

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Fox Paine International	:	Holding Companies Act, Article
GP, Ltd. Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Restructuring of their Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System which Includes Penn-America	:	§§991.1401, 991.1402, and
Insurance Company, Penn-Star Insurance	:	991.1403
Company and United National Insurance	:	
Company	:	Order No. ID-RC-19-15

DECISION AND ORDER

AND NOW, on this 8th day of November 2019, Joseph DiMemmo, 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 (“PSIC”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania.
2. Penn-America Insurance Company (“PAIC”) is a domestic stock property insurance company organized pursuant to the laws of the Commonwealth of

- Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania. PAIC currently directly holds 100% of the issued and outstanding stock of PSIC.
3. Penn-America Group, Inc. (“PAG”) is a domestic insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania. PAG currently directly holds 100% of the issued and outstanding stock of PAIC.
 4. United National Insurance Company (“UNIC” and collectively referenced hereinafter with PAIC and PSIC as the “Domestic Insurers”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Bala Cynwyd, Pennsylvania. UNIC currently directly holds 2.2% of the issued and outstanding stock of PAG and indirectly holds 30.5% of the issued and outstanding stock of PAG.
 5. Global Indemnity Group Limited (“GI Group”) is a business corporation organized pursuant to the laws of Ireland.
 6. Global Indemnity Group, Inc. (“GIGI”) is an insurance holding company organized pursuant to the laws of Delaware. GIGI currently directly holds 100% of the issued and outstanding stock of GI Group, directly holds 67.3% of the issued and outstanding stock of PAG and indirectly holds 100% of the issued and outstanding stock of UNIC.
 7. GBLI (Ireland) Limited (“GBLI Ireland”) is a limited liability company organized pursuant to the laws of Ireland.
 8. U.A.I. (Luxembourg) Investment S.a.r.l. (“Lux Investment”) is a business corporation organized pursuant to the laws of Luxembourg. Lux Investment directly controls 100% of the issued and outstanding stock of GIGI and GBLI Ireland.
 9. U.A.I. (Luxembourg) IV S.a.r.l. (“Lux IV”) is a business corporation organized pursuant to the laws of Luxembourg. Lux IV directly controls 100% of the issued and outstanding stock of Lux Investment.
 10. U.A.I. (Luxembourg) III S.a.r.l. (“Lux III”) is a business corporation organized pursuant to the laws of Luxembourg. Lux III directly controls 100% of the issued and outstanding stock of Lux IV.
 11. U.A.I. (Luxembourg) II S.a.r.l. (“Lux II”) is a business corporation organized pursuant to the laws of Luxembourg. Lux II directly controls 100% of the issued and outstanding stock of Lux III.

12. U.A.I. (Luxembourg) I S.a.r.l. (“Lux I”) is a business corporation organized pursuant to the laws of Luxembourg. Lux I directly controls 100% of the issued and outstanding stock of Lux II.
13. GBLI (Barbados) Limited (“GBLI Barbados”) is a business corporation organized pursuant to the laws of Barbados. GBLI Barbados directly controls 100% of the issued and outstanding stock of Lux I.
14. Global Indemnity Reinsurance Company, Ltd. (“GIRC”) is a business corporation organized pursuant to the laws of Bermuda. GIRC directly controls 100% of the issued and outstanding stock of GBLI Barbados.
15. Global Indemnity Limited (“GIL”) is a business corporation organized pursuant to the laws of the Cayman Islands. GIL directly controls 100% of the issued and outstanding stock of GIRC.
16. Fox Paine International GP, Ltd. (“Fox Paine”) is a limited partnership organized pursuant to the laws of the Cayman Islands. Fox Paine indirectly controls 100% of GIL.
17. Fox Paine is the sole ultimate controlling person of the Domestic Insurers.

Filing of the Application

18. On September 23, 2019, 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 Fox Paine for approval to restructure their holding company system that includes the Domestic Insurers.
19. 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.
20. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
21. 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

22. As described in the Application, the following series of transactions (the “Restructuring”) are proposed to occur, one immediately after the other:
- a. GIRC forms Global Indemnity Financial (U.K.) Limited (“UK Finco”), which elects to be treated as a disregarded entity separate from its owner, while contemporaneously Lux Investment forms Global Indemnity Group Holdings, Inc. (“US Holdings”) and Global Indemnity Holdings (U.K.) Limited (“UK Holdings”);
 - b. GBLI Ireland re-registers as an unlimited company, which will allow it to be struck off the Irish company registry after the Restructuring is complete;
 - c. Lux Investment transfers all of the stock of GIGI to US Holdings in exchange for additional shares of US Holdings, and thereafter Lux Investment contributes the stock of UK Holdings to US Holdings;
 - d. GIGI contributes sufficient cash to GI Group in exchange for additional shares of GI Group, which will allow GI Group to pay accrued interest on bonus debentures to GBLI Ireland, who then dividends the accrued interest plus any earnings to Lux Investment;
 - e. US Holdings assumes GIGI’s obligations to GI Group for the bonus debentures in exchange for all of GIGI’s shares of GI Group and additional shares of GIGI;
 - f. US Holdings sells all of its interests in GIGI to UK Holdings in exchange for notes (the “UK Notes”) and additional shares of UK Holdings;
 - g. US Holdings transfers the UK Notes to GI Group in repayment of the obligations they assumed, and then GI Group transfers the UK Notes to GBLI Ireland in repayment of the bonus debentures;
 - h. GBLI Ireland distributes the UK Notes to Lux Investment;
 - i. Lux Investment liquidates, followed in turn by the liquidation of Lux IV, Lux III, Lux II and Lux I, which moves the stock of US Holdings and the UK Notes to GBLI Barbados;
 - j. GBLI Barbados distributes both the stock of US Holdings and the UK Notes to GIRC;

- k. GIRC contributes both the stock of US Holdings and the UK Notes to UK Finco in exchange for all the shares of UK Finco.
23. As described in the Application, upon completion of the Restructuring, Fox Paine will remain as the sole ultimate controlling person of the Domestic Insurers.
24. The Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
25. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
26. 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 Insurance Commissioner has delegated authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer to the Deputy Insurance Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The Restructuring proposed in the Application is not being contemplated to change or influence the ultimate control of the Domestic Insurers, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
6. 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.

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,
: and 1403 of the Insurance
Application of Fox Paine International : Holding Companies Act, Article
GP, Ltd. Requesting Exemption from the : XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the : Law of 1921, Act of May 17, 1921,
Restructuring of their Holding Company : P.L. 682, as amended, 40 P.S.
System which Includes Penn-America : §§991.1401, 991.1402, and
Insurance Company, Penn-Star Insurance : 991.1403
Company and United National Insurance :
Company : Order No. ID-RC-19-15

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 Fox Paine International GP, Ltd. requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system that includes Penn-America Insurance Company, Penn-Star Insurance Company and United National Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.



A handwritten signature in black ink, appearing to read "Joseph J. Dimemmo", written over a horizontal line.

JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation