

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

IN THE MATTER OF:

**THE PROPOSED ACQUISITION OF CONTROL OF
ALLIED WORLD SURPLUS LINES INSURANCE
COMPANY AND VANTAPRO SPECIALTY
INSURANCE COMPANY BY FAIRFAX FINANCIAL
HOLDINGS LIMITED, 1102952 B.C. UNLIMITED
LIABILITY COMPANY, FAIRFAX FINANCIAL
HOLDINGS (SWITZERLAND) GMBH, FAIRFAX
(SWITZERLAND) GMBH, AND V. PREM WATSA**

AND

**THE PROPOSED ACQUISITION OF CONTROL OF
ALLIED WORLD SURPLUS LINES INSURANCE
COMPANY AND VANTAPRO SPECIALTY
INSURANCE COMPANY BY OCM GOLDFISH INC.
AND OMERS ADMINISTRATION CORPORATION**

AID NO. 2017- 0 4 0

ORDER

A public hearing was held at 2:00 p.m. on June 8, 2017, in the Hearing Room of the Arkansas Insurance Department (“Department”) in accordance with the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Statement Regarding the Acquisition of Control of a Domestic Insurer (the “Fairfax Acquisition Statement”), dated February 21, 2017, filed by Fairfax Financial Holdings Limited, 1102952 B.C. Unlimited Liability Company, Fairfax Financial Holdings (Switzerland) GmbH, Fairfax (Switzerland) GmbH, and V. Prem Watsa (each a “Fairfax Applicant” and together the “Fairfax Applicants”) and a Statement Regarding the Acquisition of Control of a Domestic Insurer (the “OMERS Acquisition Statement” and together with the Fairfax Acquisition Statement, the “Acquisition Statements”), dated March 23, 2017, filed by OCM Goldfish Inc. (“OCM”) and OMERS Administration Corporation (“OAC” and together with OCM, the

“OMERS Applicants”), each seeking approval of the acquisition of control of Allied World Surplus Lines Insurance Company (“AWSLIC”) and Vantapro Specialty Insurance Company (“Vantapro” and together with AWSLIC, the “Companies”). The hearing was held before Russ Galbraith, Chief Deputy Commissioner of the Department (“Hearing Officer”), pursuant to his appointment by Commissioner Allen Kerr in accordance with Ark. Code Ann. § 23-61-103. The Department was represented by Amanda Capps Rose. The Fairfax Applicants were represented by Joseph Torti, III, Vice President of Regulatory Affairs of Fairfax Financial Holdings Limited, and their attorneys, Doak Foster and Brian Pipkin of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., and Daren Moreira of Eversheds Sutherland (US) LLP. The OMERS Applicants were represented by Jeremy Ehrlich, Senior Legal Counsel of OMERS Administration Corporation, and their attorneys Doak Foster and Brian Pipkin of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. and Todd Freed of Skadden, Arps, Slate, Meagher & Flom LLP. The Companies were represented by Richard E. Jodoin, Director and Vice Chairman of each of the Companies.

FINDINGS OF FACT

From the Acquisition Statements, related filings, testimony of witnesses, and other evidence presented at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel, and other matters and things considered, the Hearing Officer finds that:

1. The Fairfax Acquisition Statement and related findings were filed herein on February 22, 2017, with supplemental submissions filed on March 13, March 23, April 26, April 27, and May 9 of 2017.

2. The OMERS Acquisition Statement and related findings were filed herein on March 24, 2017, with a supplemental submission filed on May 4, 2017.

3. AWSLIC, NAIC No. 24319, and Vantapro, NAIC No. 44768, are each an Arkansas domiciled insurance company, duly licensed and in good standing under the laws of the State of Arkansas and are each a wholly-owned indirect subsidiary of Allied World Assurance Company Holdings, AG (“Allied World”), a corporation existing under the laws of Switzerland.

4. The Fairfax Applicants will acquire control of the Companies by way of an exchange offer (the “Offer”) for all of the outstanding ordinary shares of Allied World, the ultimate parent of the Companies, followed by a merger of Allied World with and into Fairfax (Switzerland) GmbH (“Merger Sub”), an indirect wholly-owned subsidiary of FFHL, with Merger Sub as the surviving entity.

5. The OMERS Applicants will acquire control of the Companies by way of a subscription agreement by and between FFHL and OCM, through which OAC will cause OCM to invest \$1 billion in order to receive approximately 21% of the issued and outstanding shares of Financial Holdings (Switzerland) GmbH, which is the direct parent of Merger Sub (the “OMERS Investment”).

6. All persons attending the hearing were provided the opportunity to present evidence, examine witnesses, and/or offer argument or objection. The Fairfax Applicants and OMERS Applicants presented evidence and argument through counsel and through the testimony of their respective representatives, Joseph Torti, III and Jeremy Ehrlich. Allied World also presented evidence through the testimony of its representative, Richard E. Jodoin.

7. Mr. Torti testified that, in his opinion:

- (a) The acquisition is not contrary to law;
- (b) The acquisition will not adversely affect the contractual obligations of the Companies to render services in the future to their respective policyholders or the public;
- (c) After the change of control, each of the Companies will be able to satisfy the requirements for the issuance of a license to write the line(s) of business for which each is presently licensed;
- (d) The acquisition will not substantially lessen competition or tend to create a monopoly in Arkansas;
- (e) The financial condition of the Fairfax Applicants will not jeopardize the financial stability of the Companies or any corporation controlling either of the Companies or prejudice the interests of the policyholders of the Companies;
- (f) The terms of the offer and acquisition will be fair and reasonable to the shareholders of the Companies;
- (g) The Fairfax Applicants have no plans or proposals to liquidate the Companies, to sell their assets or consolidate or merge them with any person, or make any other material change in their business, corporate structure or management that is unfair or unreasonable to the policyholders of the Companies or not in the public interest; and
- (h) The competence, experience and integrity of those persons who would control the operation of the Companies upon the acquisition are such that

it would be in the interest of policyholders and of the public to permit the acquisition.

8. Mr. Ehrlich testified that, in his opinion:

- (a) The OMERS Investment is not contrary to law;
- (b) The OMERS Investment will not adversely affect the contractual obligations of the Companies to render services in the future to their respective policyholders or the public;
- (c) After the change of control, each of the Companies will be able to satisfy the requirements for the issuance of a license to write the line(s) of business for which each is presently licensed;
- (d) The OMERS Investment will not substantially lessen competition or tend to create a monopoly in Arkansas;
- (e) The financial condition of the OMERS Applicants will not jeopardize the financial stability of the Companies or any corporation controlling either of the Companies or prejudice the interests of the policyholders of the Companies;
- (f) The terms of the OMERS Investment will be fair and reasonable to the shareholders of the Companies;
- (g) The OMERS Applicants have no plans or proposals to liquidate the Companies, to sell their assets or consolidate or merge them with any person, or make any other material change in their business, corporate structure or management that is unfair or unreasonable to the policyholders of the Companies or not in the public interest; and

(h) The competence, experience and integrity of those persons who would control the operation of the Companies upon the acquisition are such that it would be in the interest of policyholders and of the public to permit the acquisition.

9. Mr. Jodoin testified that:

(a) He does not disagree with any of the statements in the pre-filed written testimonies of Mr. Torti and Mr. Ehrlich.

(b) The Fairfax Acquisition Statement accurately describes the transaction as between the Fairfax Applicants and Allied World and its shareholders.

(c) The Companies received at least seven days' notice of the public hearing.

10. No objections were made at the hearing or otherwise to the proposed acquisition of the Companies by the Fairfax Applicants and the OMERS Applicants.

CONCLUSIONS OF LAW

11. The parties agree that the Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code. The Notices of Hearing were given within the time and in the manner required by law.

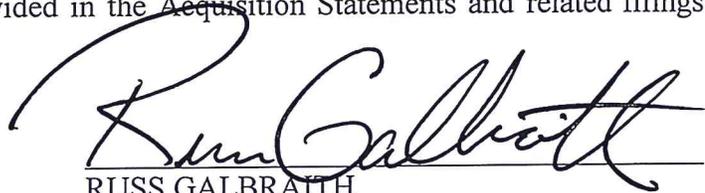
12. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Hearing Officer have been duly completed by the Applicants and the Department.

13. The requirements of Ark. Code Ann. §§ 23-63-501, *et seq.*, regarding the acquisition of the Companies have been satisfactorily met, the proposed acquisition will not

violate applicable law, none of the conditions specified in Ark. Code Ann. § 23-63-510 as preclusions for the approval of the acquisition exist, and the Department has completed its review of the proposed transaction.

RECOMMENDATIONS OF THE HEARING OFFICER

WHEREFORE, based upon the foregoing Findings of Fact, Conclusions of Law, and other matters before the Hearing Officer, the Hearing Officer recommends that the proposed acquisition of control of Allied World Surplus Lines Insurance Company and Vantapro Specialty Insurance Company be approved as provided in the Acquisition Statements and related filings and as described in this Order.



RUSS GALBRAITH
CHIEF DEPUTY COMMISSIONER
and HEARING OFFICER

CERTIFICATION

I, Allen Kerr, Insurance Commissioner for the State of Arkansas, do hereby certify that the above Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer were made by and under my authority and supervision by Russ Galbraith, Chief Deputy Commissioner and Hearing Officer in this proceeding. I hereby adopt the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations in full and enter this order.

THEREFORE, it is hereby ORDERED, that the proposed acquisition of control of Allied World Surplus Lines Insurance Company and Vantapro Specialty Insurance Company by the Fairfax Applicants and the OMERS Applicants, pursuant to and subject to the terms and conditions of the Acquisition Statements and related filings, is hereby APPROVED.

IT IS FURTHER ORDERED, that should the Department have any concerns with the information included within the third party background checks for the directors and executive officers of the Applicants, or any additional biographical information provided on behalf of such individuals in response to a request therefore by the Department, the Applicants and the Companies agree to address the Department's concerns in a prompt and reasonable manner.

IT IS SO ORDERED this 14th day of June, 2017.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS