

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 GP, Ltd. Requesting Exemption from the Requirements of 40 P.S. §991.1402 for the Restructuring of their Holding Company System which Includes Penn-America Insurance Company, Penn-Star Insurance Company and United National Insurance Company	:	Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, <u>as amended</u> , 40 P.S. §§991.1401, 991.1402, and 991.1403
	:	Order No. ID-RC-20-13

DECISION AND ORDER

AND NOW, on this 17th day of August 2020, 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-Patriot Insurance Company (“PPIC”) is a foreign stock casualty insurance company organized pursuant to the laws of Virginia with its principal place of

business in Bala Cynwyd, Pennsylvania. PPIC is approved as an eligible surplus lines insurer in Pennsylvania.

3. 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 and PPIC.
4. 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.
5. 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.
6. Global Indemnity Group, LLC (“GIG”) is a limited liability corporation organized pursuant to the laws of Delaware. GIG currently 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. Global Indemnity Holdings (U.K.) Limited (“UK Holdings”) is a business corporation organized pursuant to the laws of the United Kingdom. UK Holdings currently directly holds 100% of the issued and outstanding stock of GIG.
8. Global Indemnity Group Holdings, Inc. (“US Holdings”) is a business corporation organized pursuant to the laws of Delaware. U.S. Holdings currently directly holds 100% of the issued and outstanding stock of UK Holdings.
9. Global Indemnity Financial (U.K.) Limited (“UK Finco”) is a business corporation organized pursuant to the laws of the United Kingdom. UK Finco currently directly holds 100% of the issued and outstanding stock of US Holdings.
10. Global Indemnity Reinsurance Company, Ltd. (“Global Re”) is a business corporation organized pursuant to the laws of Bermuda. Global Re currently directly holds 100% of the issued and outstanding stock of UK Finco.
11. Global Indemnity Limited (“GIL”) is a business corporation organized pursuant to the laws of the Cayman Islands. GIL currently directly holds 100% of the issued and outstanding stock of Global Re.

12. Fox Paine International GP, Ltd. (“Fox Paine”) is a business corporation organized pursuant to the laws of the Cayman Islands. Fox Paine indirectly controls 100% of GIL.
13. Fox Paine is the sole ultimate controlling person of the Domestic Insurers.

Filing of the Application

14. On June 30, 2020, 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.
15. 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.
16. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
17. 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

18. As described in the Application, Fox Paine intends to restructure its holding company system by redomesticating GIL from the Cayman Islands to the United States and redomesticating Global Re from Bermuda to the United States (the “Restructuring”). They intend to accomplish this by undertaking the following series of transactions:
 - a. GIG was renamed GBLI Holdings, LLC (“GBLI Holdings”) on June 23, 2020, and subsequently GIL formed a new Delaware limited liability company also on June 23, 2020 and gave the new company the original Global Indemnity Group, LLC (“New GIG”) name. New GIG subsequently on June 23, 2020 formed New CayCo (“CayCo”), a Cayman Islands company;

- b. GIL contributes 100% of the shares of Global Indemnity Services Ltd. (“Ireland Service Company”) to GBLI Holdings. Ireland Service Company is part of the overall transaction, but throughout remains outside of the ownership structure of the Domestic Insurers;
- c. GBLI Holdings distributes its \$75 million receivable due from GIL to its immediate parent, UK Holdings, which UK Holdings will then use to repay \$75 million of the \$402 million notes (the “UK Notes”) UK Holdings owes to UK Finco;
- d. UK Finco distributes the \$75 million receivable and all of its shares of its direct wholly-owned subsidiary, US Holdings, to its immediate parent, Global Re;
- e. Global Re contributes all of its shares of UK Finco to US Holdings as a contribution to capital, and also contributes 4 inactive Irish entities (Global Indemnity Group Limited, U.A.I. (Ireland) Unlimited Company, U.A.I. (Ireland) II Unlimited Company and GBLI (Ireland) Unlimited Company) and a recently-formed Bermuda service company to US Holdings as a contribution to capital. The 4 inactive Irish entities and the recently-formed Bermuda service company are part of the overall transaction, but throughout remain outside of the ownership structure of the Domestic Insurers;
- f. Global Re cancels the approximately \$525.5 million in receivables it is owed from GIL;
- g. US Holdings buys all of the stock of PPIC from PAIC in exchange for a \$21 million note;
- h. Global Re contributes the stock of US Holdings to PPIC in exchange for additional stock of PPIC, with US Holdings subsequently converting to a limited liability corporation;
- i. Global Re merges with and into PPIC, with PPIC surviving the merger and assuming the business, assets and liabilities of Global Re. Pursuant to the merger US Holdings’ stock in PPIC is cancelled in exchange for a payment of \$21 million, which US Holdings uses to repay the \$21 million note to PAIC;
- j. Pursuant to a Scheme of Arrangement, GIL amalgamates with CayCo, with CayCo surviving and each shareholder of GIL A and B ordinary shares receiving the same amount of A and B shares of New GIG;

- k. CayCo merges with and into New GIG, with New GIG surviving the merger;
 - l. UK Holdings pays all of the accrued interest on the UK Notes to UK Finco and then UK Finco distributes the UK Notes to US Holdings;
 - m. UK Holdings sells its shares of GBLI Holdings to US Holdings, then UK Finco and UK Holdings will dividend any remaining assets to US Holdings;
 - n. US Holdings merges with and into GBLI Holdings, with GBLI Holdings surviving as a direct wholly-owned subsidiary of PPIC. As a result of this merger, UK Finco, UK Holdings and the Irish entities and Bermuda entity mentioned in (e.) above, become direct wholly-owned subsidiaries of GBLI Holdings;
 - o. UK Finco and UK Holdings enter into liquidation.
19. As described in the Application, upon completion of the Restructuring, Fox Paine will remain as the sole ultimate controlling person of the Domestic Insurers.
20. 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.
21. 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.
22. 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, <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-20-13

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.

Joseph DiMemmo 8/17/2020

JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation