

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of H&F Corporate Investors	:	Holding Companies Act, Article
IV (Bermuda), Ltd. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Acquisition of	:	P.L. 682, as amended, 40 P.S.
Additional Capital Stock of Arch Capital	:	§§991.1401, 991.1402, and 991.1403
Group, Ltd., the Corporate Parent of	:	
American Independent Insurance	:	
Company	:	
	:	ID-RC-03-11

DECISION AND ORDER

AND NOW, on this ___12th___ day of March, 2003, Stephen J. Johnson, 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. American Independent Insurance Company ("American Independent") is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Plymouth Meeting, Pennsylvania.
2. Arch Capital Group, Ltd ("Arch Capital") is a business corporation organized pursuant to the laws of Bermuda with its principal place of business located in Hamilton, Bermuda. Arch Capital indirectly controls 100% of the issued and

outstanding voting stock of American Independent.

3. H&F Corporate Investors IV (Bermuda), Ltd. ("H&F Bermuda") is a business partnership organized pursuant to the laws of Bermuda with its principal place of business located in Hamilton, Bermuda. H&F Bermuda indirectly controls approximately 33.3% of the issued and outstanding voting stock of Arch Capital.
4. H&F is an ultimate controlling person of American Independent.

The Filing

5. On March 5, 2003, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an initial request (which together with all material received subsequently is collectively referenced as "Request") from H&F Bermuda for approval to acquire control of additional shares of the voting stock of Arch Capital.
6. 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 transactions resulting in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
7. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
8. 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 have the effect of changing or influencing the control of a domestic insurer.
9. As described in the Request, H&F Bermuda would indirectly acquire additional convertible securities that would be approximately 2.3% of the issued and outstanding voting stock of Arch Capital on a fully diluted basis.
10. As described in the Request, H&F Bermuda would control a total of approximately 35.6% of the issued and outstanding voting stock of Arch Capital, on a fully diluted basis, should the contemplated transaction be consummated.
11. As provided in the Request, H&F Bermuda would remain an ultimate controlling person of American Independent.
12. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the ultimate control of a domestic insurer.

13. 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 acquisition of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The acquisition proposed in the Request is not being contemplated to change or influence the ultimate control of American Independent, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. 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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Group, Ltd., the Corporate Parent of	:	
American Independent Insurance	:	
Company	:	
	:	ID-RC-03-11

ORDER

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

An approving determination for the request for approval of the acquisition of addition shares of voting stock of Arch Capital Group, Ltd by H&F Corporate Investors IV (Bermuda), Ltd., as set forth in the Request, is hereby granted subject to this Order.

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

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies