

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of Argo Group US, Inc. : Companies Act, Article XIV of the
Requesting Exemption from the : Insurance Company Law of 1921, Act of
Requirements of 40 P.S. §991.1402 for : May 17, 1921, P.L. 682, as amended, 40
the Restructuring of the Holding : P.S. §§991.1401, 991.1402, and
Company System that includes Somerset : 991.1403
Casualty Insurance Company and :
Rockwood Casualty Insurance Company :
:
: Order No. ID-RC-08-16

DECISION AND ORDER

AND NOW, on this 23rd day of October, 2008, 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 Parties

1. Somerset Casualty Insurance Company (“Somerset Casualty”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Rockwood, Pennsylvania.
2. Rockwood Casualty Insurance Company (“Rockwood Casualty” and together with Somerset Casualty referred to as “Domestic Insurers”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with

its principal place of business located in Rockwood, Pennsylvania. Rockwood Casualty directly holds 100% of the issued and outstanding capital stock of Somerset Casualty.

3. Argonaut Insurance Company (“Argonaut”) is a stock casualty insurance company organized pursuant to the laws of the state of Illinois with its principal place of business located in Menlo Park, California. Argonaut directly holds 100% of the issued and outstanding capital stock of Rockwood Casualty.
4. Argo Group US, Inc. (“Argo Group”) is a insurance holding company organized pursuant to the laws of the state of Delaware with its principal place of business located in Chicago, Illinois. Argo Group directly holds 100% of the issued and outstanding capital stock of Argonaut.
5. Argo Group International Holdings, LTD (“International Holdings” is a business corporation organized pursuant to the laws of the country of Bermuda with its principal place of business located in Hamilton, Bermuda. International Holdings indirectly controls 100% of the issued and outstanding capital stock of Argo Group.
6. No entity controls 10% or greater of the capital stock of International Holdings.
7. International Holdings is the sole ultimate controlling person of Domestic Insurers.

Filing of the Request

8. On September 26, 2008, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Argo Group for approval to acquire direct control of Rockwood Casualty.
9. 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 changes in control of domestic insurers must be filed with the Department for approval or disapproval.
10. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a) does not 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.
11. The Request was filed pursuant to Section 1402(g) of the Insurance Holding Companies Act.

The Transaction

12. As described in the Request, Argonaut would dividend 100% of the issued and outstanding capital stock of Rockwood to Argo Group.
13. As described in the Request, Somerset Casualty would remain a direct wholly-owned subsidiary of Rockwood Casualty following the transaction.
14. As described in the Request, International Holdings would remain the sole ultimate controlling persons of Domestic Insurers following the transaction.
15. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing or influencing the ultimate control of a domestic insurer.
16. 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 controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of a domestic insurer.
2. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The restructuring of the holding company system proposed in the Request is not being contemplated to change or influence the ultimate control of Domestic Insurers, 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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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 exemption from the requirements of 40 P.S. §991.1402(b) for the restructuring of the holding company system containing Somerset Casualty Insurance Company and Rockwood Casualty Insurance Company, as set forth in the Request, is hereby granted.

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
Office of Corporate and Financial Regulation