

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

**IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
ACQUISITION OF CONTROL OF
DARWIN SELECT INSURANCE COMPANY AND
VANTAPRO SPECIALTY INSURANCE
COMPANY BY APPLICANT, ALLIED
WORLD REINSURANCE COMPANY**

A.I.D. No. 2008 - 075

ORDER

On Tuesday, October 7, 2008, at 1:30 p.m., in the Hearing Room of the Arkansas Insurance Department (the "Department"), in accordance with the provisions of Ark. Code Ann. §§ 23-61-109, 23-61-303, 23-63-510, and other pertinent provisions of the Arkansas Insurance Code, a public hearing was held pursuant to a Form A Acquisition Statement (the "Form A") dated July 30, 2008, as amended and supplemented, filed by Allied World Reinsurance Company ("Allied"), seeking approval of the acquisition of control of Darwin Select Insurance Company ("Darwin") and Vantapro Specialty Insurance Company ("Vantapro"), as detailed in the Form A. The hearing was held before Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"). The Department was represented by Mr. Booth Rand, Chief Counsel, and Mr. Mel Anderson, Deputy Commissioner for Financial Regulation & Audit/Finance. Present on behalf of Darwin and Vantapro was Timothy J. Curry, Vice President and Assistant General Counsel of Darwin Professional Underwriters, Inc. ("DPUI") and Ted C. Cheslick, Finance Manager of DPUI. Representing Allied was Wesley D. Dupont, Senior Vice President & General Counsel for Allied World Assurance Company Holdings, Ltd. and Karen

Colonna, Vice President, General Counsel, U.S. Insurance Operations & Assistant Secretary for Allied, and Mr. Doak Foster, of Mitchell, Williams, Selig, Gates and Woodyard, its counsel. Ms. Colonna, Mr. Curry, Mr. Cheslick, and Mr. Dupont testified at the hearing.

FINDINGS OF FACT

From the Form A, testimony of witnesses and other evidence adduced at the hearing, including exhibits filed in connection therewith, reports, correspondence, financial information, business plans, and statements on file with the Department, representations of counsel, and other matters and things considered, the Commissioner finds that:

1. Darwin and Vantapro are Arkansas domiciled insurers. Darwin and Vantapro are wholly owned direct subsidiaries of Darwin National Assurance Company, a Delaware domiciled insurer, and indirect subsidiaries of DPUI, a Delaware holding company.
2. Allied is a New Jersey domiciled insurance company. Allied is a wholly owned subsidiary of Allied World Assurance Holdings (U.S.) Inc., a Delaware domiciled holding company. Allied's ultimate parent is Allied World Assurance Company Holdings, Ltd.
3. The testimony presented by Ms. Colonna at the hearing, and the biographical affidavits filed as part of the Form A, provide evidence that each of the proposed directors and officers, as well as other individuals associated with the affiliates of Allied, have prior extensive experience in the insurance industry, including experience managing insurance companies.
4. Ms. Colonna and Mr. Dupont both testified that control of Darwin and Vantapro

is to be acquired through the purchase by Allied from DPUI shareholders all of the issued and outstanding voting stock of DPUI for the total amount of \$550 million. Allied will fund the acquisition with \$550 million in cash, comprised of \$200 million cash directly from the Allied and a contribution of \$350 million from an affiliate, Allied World Assurance Company, Ltd. The nature and amount of consideration was determined through negotiations on an arms length basis between the parties.

5. Ms. Colonna testified that Allied's purpose in the transaction is to not only acquire the insurance business currently on Darwin and Vantapro's books, but to gain access to Darwin and Vantapro's target market and products and services to supplement the products currently offered by Allied.
6. Ms. Colonna further testified that following the Acquisition, all employees of Darwin and Vantapro, except the current President, will remain employed with Darwin and Vantapro and that much of the current management will remain the same. Darwin and Vantapro's administrative offices and books and records will continue to be in Farmington, Connecticut, and Darwin and Vantapro will remain Arkansas domiciled insurers. Allied has no present plans to redomicile Darwin or Vantapro to any other state.
7. Ms. Colonna testified that the three presently approved intercompany agreements for each of Darwin and Vantapro, the Underwriting, Management, and Services Agreement, the Tax Allocation Agreement, and the Quota Share Reinsurance Agreement, will continue in effect after the acquisition to allow Darwin and Vantapro to continue doing business in an uninterrupted fashion.

