

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of U.N. Holdings, Inc. and : Companies Act, Article XIV of the
Fox Paine International GP, Ltd. in : Insurance Company Law of 1921,
Support of the Request for Approval to : Act of May 17, 1921, P.L. 682,
Acquire Control of United National : as amended, 40 P.S. §§991.1401,
Insurance Company : 991.1402, and 991.1403
: :
: Amended Order No. ID-RC-03-34

AMENDED DECISION AND ORDER

AND NOW, on this ___26th___ day of August, 2003, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

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

FINDINGS OF FACT

Identity of Parties

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

2. Wind River Investment Corporation (“Wind River”) is a business corporation organized under the laws of the state of Delaware, with its principal place of business located in Bala Cynwyd, Pennsylvania. Wind River indirectly holds 100% of the issued and outstanding voting stock of the United National.
3. Wind River is currently owned exclusively by various trusts (the “Trusts”).
4. U.N. Holdings, Inc. (“UN Holdings”) is a business corporation organized under the laws of the state of Delaware with its principal place of business located in Foster City, California.
5. Cayman Holding Company (“Cayman Holding”) is to be a business corporation organized under the laws of Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. Cayman Holding indirectly holds 100% of the issued and outstanding voting stock of UN Holdings.
6. 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 currently indirectly holds 100% of the issued and outstanding voting stock of Cayman Holding.
7. Fox Paine is controlled by its shareholders (the “Shareholders”), none of which owns more than 9.09% interest in the voting securities of Fox Paine.

Acquisition Filing

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving the control of a domestic insurer must be filed with the Commissioner for approval or disapproval.
9. On April 14, 2003, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Fox Paine for approval to acquire control of United National.

10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On April 26, 2003, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Fox Paine and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty (30) day period, ending May 26, 2003.
12. The Department received no comments regarding the Application during the thirty (30) day comment period.

Description of the Proposed Acquisition

13. As described in the Application, on May 1, 2003, Wind River, UN Holdings and Fox Paine (among others) signed an Investment Agreement (which together with subsequent amendments is referenced herein as the "Agreement") whereby UN Holdings would acquire 100% of the issued and outstanding voting stock of Wind River (the "Acquisition").
14. As described in the Application and pursuant to the Agreement, the Trusts would acquire 20% of the issued and outstanding voting stock of Cayman Holding.
15. As described in the Application and pursuant to the Agreement, closing the Acquisition would result in Fox Paine indirectly controlling 80% of the issued and outstanding voting stock of Cayman Holding.
16. As described in the Application and pursuant to the Agreement, closing the Acquisition would result in the Trusts directly controlling 20% of the issued and outstanding voting stock of Cayman Holding.
17. As described in the Application and pursuant to the Agreement, closing the Acquisition would result in Cayman Holding indirectly controlling 100% of the issued and outstanding voting stock of United National.
18. As described in the Application, closing the Acquisition would result in no single trust of the Trusts controlling 10% or more of the issued and outstanding voting stock of Cayman Holding.

19. As described in the Application, Fox Paine would fund the Acquisition from its existing corporate resources and new investments by the Shareholders.
20. As described in the Application and pursuant to the Agreement, the consideration for the Acquisition would be \$239,999,900 in cash or cash equivalents and \$82,500,000 in senior notes issued to the Trusts.
21. As described in the Application, United National will not be required to issue extraordinary dividends to support the payment of interest or dividends resulting from the Acquisition.

Standards for Review

22. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
23. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

24. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
25. The classes of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
26. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
27. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), United National is required to maintain a minimum paid up capital stock of \$2,350,000 to write the classes of insurance for which it is presently licensed.

28. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), United National is required to maintain a minimum paid in surplus of \$1,175,000 to write the classes of insurance for which it is presently licensed.
29. Upon completion of the transaction, United National would have paid up capital in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by United National.
30. Upon completion of the transaction, United National would have paid in surplus in an amount that would satisfy the statutory minimum required of a casualty insurance company licensed to write the classes of authority currently held by United National.

Competitive Impact

31. The acquisition of control of United National is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
32. The acquisition of control of United National will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Fox Paine, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of Fox Paine

33. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring persons.
34. Fox Paine reports that at the time of closing the GAAP account balances of Cayman Holding would be:

Assets:	\$ 285,000,000
Liabilities:	\$ 0
Shareholder's Equity:	\$ 285,000,000

35. The financial condition of Cayman Holding would not pose any impediments to the change in control nor jeopardize the financial

condition of United National.

Plans for the Acquired Insurer

36. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
37. As provided in the Application, Fox Paine has disclosed that it intends to make no significant changes to the business plans of United National.

Management

38. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurers.
39. Biographical affidavits for all directors and executive officers of Fox Paine were provided as part of the Application and the Department reviewed all affidavits that were submitted.
40. The Department is satisfied that the persons who would control the operations of United National have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
41. 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 Commissioner has jurisdiction to review and approve the change in control of United National.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless

the Department has found that:

- a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of United National.
 4. Based upon the Application, The Commissioner has determined that upon closing of the Acquisition the sole ultimate controlling person of United National would be Fox Paine.
 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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AMENDED ORDER

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

The application of U.N. Holdings, Inc. and Fox Paine International GP, Ltd. in support of the request for approval to acquire control of United National Insurance Company is hereby approved, subject to this Order and the following condition:

Fox Paine shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction. Such documents shall be available for Department review for a period of not less than five years from the date of the closing of this acquisition.

This Order supercedes all previous orders concerning the above application and is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania