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**BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA**

**INSURANCE COMMISSIONER
OKLAHOMA**

In re: Acquisition of **Oklahoma**)
Specialty Insurance Company,)
an Oklahoma domestic property)
and casualty insurer, by **the Westaim**)
Corporation)

Case No. 14-0271-TRN

ORDER

On the 23rd day of July, 2014, the above matter came for hearing and review by the Oklahoma Insurance Commissioner through his duly appointed Hearing Examiner.

The Applicant was 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 Julie Meaders, Deputy General Counsel. The Honorable John D. Miller 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 Oklahoma Specialty Insurance Company, an Oklahoma domestic property and casualty insurer. 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 Ryan Rowe, Financial Analyst also participated in the Hearing. Rob Kittel, Interim Chief Financial Officer and Chief Operating Officer of the Westaim Corporation 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 duly and properly appointed pursuant to the provisions of the Administrative Procedures Act, §§ 313 and 319, and Article 16A of Title 36 in conformance with the applicable statutes and rules and regulations of the Oklahoma Insurance Commissioner.

FINDINGS OF FACT

1. That Westaim Corporation ("Applicant") filed a Form A Acquisition Statement with the Oklahoma Insurance Commissioner on or about March 24, 2014, for the purpose of receiving approval as a "control" person of Oklahoma Specialty Insurance Company as a result of the proposed acquisition of a two stage transaction whereby Westaim HIIG Limited Partnership ("LP") a Canadian limited partnership under the control of Applicant, would acquire approximately 67.1% of the issued and outstanding capital stock of Houston International Insurance Group, Ltd. ("HIIG) the present ultimate controlling person of the Oklahoma Specialty Insurance Company, the Oklahoma domestic insurer ("Oklahoma Specialty" or "domestic insurer"). That Stage 1 of the Acquisition was comprised of \$15,000,000 purchase of shares by the LP of HIIG common stock and a \$60,000,000 purchase of newly-issued and treasury shares of HIIG common stock by Applicant. That a Stage 2

transaction to be closed upon the Closing of Stage 1 provided for a \$39,000,000 acquisition of any remaining shares of HIIG held by Sellers.

2. On or about April 18, 2014, an Amended and Restated Form A was filed with the Commissioner's Office detailing that a bought deal private placement Offering had completed and the funds raised in the Offering would allow the simultaneous closing of both Stage 1 and Stage 2 of the transaction. This change also precipitated the removal of two individuals as ultimate controlling persons of Westaim who had filed as Applicants in the Form A due to the change in stock ownership.

3. On or about May 2, 2014 Amendment Number 1 to the Amended and Restated Form A was filed with the Oklahoma Insurance Commissioner. That Amendment detailed an additional capital contribution to HIIG in exchange for additional HIIG shares by the Applicant and described a new Stage 3 to the transaction. This additional Subscription Agreement described provided the purchase by the LP of additional shares of HIIG for \$25,000,000.

4. That the address of the Applicant is as follows:

The Westaim Corporation
212 King Street West
Suite 201
Toronto, Ontario, Canada M5H 1K5

5. That the proposed acquisition of the Oklahoma domestic insurer will be effected pursuant to the acquisition of 70.8% of the outstanding common stock of HIIG by LP, which is controlled by Westaim, making it the Ultimate Controlling Person of Oklahoma Specialty Insurance Company.

6. That post-acquisition, Applicant has no plans to change the operation or existing business of the Oklahoma domestic insurer.

7. That the Oklahoma domestic insurer has a present home office address of

201 Robert S. Kerr Avenue

Suite 600,

Oklahoma City, Oklahoma 73102

with an administrative and mailing address of:

800 Gessner, Suite 600

Houston, Texas 77024

8. That the Applicants herein filed sworn biographical affidavits on behalf of all of the board of directors and officers and had same verified by a third party verification service who reported directly to the Oklahoma Insurance Commissioner's Office its findings.

9. That testimony at the Hearing was that the consideration for the acquisition of the shares of HIIG's common stock described in the Form A Statement was a total of approximately \$140 million dollars (\$140,000,000.00).

10. That after the acquisition described in the Form A, the Applicant would control the Oklahoma domestic insurer through its 70.8% ownership by HIIG. The immediate ownership of the domestic insurer will not change, but only at the top of the organizational chart in the ultimate controlling person.

11. That the only entities exceeding the ten percent (10%) rebuttable presumption of control in the after Applicant's acquisition will be CI Investments which through its mutual fund operation, owns 11% in the Westaim Corporation and a Disclaimer of Control was filed by CI Investments with the Department. Additionally Catlin Re Switzerland Ltd. ("Catlin") and Mt.

Whitney Securities Inc. ("Mt. Whitney") both filed Disclaimers of Control as they participated in the Offering and their ownership in the LP exceeds 10%. Mt. Whitney's ownership interest in the LP equals 17.22% which equals 12.19% in HIIG and Catlin's interest equals 16.33% of the issued and outstanding Class A Units and Class B Units of the LP which equals 11.56% in HIIG.

12. That testimony at the Form A Hearing and other information submitted by Applicant 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 or regulatory proceeding.

13. That the financial statements of the Applicant reflected shareholders equity in excess of \$29,276,000 Canadian dollars and assets in excess of \$33,507,000 Canadian dollars.

CONCLUSIONS OF LAW

1. That Applicant has complied with the provisions of the Oklahoma Insurance Holding Company Act, 36 O.S. 2014 §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 Applicant was given lawful Notice of Hearing on July 18, 2014, setting the date, time, place and location of the Hearing.

4. That Waivers of Notice of Hearing were filed by the Applicant herein. Waivers were also filed by the Oklahoma domestic insurer and its shareholder.

5. 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 Applicant which the Hearing Examiner designated as the official record of the Hearing.

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

7. 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 insurer, Oklahoma Specialty Insurance 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 it is presently licensed.

8. 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.

9. That no evidence was submitted that the financial condition of the Applicant was such that it would jeopardize the interests of present or future policyholders of Oklahoma Specialty Insurance Company.

10. 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.

11. That the future plans the Applicant intends for the Oklahoma domestic insurer appears 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.

12. That no evidence was submitted that the competence, experience and integrity of the persons who will control the 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.2014 §1653(d) (1) having been found, **IT IS HEREBY ORDERED** that the Application of the Westaim Corporation to acquire Oklahoma Specialty Insurance Company, is hereby **APPROVED** effective as of July 25, 2014.

WITNESS MY HAND and official seal this 23rd day of July, 2014.

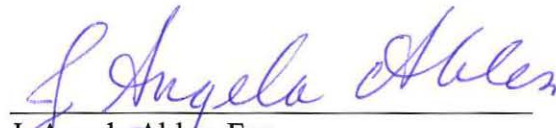


**JOHN DOAK
INSURANCE COMMISSIONER
STATE OF OKLAHOMA**

By 
**Judge John D. Miller
Hearing Officer**

APPROVED AS TO FORM:


Julie Meaders
Deputy General Counsel
Oklahoma Insurance Commissioner's Office


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

CERTIFICATE OF MAILING

23rd I hereby certify that a true and correct copy of the foregoing Order was hand delivered on the
day of July, 2014, 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

Julie Meaders
Julie Meaders
Deputy General Counsel
Oklahoma Insurance Commissioner's Office