised of individuals with considerable experience in the insurance industry.

Accordingly, it is the conclusion of the Insurance Department that the evidence contained in the record supports a finding that the Domestic Insurers will be able to continue to satisfy the requirements for the issuance of the necessary license to write the lines of business for which they are presently licensed following the proposed acquisition of control of the Domestic Insurers.

B. The effect of the proposed acquisition of control on competition in Connecticut.

There was considerable evidence and testimony by an expert witness, Dr. Vistnes, an economist with expertise in antitrust and competition issues, related to the combined market share of the merged companies and the effect of the proposed merger on competition in Connecticut. In addition, a competitive impact statement was included as Exhibit 24 to the Amended and Restated Form A Application.

According to this information, the market shares of the Domestic Insurers and St. Paul for products liability were 3.6% and 7.45% respectively for a combined market share of 11.05%. There are 25 competitors with market shares in excess of 0.5%. Of competitors not related to the transaction, four have more than 10% each, two have more than 4% each and three more have at least 2% each.

In the Fidelity market, St. Paul's existing 1.42% market share would be combined with Travelers 21.04% for a combined market share of 22.46%. There are 14 competitors in the market with market shares exceeding 0.5%. Of competitors not related to the transaction, one has 22%, one has at least 11%, one has at least 9% and six more have between 2-7%.

In the Burglary and Theft market, St. Paul's existing 1.13% market share would be combined with Travelers' existing 19.06% market share for a post-transaction total of 20.19%. There are 14 competitors in the market with market shares exceeding 0.5%. Of competitors not related to the transaction, one has over 40%, one has over 10% and three have over 5% each.

In the Boiler and Machinery market, St. Paul's existing 2.95% market share would be combined with Travelers' existing 9.44% for a post-transaction total of 12.39%. There are 13 competitors in the market with market shares exceeding 0.5%. Of competitors not related to this transaction, one has over 28%, three have at least 10% each and five have at least 1% each.

Dr. Vistnes testified that for Products Liability, Fidelity, Burglary and Theft and Boiler and Machinery, the increase in market share was so small that the merger was extremely unlikely to affect competition in those lines.

The effect of competition in the surety area requires closer scrutiny. In the surety market, St. Paul's existing 14.54% would be combined with Travelers' existing 13.82% for a post-transaction total of 28.36%. After the proposed transaction, the top four competitors would have 59% of the market. There are 22 competitors in that market with market shares exceeding 0.5%. Of competitors not related to the transaction, one has at least 14%, one has at least 9%, three have over 5% and seven have over 2%.

While the combined company would be the market leader in the surety field, an examination of the data in the record -- including the testimony of Dr. Vistnes which the undersigned found to be detailed and credible -- indicates that there are several factors which alleviate the Department's concerns over the impact on competition in the surety market.

A number of competitors with high market share nationally, and in other states, compete in the national market, but have the capability of significantly increasing their market share in Connecticut. Among those competitors are Zurich/Farmers and Safeco.

Using U.S. Treasury certification, the benchmark for a surety provider's ability to write bonds, as a gauge, there are a number alternatives to the combined company. St. Paul and Travelers are two of nine companies certified to write surety bonds in excess of $200 million. In addition, there are 12 certified to write bonds in excess of $50 million, over 30 that have been certified to write bonds in excess of $25 million and over 40 surety companies that are certified to write surety bonds in excess of $10 million.

There appears to be a considerable presence by small companies in the surety area. Dr. Vistnes testified that insurers with less than 3% each of the market share provide more than 25% of all surety coverage in Connecticut.

Dr. Vistnes noted that both large and small existing competitors in Connecticut have the capacity to expand their sales if customers become dissatisfied with the merged companies' pricing and other practices.

Dr. Vistnes also pointed to other factors, such as the ability of insurance firms currently operating in Connecticut to offer surety products in Connecticut, and insurance firms that sell surety elsewhere to enter the Connecticut market and offer surety products in this state. Of course, for firms that are not currently licensed in Connecticut, it would be necessary for them to become licensed. It should also be noted that there are currently 331 firms licensed to write fidelity and surety in Connecticut.

The undersigned finds persuasive Dr. Vistnes' conclusion that the proposed transaction would be unlikely to reduce competition significantly in Connecticut or tend to create a monopoly in the Connecticut surety market.

Furthermore, the parties had filed a Hart-Scott-Rodino pre-merger competitive notification with the U.S, Department of Justice and the FTC. The FTC notified the parties on December 22, 2003 that their request for early termination of the waiting period had been granted.

On the basis of the foregoing, the effect of the Acquisition would not substantially lessen competition of insurance or tend to create a monopoly in Connecticut.

C. The financial condition of St. Paul.

Substantial evidence contained in the Form A Statement indicates that the financial condition of St. Paul will not jeopardize the financial condition of the Domestic Insurers.

At and for the year ended December 31, 2002 and the nine months ended September 30, 2003, St. Paul reported the following consolidated balance sheet and income statement data on a GAAP basis (in millions):

	December 31, 2002	September 30, 2003
Assets	$39,959	$40,363
Liabilities	33,324	34,095
Stockholders' Equity	5,746[4]	6,268
Net Income (Loss)	218	609
Premium Revenues	7,502	5,237

St. Paul's ratings by major rating agencies, according to testimony by Mr. Fishman, is A+ by Standard & Poors, A by AM. Best and A1 by Moody's. Mr. Fishman testified that Standard & Poors has indicated that following the closing, the financial strength of the combined company will be A+ and the long term debt rating will be B+.

The applicant has estimated that the combined company expects to realize approximately $228 million in annual after-tax cost savings by 2005, and that the combined company expects revenue synergies of approximately $55 million in 2004, which would increase to $160 million in 2006. Mr. Benet testified that the charges related to the transaction with respect to severance, asset write-offs and other issues would be approximately $228 million in after-tax cost savings by 2006.

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[4] Excludes $889 million in certain mandatorily redeemable preferred securities as St. Paul adopted the provisions of SFAS No. 150 in the third quarter of 2003.

D. Plans or Proposals for the Connecticut Insurers.

The Applicant has stated that it has no plans or proposals to liquidate the Domestic Insurers, to sell their assets or to merge them with any other entity. Also, there are no current plans by St. Paul for the Domestic Insurers to declare any extraordinary dividend or to make any other distribution.

St. Paul and Travelers have determined that the combined company's general commercial lines, personal lines, surety and construction businesses will be headquartered in Hartford.

Mr. Fishman testified that there will be no disruption in the marketplace with respect to the availability of surety products to small contractors. He also testified that although St. Paul has exited from certain esoteric gas supply line bonds, it and the post-merger company will continue to offer conventional contract surety bonds.

He also testified that there are no plans by the combined company to withdraw from any personal lines business, and gave assurances that there will be no disruption in the personal lines marketplace. While St. Paul exited the medical malpractice marketplace in 2001, Mr. Fishman testified that there are no plans to withdraw from any other line of commercial insurance.

It is estimated that integration of the companies will take approximately 18 to 24 months following the closing of the proposed merger.

Pursuant to Conn. Gen. Stat. §38a-57, each domestic company shall maintain, within the state, such records as the commissioner may require and such portion of its assets as the commissioner may deem necessary for the purpose of adequately protecting the insured. Therefore, the Domestic Insurers must expressly request and receive the approval of the Commissioner prior to the movement of any of its books and records outside of the state. Messrs. Saul and Eddy testified that both St. Paul and Travelers are aware of those regulatory requirements, and both companies will comply with them.

In the Commitment Letter to Commissioner Cogswell dated February 9, 2004, the Letter to Attorney General Blumenthal, a letter to the Department dated February 11, 2004, and in testimony by the Applicant, the Applicant made a number of commitments to the public interest of the State of Connecticut.

