

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF APPLICATIONS FOR PERMISSION TO
ORGANIZE A FEDERAL SAVINGS BANK, TRUST POWERS
AND HOLDING COMPANY ACQUISITION**

Order No.: 99-63

Date: October 15, 1999

ACE Limited, ACE Prime Holdings, Inc., ACE INA Holdings, Inc., INA Corporation, INA Financial Corporation, and INA Holdings Corporation (collectively, the "Holding Company"), have applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and acquire INA Trust, fsb, Philadelphia, Pennsylvania (the "Savings Bank"). In addition, the Savings Bank has applied, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550, to exercise trust powers as described in the application. (The foregoing are collectively referred to herein, as "the Applications.") The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Applications under the standards set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e), and 12 C.F.R. §§ 543.3, 552.2-1(b) and 574.7 and Part 550, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has considered the digest by the OTS Northeast Regional Office ("Regional Office"), an analysis from the Fiduciary Unit of the Office of Compliance Policy and Specialty Examinations, a legal opinion by the Business Transactions Division, and an analysis by the Office of Examination & Supervision (collectively the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the Applications satisfy all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Holding Company and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Northeast Regional Director ("Regional Director"), or his designee, may grant;
3. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officers of the Holding Company must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company and the Savings Bank, respectively, as disclosed in the Applications, including but not

limited to directors, shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Applications has been brought to the attention of the Holding Company, the Savings Bank or the OTS since the date of the financial statements submitted with the Applications;

4. The Holding Company and the Savings Bank must advise the Regional Office in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Holding Company and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Company), and in particular, those pertaining to cross-marketing of products of the Savings Bank and its affiliates, for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
7. The Savings Bank must submit quarterly variance reports on the business plan, including trust activities to the Regional Director;
8. Prior to engaging in any business activity other than that authorized pursuant to section 5(n) of the HOLA, the Savings Bank must apply to the OTS and receive approval of its application to engage in such business activity. The OTS will consider any such application under the standards required of a new federal thrift charter which are set forth at section 5(e) of the HOLA and OTS regulations thereunder, and under the Community Reinvestment Act and OTS regulations thereunder at 12 C.F.R. § 563e.29. Any such application may be subject to the public notice and comment procedures set forth at 12 C.F.R. Part 516, Subparts B and C;
9. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Holding Company or affiliates thereof and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Company or

any **affiliate** and who is not an officer or employee of the Savings Bank. At least 50 percent of any audit, investment and trust committees of the Savings Bank must be comprised of directors who are not officers or employees of the Savings Bank, the Holding Company or any affiliates;

10. The permanent appointments of Ms. Dobson and Ms. Mintz, as a director and officer of the Savings Bank, respectively, are conditioned upon receipt of FBI clearance;
11. Prior to engaging in any fiduciary activity, the Savings Bank must develop and submit to the Regional Office for review a functioning oversight program, consisting of a comprehensive audit program, a compliance management program, and a risk management program. The audit program must be fully implemented prior to the commencement of operations. The compliance management program must be fully implemented within 90 days of commencement of operations. The risk management program must be fully implemented within 180 days of commencement of operations.
 - a) The audit program should address auditor qualifications, audit scope and method, committee involvement, reporting, and the process for effectuating corrective action.
 - b) The compliance management program should ensure compliance with applicable laws, regulations, and sound fiduciary principles. It should include, at a minimum: (a) the assignment of specific compliance responsibilities to experienced staff; (b) training for affected staff; (c) routine self-evaluations; (d) periodic compliance audits; and (e) appropriate written policies and procedures.
 - c) The risk management program should establish criteria to identify, measure, monitor, and control risks within the fiduciary activities;
12. During the first eighteen months following the Savings Bank's commencement of operations, any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Northeast Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
13. At least 30 days prior to engaging any third party to conduct a fiduciary activity on behalf of the Savings Bank, the Savings Bank shall:
 - a) Document the rationale and criteria for selecting such third parties to conduct such activity, which the Savings Bank shall make available to the OTS upon request.

- b) During the first eighteen months following the Savings Banks commencement of operations, submit to the Regional Director for his prior nonobjection all written agreements entered into with any such third party provider and thereafter make such agreements available to the OTS upon request.
 - c) Ensure that all third party service providers provide to the Savings Bank adequate records and information concerning their activities to enable the Savings Bank to oversee and monitor the third parties' activities.
 - d) Develop and implement a comprehensive oversight and monitoring system of third party service providers;
14. The Savings Bank must submit to the Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts, and the minutes of the meetings of the Savings Bank's Trust Committee;
15. The Holding Company, its affiliates and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must disclose any proposed bundling arrangements and must be submitted for the review and non-objection of the Regional Director prior to the opening of the Savings Bank for business;
16. Within 90 calendar days following the date of this order, the Savings Bank must submit to the Regional Director, or his designee, written policies and procedures regarding compliance with the OTS Policy Statement on Privacy and Accuracy of Personal Customer Information;
17. Prior to consummation of the transaction, the Holding Company must submit a foreign holding company agreement to the Regional Director that is acceptable to the OTS; and
18. At least 30 days prior to opening for business, the Savings Bank must submit written evidence, acceptable to the Regional Director, that its data systems, programs, software and business applications will operate properly on and after January 1, 2000. The submission must include a copy of the business resumption contingency plan and evidence of successful Year 2000 testing.

This approval order shall also serve as notice to the Savings Bank that the OTS reserves the authority to evaluate the appropriateness of marketing disclosures as they pertain to the differentiation between insured and uninsured products by having its examiners periodically, and without identification as OTS employees, solicit the Savings Bank or individual agency offices of the Applicants and affiliates for information on non-

deposit investment or insured products.

By order of the Director of the Office of Thrift Supervision, or her designee, effective October 15, 1999.

A handwritten signature in black ink, appearing to read "Scott M. Albinson", is written over a solid horizontal line.

Scott M. Albinson
Managing Director
Office of Supervision