

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of U. N. Holdings (Cayman)	:	Holding Companies Act, Article
II, Ltd. Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for a	:	Law of 1921, Act of May 17, 1921,
Change in the Control of an Insurance	:	P.L. 682, <u>as amended</u> , 40 P.S.
Holding Company System, which includes	:	§§991.1401, 991.1402, and
United National Insurance Company,	:	991.1403
Penn-America Insurance Company and	:	
Penn-Star Insurance Company in a	:	
Transaction Exempt from the Filing	:	
Requirements of 40 P.S. Section	:	
991.1402(b)	:	
	:	Order No. ID-RC-09-28

DECISION AND ORDER

AND NOW, on this 18th day of September 2009, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. Penn-Star Insurance Company (“Penn-Star”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania.

2. Penn-America Insurance Company (“Penn-America”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania. Penn-America directly holds 100% of the issued and outstanding capital stock of Penn-Star.
3. United National Insurance Company (“United National” and together with Penn-Star and Penn-America the “Domestic Insurers”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania. United National indirectly controls 30.5% of the issued and outstanding capital stock of Penn-America.
4. United America Indemnity, Ltd. (“UAI”) is an insurance holding company organized under the laws of Cayman Islands with its principal place of business located in Grand Cayman, Cayman Island. UAI indirectly controls 100% of the issued and outstanding voting stock of Domestic Insurers.
5. U.N. Holdings (Cayman), Ltd. (“U.N. Holdings”) is a business corporation organized under the laws of Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. U.N. Holdings controls, either directly and indirectly, 5.8% of the issued and outstanding capital stock of UAI (the “UAI Stock”).
6. U.N. Holdings (Cayman), II, Ltd. (“U.N. Holdings II”) is a business corporation organized under the laws of Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. U.N. Holdings II directly holds 46.6% of the issued and outstanding capital stock of UAI.
7. Fox Paine International GP, Ltd. (“Fox Paine”) is a business corporation organized under the laws of Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. Fox Paine indirectly controls U.N. Holdings and U.N. Holdings II.
8. Fox Paine is the sole ultimate controlling person of Domestic Insurers.

Filing of the Application

9. On September 3, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from U.N. Holdings II requesting approval to transfer the UAI Stock from U.N. Holdings to U.N. Holdings II.
10. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et

seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.

11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a) does not have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

13. As described in the Application, U.N. Holdings proposes the transfer of UAI stock to U.N. Holdings II.
14. As described in the Application, Fox Paine would continue to be the ultimate controlling person of Domestic Insurers.
15. The Deputy Commissioner finds that the transactions described in the Application do not have the effect of changing or influencing the control of the Domestic Insurers.
16. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transactions are not being contemplated to change or influence the ultimate control of Domestic Insurers, and, therefore, are exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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United National Insurance Company,	:	991.1403
Penn-America Insurance Company and	:	
Penn-Star Insurance Company in a	:	
Transaction Exempt from the Filing	:	
Requirements of 40 P.S. Section	:	
991.1402(b)	:	
	:	Order No. ID-RC-09-28

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of United America Indemnity, Ltd requesting exemption from the requirements of 40 P.S. §991.1402 for the change in control of its insurance holding company system, which includes United National Insurance Company, Penn-America Insurance Company and Penn-Star Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner