

THESE DRAFT TERMS OF MERGER are made on 28 May 2013

BETWEEN

ALLIED WORLD ASSURANCE COMPANY (EUROPE) PLC (“**AWE**”), formerly known as Allied World Assurance Company (Europe) Limited, a public company limited by shares and incorporated in Ireland on 25 September 2002 with registered number 361888 whose registered office is at 3<sup>rd</sup> Floor Georges Quay Plaza, Georges Quay, Dublin 2

and

ALLIED WORLD ASSURANCE COMPANY (REINSURANCE) PLC (“**AWR**”), Allied World Assurance Company (Reinsurance) Limited, a public company limited by shares and incorporated in Ireland on 18 July 2003 with registered number 373702 whose registered office is at 3<sup>rd</sup> Floor Georges Quay Plaza, Georges Quay, Dublin 2

IT IS AGREED:

## 1. Introduction

1.1 Pursuant to the European Communities (Mergers and Divisions of Companies) Regulations 1987 (as amended) (the “**Merger Regulations**”), AWE will acquire all of the assets and liabilities of AWR in exchange for the issue of shares in AWE to the shareholders of AWR (the “**Merger**”):

1.1.1 the Merger is a “merger by acquisition” as defined in Regulation 5(1) of the Merger Regulations;

1.1.2 these Draft Terms of Merger have been drawn up by the directors of AWE and AWR in accordance with the Merger Regulations;

1.1.3 AWE is the “acquiring company” as defined in Regulation 4 of the Merger Regulations.

## 2. The Share Exchange Ratio

2.1 In consideration of the transfer of all of the assets and liabilities of AWR to AWE, AWE shall issue and allot 29,342,000 new ordinary shares (the “**New Shares**”) to the shareholders of AWR existing on the register of AWR on the Effective Date (defined below). The number of New Shares has been calculated in accordance with the following share exchange ratio (the “**Share Exchange Ratio**”) which has been

determined by reference to the most recent audited financial statements, being those dated 31 December 2012:

1 AWR Share = 5.8684 New Shares

- 2.2 For the purposes of Regulation 6(2)(c) of the Regulations, there will be no cash payment in regard to the allotment of the New Shares. In the case of fractional entitlements, the number of New Shares allotted shall be rounded upwards or downwards to the nearest whole share, as the board of directors of AWE and AWR, shall determine. The New Shares proposed to be allotted to the shareholders of AWR shall rank *pari passu* with the existing ordinary shares in the capital of AWE.
- 2.3 For the purposes of Regulation 19 of the Regulations, the New Shares will be allotted on the date that the High Court shall confirm as the effective date of the Merger (the “**Effective Date**”). Save where an alternative date may be sought, and at the discretion of the High Court, the intended Effective Date is 00.01 hours on 1 November 2013.
- 2.4 The occurrence of those matters contemplated as having effect on the Effective Date is conditional upon the receipt on or prior to that date (and/or as the High Court may otherwise require) of the approval of, or, as the case shall require, the confirmation of the non-objection to, the Merger by the Central Bank of Ireland.
- 2.5 Subject to the jurisdiction of the High Court and the requirements of applicable law and regulation, each of the parties reserves the right, where a material adverse event occurs in regard to the matters contemplated hereby, to vary or revoke this agreement outright at any time prior to the Effective Date.
- 2.6 The holders of the New Shares shall be entitled to participate in the profits of AWE and receive declared dividends as and from the Effective Date. The transactions of AWR shall be treated for accounting purposes as those of AWE as and from the Effective Date. There are no special conditions which will apply to the New Shares other than those herein stated.
- 2.7 All of the holders of shares and other securities conferring a right to vote in general meetings of each of the merging companies have agreed that neither of the following Merger Regulations shall apply in relation to the Merger:

2.7.1 Regulation 7(1), which requires the directors of the merging companies to prepare a report; nor

2.7.2 Regulation 8(1), which requires an independent person to prepare a report.

Therefore, no payment will be made or is intended to be made pursuant to Regulation 6(2) of the Merger Regulations.

2.8 No director of AWR or AWE will be paid or given any payment or benefit in cash or otherwise arising out of the Merger.

### **3. De-Registration of AWR**

AWR shall be de-registered with the Companies Registration Office upon the Effective Date.

### **4. Governing Law**

These Draft Terms of Merger are governed by Irish law.

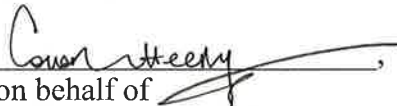
### **5. Counterparts**

These Draft Terms of Merger may be executed in any number of counterparts and by the parties to them in separate counterparts, each which when executed and delivered shall be an original but all the counterparts constitute one instrument.

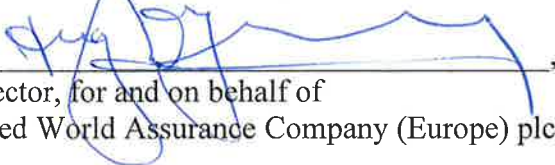
**[EXECUTION PAGE FOLLOWS]**

**EXECUTION PAGE**

Signed the 28<sup>th</sup> day of May 2013

By ,  
Director, for and on behalf of  
Allied World Assurance Company (Europe) plc


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and on behalf of  
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