8. Ms. Colonna testified that in her opinion the terms of the acquisition are fair and reasonable to Allied and to DPUI. Ms. Colonna testified that Allied has no plans to make any material changes in Darwin or Vantapro's business or corporate structure that would be unfair or unreasonable to any policyholders of Darwin or Vantapro.
9. Mr. Cheslick testified as to the pro-forma and projected financial statements of Darwin and Vantapro contained in the Plans of Operation submitted as a part of the Form A, stating that the projections were reasonable, and that the proposed acquisition of Darwin and Vantapro by Allied had not changed the projections in any significant way.
10. Mr. Curry testified that in his opinion the terms of the acquisition are fair and reasonable to Darwin and Vantapro, and that nothing in the Form A filing reflects any plans to make any material changes in Darwin or Vantapro's business or corporate structure that would be unfair or unreasonable to any policyholders of Darwin or Vantapro or against the public interest.
11. Testimony indicated that the anticipated closing date for the acquisition of Darwin and Vantapro and all related transactions is as soon as practicable after the receipt of regulatory approvals from the Delaware Department of Insurance and the Department and a favorable vote of the shareholders of DPUI, with such shareholder meeting being scheduled for October 15, 2008.
12. Ark Code Ann. § 23-63-510(a) provides that the Insurance Commissioner approve any acquisition of an Arkansas domestic insurer unless, after a public hearing, the Insurance Commissioner finds that one (1) or more of six (6)

conditions exist. No condition exists in Ark. Code Ann. § 23-63-510(a)(1)(6) to constitute a basis for disapproving the proposed acquisitions.

- a. Ms. Colonna testified that in her opinion, after reviewing all matters, documents and materials to this proposed transaction, Darwin and Vantapro will continue to be able to satisfy the requirements for the issuance of licenses to write the lines of insurance for which it is now licensed following the change of control. Allied will maintain Darwin's and Vantapro's plan of operation and premium projections and the transaction will not impact Darwin's or Vantapro's current financial statements.
- b. Ms. Colonna testified that the acquisition of Darwin and Vantapro will have no anti-competitive effects on the insurance market in Arkansas. Ms. Colonna based her opinion on a market share analysis conducted by Allied's legal counsel whereby the combined market share thresholds do not meet or exceed the statutory thresholds set forth in Arkansas law.
- c. Ms. Colonna testified that Allied's financial condition will not jeopardize the stability of Darwin or Vantapro or prejudice the interest of their policyholders. Ms. Colonna testified that A.M. Best's rating for Allied World's United States operations is an "A," and furthermore, Allied's financial statements submitted in conjunction with its Form A application demonstrate its financial stability. Ms. Colonna testified that A.M. Best has indicated that it will change Darwin's and Vantapro's "A-" rating to an "A" rating upon the closing of the acquisition.
- d. Ms. Colonna testified that the terms of the plan of merger and the acquisition

are not unfair or unreasonable to Darwin's and Vantapro's stockholders. The purchase price of \$32/share was derived from arms-length negotiation. Darwin and Vantapro shareholders will vote on the merger at a special shareholders' meeting to be held on October 15, 2008.

- e. Ms. Colonna testified that Allied has no plans or proposals to declare an extraordinary dividend, to liquidate, to sell the assets, to merge with any other person or persons or to make any material changes in the business operations or corporate structure of Darwin or Vantapro which are unfair and unreasonable to policyholders or not in the public interest. Any such plans, proposals or arrangements to be made or entered into in the future would only be made or entered into in compliance with all requirements of applicable insurance laws and regulations.
- f. Ms. Colonna testified that Gordon Knight, who has over 25 years of experience in the U.S. property, casualty and reinsurance market, will be the President of Darwin and Vantapro. Ms. Colonna further testified that Mr. Knight will be surrounded by senior officers, underwriters, claims examiners and other support staff with similar experience and expertise in the lines to be written. Ms. Colonna testified that the proposed directors and management team contemplated by Allied, along with Darwin's and Vantapro's existing management, will bring to Darwin and Vantapro vast experience and expertise in the lines of business to be sold. Ms. Colonna testified that the competence, experience and integrity of those persons who will control the operations of Darwin and Vantapro are such that it would be in the best

interests of the policyholders of Darwin and Vantapro and of the public.

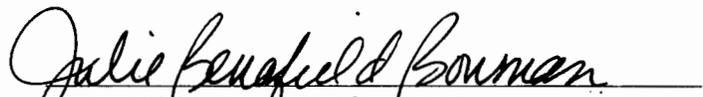
CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact, and other matters, facts and things before her, the Commissioner concludes as follows:

1. The Commissioner has jurisdiction over the parties and subject matter herein.
2. None of the preclusions of Ark. Code Ann. § 23-63-510 exist as to the acquisition of control of Darwin and Vantapro by Allied. Therefore, the acquisition should be approved.

NOW, THEREFORE, IT IS ORDERED that the acquisition of control of Darwin and Vantapro by Allied, as described in the Form A and exhibits thereto, is hereby APPROVED.

IT IS THEREFORE ORDERED this 10th day of October, 2008.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER