

BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA

FILED

SEP 27 2013

INSURANCE COMMISSIONER
OKLAHOMA

In re: Acquisition of **American Safety**)
Casualty Insurance Company and)
American Safety Indemnity Company,)
each an Oklahoma domestic property)
and casualty insurer, by **Fairfax**)
Financial Holdings Limited, FFHL)
Group Limited, Fairfax (US) Inc.,)
General Fidelity Insurance Company)
and V. Prem Watsa, the Applicants)

Case No. 13-0569-TRN

ORDER

On the 27th day of September, 2013, the above matter came for hearing and review by the Oklahoma Insurance Commissioner through his duly appointed Hearing Examiner.

The Applicants were represented by J. Angela Ables of the law firm of Kerr, Irvine, Rhodes and Ables, Oklahoma City, Oklahoma and the Oklahoma Insurance Commissioner was represented by Kelley C. Callahan, Senior Attorney. The Honorable Leamon Freeman was appointed by the Honorable John Doak, Oklahoma Insurance Commissioner, for the purpose of acting as Hearing Officer and making all determinations pertinent to the acquisition of control of American Safety Casualty Insurance Company and American Safety Indemnity Company, Oklahoma domestic property and casualty insurers. John W. McCarter, Chief Financial Analyst of the Commissioner's Office, appeared and testified on behalf of the Financial Division of the Oklahoma Insurance Department and Sarah Miller, Financial Analyst also participated in the Hearing. John J. Bator, Chief Financial Officer, Treasurer and Senior Vice President of General Fidelity Insurance Company appeared to testify as to the information contained in the Form A Statement which was the subject of the Hearing.

The Hearing Officer, having reviewed the Form A and all documentation relating thereto, received evidence and being fully advised in the premises, finds as follows:

JURISDICTION

1. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to the provisions of the Oklahoma Insurance Code, 36 O.S. § 1651 et seq., the Oklahoma Administrative Code 365:25-7-20 et seq. and the Administrative Procedures Act, 75 O.S. Section 250 et seq.

2. That the Hearing Examiner was properly appointed pursuant to the provisions of the Administrative Procedures Act, the Oklahoma Administrative Code and the Oklahoma Insurance Code, specifically 36 O.S. 2013 §§ 313 and 319, and Article 16 A of Title 36 in conformance with the applicable statutes and rules and regulations of the Oklahoma Insurance Commissioner.

FINDINGS OF FACT

1. That Fairfax Financial Holdings Limited, FFHL Group Limited, Fairfax (US) Inc., General Fidelity Insurance Company and V. Prem Watsa (the "Applicants") filed a Form A Acquisition Statement with the Oklahoma Insurance Commissioner on or about June 14, 2013, for the purpose of receiving approval to be approved as a "control" person of American Safety Indemnity Company and American Safety Casualty Insurance Company as a result of the proposed acquisition via merger with and into American Safety Insurance Holdings, Limited, the present ultimate controlling person of the two Oklahoma domestic insurers.

2. On or about July 18, 2013, Amendment No. 1 to the subject Form A was filed by the Applicants, a Second Amendment to the Form A was filed on August 28, 2013 and a Third Amendment to the Form A was filed on September 25, 2013.

3. That the Form A includes the following exhibits, which the Applicants have identified as confidential pursuant to 36 O.S. § 1657 due to the nonpublic personal, financial or business information contained therein: (i) Disclosure Schedules to the Agreement and Plan of Merger submitted as Exhibit 1; (ii) Exhibit 3 (“Shareholders of ASIH who have Entered into Voting Agreements with FFHL”); (iii) Personal Financial Statements of Mr. V. Prem Watsa submitted confidentially under separate cover; (iv) Exhibit 5 (“Financial Information for FFHL Group Ltd.”); (v) Exhibit 6 (“Financial Information of Fairfax (US) Inc.”); (vi) Exhibit 12 (“Biographical Affidavits for the Proposed Directors and Executive Officers of ASIH and the Domestic Insurers”); and (vii) Exhibit 13 (“Biographical Affidavits for the Current Directors and Executive Officers of the Applicants”).

4. That the principal business address of each of the Applicants is as follows:

Fairfax Financial Holdings Limited:
95 Wellington Street West, Suite 800
Toronto, Ontario, Canada M5J2N7

FFHL Group Limited
95 Wellington Street West, Suite 800
Toronto, Ontario, Canada M5J2N7

Fairfax (US) Inc.:
2850 Lake Vista Drive, Suite 150
Lewisville, Texas 75067

General Fidelity Insurance Company:
250 Commercial Street, Suite 5000
Manchester, New Hampshire 03101

V. Prem Watsa:
95 Wellington Street West, Suite 800
Toronto, Ontario, Canada M5J2N7

5. That the proposed acquisition of the Oklahoma domestic insurers will be effected pursuant to a merger of a newly created merger subsidiary, which was created by the Applicants for the express purpose of merging with and into American Safety Insurance Holdings, Limited, the present ultimate controlling person of the Oklahoma domestic insurers. Each issued and outstanding share of common stock of ASIH will be cancelled and converted into the right to receive US \$30.25 per share in cash, without interest, upon the terms and subject to the conditions or and any exceptions in the Merger Agreement and subject to appraisal rights of dissenting shareholders. Additionally, each holder of an option to purchase ASIH common stock that is outstanding and unexercised as of the closing of the acquisition, and that has an exercise price per share that is less than the per share merger consideration of US \$30.25, will be entitled to receive in exchange for the cancellation of such option an amount in cash equal to the product of (i) the difference between the per share merger consideration of US \$30.25 and the applicable exercise price of such option and (ii) the aggregate number of shares that remain issuable upon exercise of such option, subject to applicable withholding requirements.

6. That post-acquisition, certain of the Oklahoma domestic insurers' business will be transferred to other insurers within the Fairfax organization that specialize in that particular type of insurance.

7. That the Oklahoma domestic insurers have a present home office address of 201 Robert S. Kerr Avenue, Suite 600, Oklahoma City, Oklahoma 73102, with an administrative and mailing address of 100 Galleria Parkway, S.E. Suite 700, Atlanta, Georgia 30339.

8. That the Applicants herein filed sworn biographical affidavits on behalf of all Applicants' boards of directors and officers as well as the one individual Applicant and had same

verified by a third party verification service who reported or will report directly to the Oklahoma Insurance Commissioner's Office its findings.

9. That testimony at the Hearing was that the consideration for the sale and acquisition of the shares in the holding company described in the Form A Statement was a total of approximately \$317 million dollars (\$317,000,000.00).

10. That prior to this Form A Statement and hearing, the ownership of ASIH, the ultimate controlling person of the Oklahoma domestic insurers was publicly held and traded.

11. That after the acquisition described in the Form A, the Applicants will control the two Oklahoma domestic insurers, American Safety Casualty Insurance Company and American Safety Indemnity Company, through their ownership of General Fidelity Insurance Company, a South Carolina insurer licensed in the State of Oklahoma, which would directly own 100% of American Safety Holdings Corporation, a Georgia holding company, which would directly own 100% of American Safety Casualty Insurance Company, which would, following a contribution from American Safety Holdings Corporation, directly own 100% of American Safety Indemnity Company.

12. That the only individual exceeding the ten percent (10%) rebuttable presumption of control in the Applicants' organization is V. Prem Watsa, who is Chairman and CEO of FFHL. Mr. Watsa maintains "control" within the meaning of 36 O.S. Section 1651(c) through his direct ownership of voting stock of FFHL and through his control of various other entities that directly or indirectly hold the voting securities of FFHL. A request for determination that FFHL be deemed the ultimate controlling person with respect to the Oklahoma domestic insurers has been made by the Applicants and the Oklahoma Insurance Department will make this determination separate and apart from the Hearing described herein.

13. That the proposed ownership of the Oklahoma domestic insurers, post-transaction, will be as follows:

FFHL will directly own 100% of FFHL Group Ltd, which, in turn, will directly own 100% of Fairfax (US) Inc., which, in turn, will directly own 100% of TIG Holdings, Inc., which, in turn, will directly own 100% of TIG Insurance Group, Inc., which, in turn, will directly own 100% of TIG Insurance Company, which, in turn, will directly own 100% of General Fidelity Insurance Company, which, in turn, will directly own 100% of American Safety Holdings Corporation, which, in turn, will directly own 100% of American Safety Casualty Insurance Company, which, following a contribution from American Safety Holdings Corporation, will directly own 100% of American Safety Indemnity Company.

14. That testimony at the Form A Hearing and other information submitted by the Applicants indicated that the officers and directors as well as all individuals for whom biographical affidavits were filed had never been the subject of a criminal proceeding.