As stated in the Commitment Letter and the testimony of Mr. Saul, Travelers' headquarters building at One Tower Square, Hartford, will remain the location of significant operations of the combined company for the foreseeable future. The Travelers currently owns six buildings in Hartford, and occupies approximately 1.5 million square feet of office space in those buildings. In the Commitment Letter, St. Paul and Travelers indicate they expect the combined company will continue to own and occupy those buildings in Hartford for the foreseeable future.

The Commitment Letter stated that the combined company's general commercial lines, personal lines, surety and construction operations will be headquartered in Hartford. The Commitment Letter stated that the operational functions associated with each of these lines of business will remain in Hartford. Some employment may be transferred to Hartford from other St. Paul and Travelers locations as a result. In the letter to the Department dated February 11, 2004, St. Paul and Travelers confirmed their intention to headquarter the combined company's general commercial lines, surety and personal lines businesses in Hartford for a period of at least five years, barring developments unrelated to the Proposed Transaction.

The total number of employees in Connecticut of St. Paul and Travelers is 5,909, including 5,611 employees of Travelers in Connecticut and 298 employees of St. Paul in Connecticut. Of the Travelers employees in Connecticut, over 75% are directly involved in the lines of business that will be based in Hartford. The total combined payroll for St. Paul and Travelers in Connecticut is approximately $403 million. The Commitment Letter does indicate that as a result of the Proposed Transaction, St. Paul and Travelers expect some loss of certain positions in Connecticut, but the companies expect relocation of certain positions from Maryland and other areas to Connecticut. In the Commitment Letter, St. Paul and Travelers indicate that the relocation of these positions to Connecticut, combined with anticipated growth in the lines of business headquartered in Connecticut should result in the total staffing levels in Connecticut remaining unchanged as a result of the Proposed Transaction by the end of the 24 month integration period.

The estimated 2003 tax revenues generated by Travelers and St. Paul in Connecticut are $29.85 million for Travelers and $2.83 million for St. Paul. In the Commitment Letter, St. Paul and Travelers stated that they believe the combined company's substantial presence and commitment to Connecticut should allow for a continuation of substantially the same level of tax revenue to the City of Hartford and the State of Connecticut as would be paid in the absence of the Proposed Transaction.

The Commitment Letter also stated that St. Paul and Travelers intend to continue their commitments to the independent agents of Connecticut and anticipate no decrease in the number of appointed agents in Connecticut as a result of the Proposed Transaction.

The Commitment Letter indicates that the support of the Travelers Foundation will be increased following the Proposed Transaction. In 2003, St. Paul and Travelers, made charitable contributions totaling approximately $2.7 million in Connecticut. In the Commitment Letter, St. Paul and Travelers state they will ensure that the annual aggregate level of charitable giving by the combined companies will increase to $3.5 million in 2004, and will remain at least at the $3.5 million level in 2005 and 2006. In addition, in the February 11, 2004 letter to Attorney General Blumenthal, Mr. Fishman stated that the combined company will support all outstanding commitments that the Travelers Foundation has already made to charities and programs during the present grant cycle.

The Commitment Letter also notes that the Proposed Transaction will not impact the benefits of existing Travelers retirees in Connecticut.

Accordingly, the record supports the conclusion that there are no plans or proposals for the Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurer or which are not in the public interest.

E. The competence, experience and integrity of those persons who would control the operations of the Domestic Insurers.

The record includes the biographical affidavits of those individuals who will serve as the directors and officers of the combined company following the Proposed Acquisition. Said affidavits disclose each individuals educational background, professional credentials and their employment history. The information contained therein attests to the competence, experience and integrity of the individuals who are expected to be responsible for the governance and operation of the Domestic Insurers.

The Applicant will not change the boards of directors of the Domestic Insurers immediately following the Proposed Transaction. A number of current Travelers executives will lead the combined operations following the Proposed Transaction.

Accordingly, the competence, experience and integrity of those persons who would control the operations of the Domestic Insurers after the proposed acquisition of control is such that it would reflect in favor of policyholders of the insurance companies, and in the public interest.

F. The effect of the proposed Acquisition of Control of the Domestic Insurers on those buying insurance.

Financially, the record as described at length above, indicates that the combined company will be financially strong.

Mr. Fishman testified that there will be no disruption in the marketplace in the availability of surety products to small contractors. He also testified that the post-merger company will continue to offer conventional contract surety bonds. Mr. Fishman also testified that there are no plans by the combined company to withdraw from any personal lines business, and gave assurances that there will be no disruption in the personal lines marketplace. While St. Paul exited the medical malpractice market in 2001, he testified that there are no plans to withdraw from any other line of insurance.

Based on the foregoing, it is reasonable to conclude that the proposed acquisition of control of the Domestic Insurers is not likely to be hazardous to those buying insurance.

Further, Conn. Agencies Regs. §38a-8-103 sets forth the Standards of Hazardous Financial Condition. Those standards, either singularly or in combination of two or more, may be considered by the Insurance Commissioner to determine whether the continued operations of any insurer transacting an insurance business in this state might be deemed hazardous to the policyholders, creditors, or the general public. Of the sixteen standards set forth in the regulation, none apply to the Domestic Insurers, and the proposed acquisition of control of the Domestic Insurers should have no impact on those standards.

Accordingly, assuming compliance with all of Connecticut's statutes and regulations, it is reasonable to conclude that the proposed acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to those buying insurance.

IV. CONCLUSION AND RECOMMENDATION

Based on the foregoing findings of fact and discussion, a review of the exhibits entered into the record including the Amended and Restated Form A and the record of the February 10, 2004 public hearing, the undersigned concludes that the Applicant has satisfied the statutory criteria as provided in Conn. Gen. Stat. §38a-132(b). Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to Conn. Gen. Stat. §38a-132(b), that after the proposed acquisition of control: (a) the Domestic Insurers will be able to satisfy the requirements for the issuance of a license; (b) the effect of the acquisition of control will not be to substantially lessen competition in this state or tend to create a monopoly therein; (c) the financial condition of the Applicant is not such as might jeopardize the financial stability of the Domestic Insurers, or prejudice the interest of their policyholders; (d) the plans or proposals for the Domestic Insurers are not unfair and unreasonable to their policyholders, and are in the public interest; (e) the competence, experience and integrity of the management of the Applicant and the Domestic Insurers is such that it would be in the interest of policyholders of the Domestic Insurers, and of the public to permit the Proposed Acquisition; and (f) the acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends the following orders:

1. The Application of St. Paul in which it seeks approval to acquire control of the Domestic Insurers is hereby approved.

2. The Applicant shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by St. Paul of the Domestic Insurers.

3. The Applicant and the Domestic Insurers shall comply with the commitments made to the State of Connecticut in connection with this proceeding as described in paragraphs 59 to 72, inclusive.

4. For a period of three (3) years, the Domestic Insurers shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report of its business operations in Connecticut, including but not limited to, changes to the business of the Domestic Insurers and employment; as well as compliance with the commitments made to the State of

Connecticut in connection with this proceeding as described in paragraphs 59 to 72. inclusive.

5. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. §38a-138-10.

6. If the proposed transaction is not consummated within three (3) months of the date of this Order and St. Paul intends to consummate the proposed transaction, St. Paul shall submit to the Commissioner a statement, which shall include (1) the reason for the inability to consummate the proposed transaction; (2) any material changes in the information contained in the Form A Statement; and (3) the current financial statements of the St. Paul and the Domestic Insurers.

7. The Domestic Insurers shall, at all times, maintain their books and records in Connecticut, unless otherwise approved by the Commissioner.

8. The Applicant shall pay all expenses incurred by the Department in connection with the Form A proceedings pursuant to Conn. Gen. Stat. §38a-132(c).

Dated at Hartford, Connecticut, this 2nd day of March, 2004.

Mark R. Franklin
Hearing Officer