

## Mayer Brown Advises Ace In \$1.1B Rain & Hail Deal

By **Dietrich Knauth**

Law360, New York (September 14, 2010) -- Property and casualty insurer Ace Ltd. on Tuesday announced plans to buy up the rest of Rain and Hail Insurance Service Inc., the U.S.' second-largest crop insurer, for \$1.1 billion, saying the move would have an immediate positive impact on its balance sheet.

Ace currently owns 20 percent of Rain and Hail, and the agreement calls for it to purchase the remaining 80 percent. The \$1.1 billion purchase price is subject to adjustment to reflect the book value of Rain and Hail as of Dec. 31, 2010.

After the merger, Rain and Hail will continue to operate as a separate and distinct franchise within the buyer's Ace Westchester division, with the same day-to-day operations, branding and management, Ace said.

"Rain and Hail is a leader in the crop insurance business, and over the course of our relationship with them, we have been impressed by their best-in-class management team and the strength and reputation of their franchise across North America," Ace Chairman and CEO Evan G. Greenberg said

In 2009, Rain and Hail had 21.1 percent of the market share for crop insurance, second only to Wells Fargo & Co.-owned Rural Community Insurances Services, which had 24.7 percent.

Ace bought its initial stake in the company in 1999, when it acquired Cigna Corp.'s property and casualty insurance operations. The companies have a working relationship that goes back to 1980, and Ace is the primary insurer of Rain and Hail's business, it said.

"The addition of Rain and Hail to the Ace Group is financially attractive to our shareholders and will produce results that are immediately accretive to our earnings, return on equity and book value per share," Greenberg said. "This is a business we know well, and we project a return on capital in excess of our 15 percent hurdle rate."

The transaction, which is subject to regulatory approval, the approval of Rain and Hail shareholders, and other customary closing conditions, is expected to be completed by the end of 2010.

Ace — a global insurer with operating subsidiaries in more than 50 countries — said it expected to fund the the transaction with available cash.

Rain and Hail, headquartered in Johnston, Iowa, provides comprehensive multiple peril crop and crop-hail insurance protection to customers in the U.S. and Canada. Rain and Hail has 400 employees, and is majority-owned by its workers.

A team from Mayer Brown LLP is advising Ace in the deal, led by partner Eddie Best.