15. That the financial statements of the Applicants reflected shareholders equity in excess of \$8.7 billion dollars.

CONCLUSIONS OF LAW

1. That Applicants have complied with the provisions of the Oklahoma Insurance Holding Company Act, 36 O.S. 2013 §1651 et seq. That the Hearing was held pursuant to the Administrative Procedures Act, 75 O.S. § 250 et seq., the Oklahoma Insurance Code, 36 O.S. § 101 et seq. and the promulgated Rules and Regulations of the Oklahoma Insurance Commissioner.

2. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to 36 O.S. § 1651 et seq.

3. That the exhibits to the Form A that have been identified by the Applicants as confidential are confidential pursuant to 36 O.S. § 1657.

4. That the Applicants were given lawful Notice of Hearing on September 18, 2013, setting the date, time, place and location of the Hearing.

5. That Waivers of Notice of Hearing were filed by the Applicants herein. Waivers were also filed by the Oklahoma domestic insurers and their shareholders.

6. That the Hearing was recorded electronically by members of the Oklahoma Insurance Commissioner's staff pursuant to the Administrative Procedures Act and a full stenographic record was requested by the Applicants which the Hearing Examiner designated as the official record of the Hearing.

7. That both the Insurance Commissioner's office and the Applicants attended the Hearing, made arguments, presented testimony and stated that they had nothing further to submit to the Hearing Examiner.

8. That based upon a preponderance of the evidence submitted at the Hearing, the Hearing Officer finds that no evidence was submitted that after the proposed acquisition, the Oklahoma domestic insurers, American Safety Casualty Insurance Company and American Safety Indemnity Company, would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which each is presently licensed.

9. That no evidence was submitted that the transactions described in the Form A filing would substantially lessen competition or tend to create a monopoly in the State of Oklahoma.

10. That no evidence was submitted that the financial condition of the Applicants was such that it would jeopardize the interests of present or future policyholders of American Safety Casualty Insurance Company or American Safety Indemnity Company.

11. That the terms of the acquisition are fair and reasonable based upon the information contained in the Form A Statement as filed with the Insurance Commissioner and testified to at the Hearing.

12. That the future plans the Applicants intend for the Oklahoma domestic insurers appear to be fair and reasonable and in the public interest based upon the information contained in the Form A Statement as filed with the Insurance Department and as testified at the Hearing.

13. That no evidence was submitted that the competence, experience and integrity of the persons who will control the Oklahoma domestic insurers post acquisition is such that the interests of the public, or future policyholders of the domestic insurer, will be affected adversely by the transactions described herein.

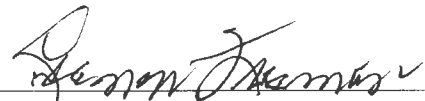
ORDER

THEREFORE, no criteria for disapproval specified in 36 O.S.2013 §1653(d) (1) having been found, **IT IS HEREBY ORDERED** that the Application of Fairfax Financial Holdings Limited, FFHL Group Limited, Fairfax (US) Inc., General Fidelity Insurance Company and V. Prem Watsa to acquire American Safety Casualty Insurance Company and American Safety Indemnity Company, is hereby **APPROVED** effective as of the date of the Hearing.


WITNESS MY HAND and official seal this 27th day of September, 2013.

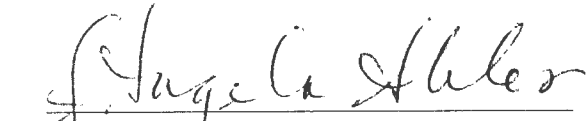


JOHN DOAK
INSURANCE COMMISSIONER
STATE OF OKLAHOMA

By 
Leamon Freeman, Esq.
Hearing Officer

APPROVED AS TO FORM:


Kelley C. Callahan, Esq.
Senior Attorney
Oklahoma Insurance Commissioner's Office


J. Angela Ables, Esq.
Kerr, Irvine, Rhodes and Ables
Attorney for Applicant

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the foregoing Order was mailed on the 27th day of September, 2013, postage pre-paid to the following:

J. Angela Ables
Attorney for Applicant
Kerr, Irvine, Rhodes and Ables, P.C.
201 Robert S. Kerr, Suite 600
Oklahoma City, Oklahoma 73102


Kelley C. Callahan, Senior Attorney
Oklahoma Insurance Commissioner's Office