

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, <u>as amended</u> , 40
the Restructuring of the Holding	:	P.S. §§991.1401, 991.1402, and
Company System that includes	:	991.1403
Rockwood Casualty Insurance Company	:	
and Somerset Casualty Insurance	:	
Company	:	Order No. ID-RC-08-20

DECISION AND ORDER

AND NOW, on this 12th day of December, 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”) 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”) 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. Somerset is a direct wholly-owned subsidiary of Rockwood.
3. Somerset and Rockwood are collectively hereinafter referenced as “PA Domestic Insurers.”

4. Argo Financial Holding (Ireland) Limited (“Argo Financial”) is a limited liability company organized pursuant to the laws of the country of Ireland with its principal place of business in Dublin, Ireland. Argo Financial indirectly owns 100% of the issued and outstanding capital stock of the PA Domestic Insurers.
5. Argo Re Ltd. (“Argo Re”) is a business corporation organized pursuant to the laws of the country of Bermuda with its principal place of business in Hamilton, Bermuda. Argo Re directly owns 100% of the issued and outstanding capital stock of Argo Financial.
6. Argo Group International Holdings, Ltd. (“Argo Group”) is a business corporation organized pursuant to the laws of the country of Bermuda with its principal place of business in Pembroke, Bermuda. Argo Group directly owns 100% of the issued and outstanding capital stock of Argo Re.
7. No person, directly or indirectly, controls 10% or more of the voting securities of Argo Group.
8. Argo Group is the sole ultimate controlling person of the PA Domestic Insurers.

Filing of the Request

9. On November 21, 2008, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Argonaut for approval to effectuate a restructuring of the holding company system that includes the PA Domestic Insurers.
10. 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 a domestic insurer must be filed with the Department for approval or disapproval.
11. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. 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.

The Transaction

13. As described in the Request, Argo Financial will change its organizational structure to an unlimited liability company.
14. As described in the Request, Argo Group created two subsidiaries of Argo Re that will be the direct shareholders of Argo Financial after its conversion to an unlimited liability company:
 - a) Argo Irish Holdings I, Ltd. (“Argo I”) is a limited liability company organized pursuant to the laws of the country of Bermuda with its principal place of business in Hamilton, Bermuda. Argo I will own 80% of the outstanding shares of Argo Financial upon its conversion to an unlimited liability company.
 - b) Argo Irish Holdings II (“Argo II”) is an unlimited liability company organized pursuant to the laws of the country of Bermuda with its principal place of business in Hamilton, Bermuda. Argo II will own 20% of the outstanding shares of Argo Financial upon its conversion to an unlimited liability company.
15. As described in the Request, the PA Domestic Insurers will remain indirect wholly-owned subsidiaries of Argo Financial.
16. As described in the Request, Argo Group will remain the sole ultimate controlling person of the PA Domestic Insurers following the transaction.
17. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
18. 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 the 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 the PA 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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Company System that includes	:	991.1403
Rockwood Casualty Insurance Company	:	
and Somerset Casualty Insurance	:	
Company	:	Order No. ID-RC-08-20

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 for the restructuring of the holding company system that includes Rockwood Casualty Insurance Company and Somerset Casualty Insurance Company.

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