

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of United America Indemnity,	:	Companies Act, Article XIV of the
Ltd. Requesting Exemption from the	:	Insurance Company Law of 1921,
Requirements of 40 P.S. §991.1402 for the	:	Act of May 17, 1921, P.L. 682,
Restructuring of the Holding Company	:	as <u>amended</u> , 40 P.S. §§991.1401,
System that Contains United National	:	991.1402, and 991.1403
Insurance Company, Penn-America	:	
Insurance Company, and Penn-Star	:	
Insurance Company	:	
	:	
	:	
	:	Order No. ID-RC-05-04

DECISION AND ORDER

AND NOW, on this 21st day of April, 2005, 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 Parties

1. United National Insurance Company (“UNIC”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Bala Cynwyd, Pennsylvania.
2. Penn-America Insurance Company (“Penn-America”) is a stock property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Hatboro, Pennsylvania.

3. Penn-Star Insurance Company (“Penn-Star”) is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Hatboro, Pennsylvania.
4. U.N. Holdings II, Inc. (“U.N. Holdings II”) is a business corporation organized pursuant to the laws of the state of Delaware with its principal place of business located in Bala Cynwyd, Pennsylvania. UNIC, Penn-America, and Penn-Star (collectively “Domestic Insurers”) are indirect subsidiaries of U.N. Holdings II.
5. Wind River Insurance Company (Barbados), Ltd. (“Wind River”) is an insurance company organized pursuant to the laws of Barbados with its principal place of business located in Bridgetown, Barbados. U.N. Holdings II is a direct subsidiary of Wind River.
6. U.A.I. (Gibraltar) II Limited (“Gibraltar II Ltd.”) is a holding company organized pursuant to the laws of Gibraltar with its principal place of business located in Gibraltar. Gibraltar II Ltd. is a direct subsidiary of Wind River.
7. U.A.I. (Gibraltar) Limited (“Gibraltar Ltd.”) is a holding company organized pursuant to the laws of Gibraltar with its principal place of business located in Gibraltar. Gibraltar Ltd. is a direct subsidiary of Wind River.
8. U.A.I. (Luxembourg) I S.à r.l. (“Luxembourg I”) is a holding company organized pursuant to the laws of Luxembourg with its principal place of business located in Grand Duchy of Luxembourg. Luxembourg I is a direct subsidiary of Gibraltar Ltd.
9. U.A.I. (Luxembourg) II S.à r.l. (“Luxembourg II”) is a holding company organized pursuant to the laws of Luxembourg with its principal place of business located in Grand Duchy of Luxembourg. Luxembourg II is a direct subsidiary of Luxembourg I.
10. U.A.I. (Luxembourg) III S.à r.l. (“Luxembourg III”) is a holding company organized pursuant to the laws of Luxembourg with its principal place of business located in Grand Duchy of Luxembourg. Luxembourg III is a direct subsidiary of Luxembourg II.
11. U.A.I. (Luxembourg) IV S.à r.l. (“Luxembourg IV”) is a holding company organized pursuant to the laws of Luxembourg with its principal place of business located in Grand Duchy of Luxembourg. Luxembourg IV is a direct subsidiary of Luxembourg III.
12. U.A.I. (Luxembourg) Investment S.à r.l. (“Luxembourg Investment”) is a holding company organized pursuant to the laws of Luxembourg with its principal place of business located in Grand Duchy of Luxembourg. Luxembourg Investment is a direct subsidiary of Luxembourg IV.

13. United America Indemnity, Ltd. (“United America”) is a holding company organized pursuant to the laws of the Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. Wind River is a direct subsidiary of United America.
14. Fox Paine International GP, Ltd. (“Fox Paine”) is a business corporation organized pursuant to the laws of the Cayman Islands with its principal place of business located in Grand Cayman, Cayman Islands. United America is an indirect subsidiary of Fox Paine.
15. No person controls Fox Paine. Fox Paine is the sole ultimate controlling person of Domestic Insurers.

Filing of the Request

16. On March 18, 2005, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from United America for approval to effectuate a corporate restructuring that would result in changes of control of Domestic Insurers within its holding company system.
17. 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 changes in control of domestic insurers must be filed with the Department for approval or disapproval.
18. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
19. 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

20. As described in the Request, United America proposes to transfer U.N. Holdings II to Luxembourg Investment through the following six transactions:
 - a) Wind River would transfer all of the shares of U.N. Holdings II to Gibraltar II Ltd. in exchange for shares of stock of Gibraltar II Ltd.

- b) Gibraltar II Ltd. would transfer all of the shares of U.N. Holdings II to Luxembourg Investment in exchange for shares of stock of Luxembourg Investment (“Luxembourg Investment Shares”).
 - c) Gibraltar II Ltd. would transfer the Luxembourg Investment Shares to Luxembourg IV in exchange for shares of stock of Luxembourg IV (“Luxembourg IV Shares”).
 - d) Gibraltar II Ltd. would transfer the Luxembourg IV Shares to Luxembourg III in exchange for shares of stock of Luxembourg III (“Luxembourg III Shares”).
 - e) Gibraltar II Ltd. would transfer the Luxembourg III Shares to Luxembourg II in exchange for shares of stock of Luxembourg II (“Luxembourg II Shares”).
 - f) Gibraltar II Ltd. would transfer the Luxembourg II Shares to Luxembourg I in exchange for shares of stock of Luxembourg I.
21. As described in the Request and upon completion of the aforementioned transactions, Gibraltar II Ltd., Gibraltar Ltd., Luxembourg I, Luxembourg II, Luxembourg III, Luxembourg IV, and Luxembourg Investment (collectively “Parent Corporations”) would become indirect parent corporations of Domestic Insurers.
22. As described in the Request, Parent Corporations would remain subsidiaries of Wind River and Wind River would remain a subsidiary of United America.
23. As described in the Request, Fox Paine would remain the sole ultimate controlling person of Domestic Insurers.
24. The Deputy Commissioner finds that the transactions described in the Request do not have the effect of changing or influencing the control of Domestic Insurers.
25. 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

26. 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.
27. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
28. The restructuring of the holding company structure of United America as proposed in the Request is not being contemplated to change or influence the ultimate control of Domestic Insurers, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
29. 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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Insurance Company, Penn-America	:	991.1402, and 991.1403
Insurance Company, and Penn-Star	:	
Insurance Company	:	
	:	
	:	
	:	Order No. ID-RC-05-04

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 request for exemption from the requirements of 40 P.S. §991.1402(b) by United America Indemnity, Ltd. for the restructuring of the holding company system that includes United National Insurance Company, Penn-America Insurance Company, and Penn-Star Insurance Company, as set forth in the Request, is hereby granted.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation