

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
Application of Hudson Insurance	:	Companies Act, Article XIV of the
Company Requesting Exemption from	:	Insurance Company Law of 1921, Act
the Requirements of 40 P.S. § 991.1402	:	of May 17, 1921, P. L. 682, <u>as</u>
for the Merger of Allegheny Surety	:	<u>amended</u> , 40 P.S. §§ 991.1401,
Company with and into Hudson	:	991.1402 and 991.1403
Insurance Company	:	
	:	Order No. ID-RC-21-04

DECISION AND ORDER

AND NOW, on this 4th day of February, 2021, Melissa L. Greiner, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. Allegheny Surety Company (“Allegheny”) is a domestic stock casualty insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania.
2. The Allegheny Group, Inc. (“AGI”) is an insurance holding company organized pursuant to the laws of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania. AGI currently directly holds 100% of the issued and outstanding stock of Allegheny.
3. Hudson Insurance Company (“HIC”) is an admitted foreign stock casualty insurance company organized pursuant to the laws of Delaware with its principal place of

- business in New York, New York. HIC directly holds 100% of the issued and outstanding stock of Allegheny.
4. Odyssey Reinsurance Company (“ORC”) is a foreign stock casualty insurance company organized pursuant to the laws of Connecticut with its principal place of business in Stamford, Connecticut. ORC directly holds 100% of the issued and outstanding stock of HIC.
 5. Odyssey Group Holdings, Inc. (“OGHI”) is a business corporation organized pursuant to the laws of Delaware with its principal place of business in Stamford, Connecticut. OGHI directly holds 100% of the issued and outstanding stock of ORC.
 6. Odyssey US Holdings, Inc. (“Odyssey US”) is a business corporation organized pursuant to the laws of Delaware with its principal place of business in Stamford, Connecticut. Odyssey US directly holds 100% of the issued and outstanding stock of OGHI.
 7. Fairfax (US) Inc. (“Fairfax US”) is a business corporation organized pursuant to the laws of Delaware with its principal place of business in Lewisville, Texas. Fairfax (US) directly holds 100% of the issued and outstanding stock of Odyssey US.
 8. FFHL Group Limited (“Group”) is a business corporation organized pursuant to the laws of Canada with its principal place of business in Toronto, Ontario. Group directly holds 94.44% of the issued and outstanding stock of Fairfax (US).
 9. Fairfax Financial Holdings Limited (“FFHL”) is a business corporation organized pursuant to the laws of Canada with its principal place of business in Toronto, Ontario. FFHL directly holds 100% of the issued and outstanding stock of Group, and 5.56% of Fairfax US.
 10. V. Prem Watsa (“Mr. Watsa”) is an individual with his principal place of business in Toronto, Ontario. Mr. Watsa personally or beneficially owns shares that represent 43.61% of the total votes attached to all shares of FFHL.

Filing of the Application

11. On November 10, 2020, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from HIC requesting approval to merge Allegheny with and into HIC, with HIC being the surviving entity.
16. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§ 991.1401 et seq. (“Insurance Holding Companies Act”), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or

disapproval.

17. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
18. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
 - a) have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.

Notice and Filing of Comments

19. On November 21, 2020, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by HIC and such notice invited interested persons to submit comments to the Department regarding the Application for thirty (30) days following the date of the publication (“Comment Period”).
20. The Department received no comments regarding the Application during the Comment Period.

The Transaction

21. As described in the Application, a Plan and Agreement of Merger (“Merger Agreement”) will be entered into by Allegheny and HIC, which provides for Allegheny to merge with and into HIC with HIC being the surviving corporation.
22. As described in the Application, at and as of the effective time of the merger, without any action on the part of the parties to the Merger, all issued and outstanding shares of capital stock of Allegheny will be cancelled.
23. As described in the Application, at and as of the effective time of the merger, all of HIC’s and Allegheny’s properties, rights, privileges, powers and franchises will vest in HIC and all of the debts, liabilities, obligations and duties of HIC and Allegheny will become HIC’s debts, liabilities, obligations and duties.
24. As described in the Application, the certificate of incorporation and by-laws of HIC in effect immediately prior to the merger shall be the certificate of incorporation and by-laws of HIC upon the effective date of the merger.
25. As described in the Application, the members of the board of directors and the officers of HIC prior to the merger shall be the members of the board of directors and the officers of HIC after the merger.

26. The Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
27. The Deputy Commissioner finds that the transaction described in the Application will not result in a change of control of a Pennsylvania domiciled insurer.
28. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of Allegheny with and into HIC.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of the parties to the merger and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The Application satisfies the requirements of the Insurance Holding Companies Act.
6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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Insurance Company	:	
	:	Order No. ID-RC-21-04

ORDER

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

An approving determination for the application of Hudson Insurance Company (“HIC”) requesting exemption from the requirements of 40 P.S. § 991.1402 for the merger of Allegheny Surety Company with and into HIC, is hereby granted subject to this Order and the following conditions:

1. HIC shall submit any changes made to the Plan and Agreement of Merger provided with the Application to the Deputy Commissioner prior to the execution of the changed document.
2. An approving determination must be granted by the Delaware Department of Insurance, before the Statement of Merger is filed with the Pennsylvania Department of State. A certified copy of the Delaware Department of Insurance approval shall be provided to the Deputy Commissioner within three (3) business days of receipt by HIC.
3. HIC shall file a copy of the Statement of Merger, as filed with and stamped as received by the Pennsylvania Department of State, with the Deputy Commissioner within ten (10) days of receipt from the Pennsylvania Department of State.
4. This transaction may be recorded as effective for accounting purpose as of the first day of the calendar quarter in which the merger is consummated.

This Order is effective immediately and valid for one (1) year from the date of signature, provided there are no significant changes from the Application.



Melissa L Greiner

MELISSA L. GREINER
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation