

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

WT HOLDINGS INCORPORATED,  Plaintiff,  -against-  ARGONAUT GROUP, INC.,  Defendant.	Index No.: 600925/2009E  Justice Marcy S. Friedman  <b>JOINT STIPULATION OF UNDISPUTED FACTS</b>
---	--

The following undisputed facts are hereby stipulated and agreed, by and between the undersigned counsel for Plaintiff and Defendant in the above captioned action:

1. Plaintiff WT Holdings Incorporated ("WTH") is a Delaware corporation and a subsidiary of Tawa plc ("Tawa"), a public limited company incorporated in England and Wales.
2. Tawa specializes in acquiring insurance and reinsurance companies that no longer write new business (sometimes referred to as companies in "run off").
3. Defendant Argonaut Group Inc. ("Argonaut"), which was renamed Argo Group US Inc. in April 2008, is a Delaware corporation. In 2007, during the period relevant to this litigation, Argonaut was the parent company of PXRE Corporation, which, in turn, was the parent company of PXRE Reinsurance Company ("PXRE"), a Connecticut reinsurance company.
4. PXRE was in "run off" mode as of 2006 and therefore was a potential acquisition opportunity for Tawa.
5. WTH was the "special purpose vehicle" formed by Tawa for the purpose of effectuating the acquisition of PXRE.

6. Assisted by legal counsel and financial and actuarial consultants, WTH conducted a “due diligence” examination of PXRE to evaluate PXRE as an acquisition candidate. The due diligence process included visits to PXRE facilities, meetings and email with PXRE officers, and review of electronic and paper documents.

7. Following the due diligence period, on November 5, 2007, WTH entered into a Stock Purchase Agreement (the “SPA”) with Argonaut to acquire PXRE. A true and correct copy of the SPA is attached hereto as Exhibit 1.

8. WTH’s acquisition of PXRE pursuant to the SPA closed on March 31, 2008.

9. This litigation arises from Plaintiff’s allegations that Argonaut breached certain representations and warranties included in the SPA, as set forth in the Complaint and as noted below.

#### **Reinsurance Industry and Dispute Details**

10. Reinsurance is insurance purchased by an insurance company (the insurer) from another insurance company (the reinsurer) as a means of transferring risk. A reinsurer can also purchase its own reinsurance – this is known as “retrocessional” coverage.

11. PXRE issued reinsurance policies (sometimes referred to as “treaties”) to direct insurers. PXRE also issued “retrocessional” coverage, which is coverage for reinsurers. For simplicity, those coverages will generally be referred to collectively as “reinsurance.”

12. During the relevant time period, PXRE issued reinsurance for “aviation” policies, which among other things covered airlines for the value of the airline hull and third-party liability claims made against the airlines.

13. PXRE also issued property reinsurance that covered, among other things, hurricane-related property damage. PXRE was in “run off” mode as of 2006 as a result of various hurricane related losses.

14. PXRE’s aviation reinsurance treaties, like many insurance policies, contained a limit on the amount of coverage for each reinsurance “loss.”

15. Like any insurer, PXRE created “reserves” that were intended to estimate potential future payments on claims, and that were stated as a liability on the balance sheet and on the similar “Statutory Statements” filed under Connecticut law.

16. Insurers, including reinsurers like PXRE, create two kinds of reserves: (1) “case” reserves, which pertain to specific, known claims that have been reported to the insurer; and (2) “incurred but not reported” reserves, or “IBNR,” which pertain to claims that may exist but have not been reported to the insurer. IBNR may also contain “additional case reserves,” or “ACR,” pertaining to reported claims.

17. As of the time WTH purchased PXRE, PXRE’s case reserves for certain individual aviation reinsurance claims arising out of the September 11, 2001 attack on the World Trade Center totaled over \$12 million.

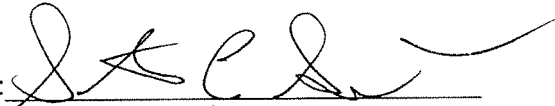
18. WTH contends that those case reserves were understated by over \$13 million at the time it purchased PXRE. Argonaut denies that those case reserves were ever understated.

19. According to WTH's Responses and Objections to Defendant's First Set of Interrogatories, PXRE had received payment requests and paid claims under those certain individual aviation reinsurance claims referenced above totaling approximately \$6.275 million as of April 13, 2011. WTH has informed Argonaut that it intends to amend that amount to

approximately \$9.66 million as of the present time in an amended or supplemental interrogatory response.

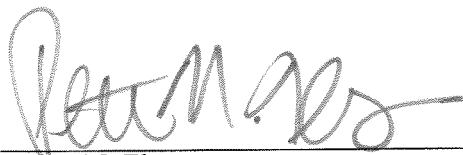
Dated: October 26, 2012

LOCKE LORD LLP

By:   
Steven C. Schwartz  
Three World Financial Center  
New York, NY 100281-2101  
(212) 812-8312

Attorneys for Plaintiff WT Holdings  
Incorporated

K&L GATES LLP

By:   
Peter N. Flocos  
599 Lexington Avenue  
New York, NY 10022  
(212) 536-3900

Attorneys for Defendant Argonaut Group,  
Inc.