

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 its Insurance Holding	:	P.L. 682, as amended, 40 P.S.
Company System that includes United	:	§§991.1401, 991.1402, and
National Insurance Company, Penn-	:	991.1403
America Insurance Company and Penn-	:	
Star Insurance Company	:	Order No. ID-RC-15-11

DECISION AND ORDER

AND NOW, on this 29th day of April, 2015, 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 property 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”) 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 32.7% of the issued and outstanding capital stock of Penn-America.

4. Penn-Star, Penn-American and United National are collectively hereinafter referenced as the “Domestic Insurers.”
5. Fox Paine Capital Fund II International, L.P. (“Fund II”) is an exempted limited partnership organized under the laws of the Cayman Islands. Fund II is an indirect controlling person of the Domestic Insurers.
6. Fox Paine Capital International GP, L.P. (“GPLP”) is an exempted limited partnership organized under the laws of the Cayman Islands. GPLP is the general partner of Fund II.
7. Fox Paine International GP, Ltd. (“Fox Paine”) is a business corporation organized under the laws of Cayman Islands. Fox Paine is the general partner of GPLP.
8. Fox Paine is the sole ultimate controlling person of the Domestic Insurers.

Filing of the Application

9. On April 7, 2015, 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 requesting approval to replace the general partner of Fund 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, FP International LPH, L.P. ("LPH"), an exempted limited partnership organized under the laws of the Cayman Islands, is currently a limited partner of Fund II.
14. As described in the Application, LPH will replace GPLP as the general partner of Fund II.
15. As described in the Application, Fox Paine will become the general partner of LPH.
16. As described in the Application, GPLP will be dissolved.
17. As described in the Application, Fox Paine would continue to be the ultimate controlling person of the Domestic Insurers.
18. 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.
19. 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 restructuring of the holding company system proposed in the Application is not 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.
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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Star Insurance Company : Order No. ID-RC-15-11

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 insurance holding company system that 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 and valid for one year from the date of signature, provided there are no significant changes from the Application.




STEPHEN J. JOHNSON

Deputy Insurance Commissioner
Office of Corporate and Financial Regulation