

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed)	
Acquisition of Control of)	
UNIVERSAL UNDERWRITERS INSURANCE)	
COMPANY and)	
UNIVERSAL UNDERWRITERS LIFE)	
INSURANCE COMPANY)	
)	
By)	Docket No. 3466 M
)	
HELLMAN & FRIEDMAN INVESTORS V)	
(CAYMAN), LTD. and)	
UNIVERSAL UNDERWRITERS GROUP)	
HOLDING, INC.)	

ORDER

NOW on this 3rd day of June 2005, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a pre-acquisition notice pursuant to K.S.A. § 40-3304 and K.A.R. § 40-1-28 in the form of a Form A Statement Regarding the Proposed Acquisition of Control ("Form A Statement") by Hellman & Friedman Investors V (Cayman), Ltd. ("H&F Investors") and its indirect subsidiary, Universal Underwriters Group Holding, Inc. ("Universal Underwriters") (collectively, "Applicants"). The Form A Statement relates to the proposed acquisition of control of two Kansas domestic insurance companies, Universal Underwriters Insurance Company ("UUIC") and its wholly owned subsidiary, Universal Underwriters Life Insurance Company ("UULIC"), by Applicants.

Applicants are represented by their attorney, William W. Sneed, Polsinelli Shalton Welte Suelthaus PC. The Kansas Insurance Department ("KID") is represented by its General Counsel, John W. Campbell. Also appearing for KID are Linda J. Sheppard, Assistant General Counsel;

Kenneth G. Abitz, Director, Financial Surveillance Division; and Mark E. Owens, Financial Analyst, Financial Surveillance Division.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. §§ 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. §§ 77-501, *et seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law, and orders, as follows:

DECLARATIONS OF PUBLIC INTEREST AND POLICY

The Commissioner finds and declares that it is consistent with the public interest and the interest of policyholders to permit insurers to:

- (a) Engage in activities which would enable insurers to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition and/or organization of subsidiaries;
- (c) have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) implement sound tax-planning conclusions; and
- (e) serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further finds and declares that the policies and purposes in K.S.A. § 40-3301, *et seq.*, promote the public interest by:

- (a) facilitating the achievement of the objectives enumerated in K.S.A. § 40-3301 and set out above;
- (b) requiring disclosure of pertinent information relating to changes in control of an insurer;
- (c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and
- (d) providing standards governing material transactions between an insurer and its affiliates.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The findings and conclusions stated herein are based upon the statements made by Applicants in the Form A Statement and accompanying documents made under oath and filed with KID by Applicants pursuant to K.S.A. § 40-3304(b) and K.A.R. § 40-1-28.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of KID, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. § 77-546(c).

2. The purpose of the filing of the Form A Statement is to seek authority from KID for the proposed acquisition of control of UUIC and UULIC by Applicants. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed with the Commissioner dated May 27, 2005, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. §§ 40-3301, *et seq.*

3. Applicants submitted various Exhibits to the Form A Statement, including, but not limited to, the Stock Purchase Agreement By and Among Zurich Holding Company of

America, Inc. and Zurich American Insurance Company, as the Sellers, and Universal Underwriters Group Holding, Inc. as Purchaser, dated April 4, 2005, organization charts, financial statements, and a business plan for Universal Underwriters.

4. The staff of KID have inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and found that the filing of the Form A Statement and Exhibits are in accordance with K.S.A. § 40-3304 and K.A.R. § 40-1-28 and that the Form A Statement and Exhibits have provided the information required under Kansas statutes to enable the Commissioner to render a decision on the application.

5. Universal Underwriters Insurance Company ("UIIC"), a Kansas stock property and casualty insurance company, was organized under the laws of Missouri on October 31, 1949 and was redomesticated to Kansas on April 1, 1998.

6. Universal Underwriters Life Insurance Company ("UULIC"), a Kansas stock life and health insurance company and wholly-owned subsidiary of UIIC, was organized under the laws of Missouri on December 21, 1964 and was redomesticated to Kansas on April 1, 1998.

7. Zurich American Insurance Company ("ZAIC"), a New York corporation, directly owns 100% of the issued and outstanding common capital stock of UIIC.

8. Zurich Holding Company of America ("ZHCA"), a Delaware corporation, indirectly owns 100% of the issued and outstanding common capital stock of UIIC and UULIC and directly owns 100% of the issued and outstanding capital stock of ZAIC.

9. Universal Underwriters Group Holding, Inc. ("Universal Underwriters"), a Delaware corporation, was incorporated on March 30, 2005.

10. Hellman & Friedman Investors V (Cayman) Ltd. ("H&F Investors"), a Cayman Islands exempted company, indirectly owns 100% of the issued and outstanding common capital stock of Universal Underwriters but is the ultimate controlling person of Universal Underwriters.

11. H&F Investors is the sole general partner of Hellman & Friedman Investors V (Cayman), L.P., a Cayman Islands exempted limited partnership, which is the sole general partner of each of Hellman & Friedman Capital Partners V (Cayman), L.P. and Hellman & Friedman Capital Partners V (Cayman Parallel), L.P. (collectively, "H&F Fund V Cayman"), both Cayman Islands exempted limited partnerships. H&F Fund V Cayman currently holds all outstanding equity securities of Universal Cayman Holding, Ltd., a Cayman Islands exempted company ("Universal Cayman Holding" or "Sponsor Co").

12. At the closing of this acquisition H&F Fund V Cayman will own an aggregate of approximately 61.2% of the outstanding equity securities of Sponsor Co. Due to certain voting restrictions, the equity securities to be held by H&F Fund V Cayman will represent an aggregate of approximately 80.2% of the voting power of Sponsor Co.

13. Sponsor Co currently owns all of the outstanding equity securities of Universal Bermuda Holding, Ltd., a Bermuda exempted company ("Universal Bermuda"), which in turn owns all of the outstanding equity securities of Universal US Holding, Inc., a Delaware corporation, which in turn owns all of the outstanding equity securities of Universal Underwriters.

14. At closing, the organizational structure described above will be reorganized to include three new entities: Luxco, Madeira Co and Bermuda Co II. Sponsor Co will own all of the issued and outstanding securities of Luxco, which will in turn own all of the issued and outstanding securities of Madeira Co. Madeira Co will own all of the issued and outstanding

securities of Universal Bermuda, which will in turn own all of the issued and outstanding securities of Bermuda Co II.

15. It has been determined that no person or entity “controls” the Applicants of the Form A Statement as “control” is defined in K.S.A. § 40-3302(c).

16. The acquisition of control of UUIC and UULIC by H&F Investors and Universal Underwriters will occur through Universal Underwriters' purchase of all of the issued and outstanding common capital stock of UUIC from ZHCA and ZAIC.

17. Applicants filed a draft copy of the Form A Statement with KID on or about April 6, 2005 and subsequently filed a duly certified copy of the Form A Statement with Exhibits on May 27, 2005.

18. Review of the evidence establishes that after the acquisition of control as proposed in the Form A Statement, Applicants will be able to satisfy the requirements necessary for maintaining the business of UUIC and UULIC to the satisfaction of their policyholders.

19. The evidence establishes that, after the acquisition of control as proposed in the Form A Statement, UUIC and UULIC will be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed.

20. No evidence has been introduced to establish that the financial condition of Applicants will jeopardize the financial stability of UUIC and UULIC or prejudice the interests of the policyholders.

21. Evidence has been introduced which shows that Applicants have no plans or proposals to liquidate UUIC and UULIC, sell their assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or

management which would be unfair and unreasonable to the policyholders of UUIC and UULIC and not be in the public interest.

22. Evidence has been introduced to establish that the competence, experience and integrity of those persons who will control the operations of UUIC and UULIC after the acquisition are such that it will be in the interests of the policyholders of UUIC and UULIC and of the public interest to permit the acquisition.

23. Evidence has been introduced to establish that Applicants' acquisition of UUIC and UULIC will not be hazardous or prejudicial to the insurance-buying public.

24. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. §§ 40-3301, *et seq.* and K.A.R. § 40-1-28.

25. The evidence submitted supports approval of the proposed acquisition of control of the Insurers by the Applicants, subject to certain conditions and requirements.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The application by Hellman & Friedman Investors V (Cayman) Ltd. and Universal Underwriters Group Holding, Inc. to acquire control of Universal Underwriters Insurance Company and Universal Underwriters Life Insurance Company in the manner set forth in the Form A Statement and Exhibits attached thereto is hereby **approved** pursuant to K.S.A. § 40-3304, provided the acquisition is effected within sixty (60) days of the date of this Order.

2. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

Notice of Rights

H&F Investors and Universal Underwriters are entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If Applicants desire a hearing, they must file a written request for a hearing with:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612.

This request must be filed within fifteen (15) days from the date of service of this Order. If Applicants request a hearing, the Kansas Insurance Department will notify them of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. § 77-613. In the event Applicants file a petition for judicial review, pursuant to K.S.A. § 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

**IT IS SO ORDERED THIS 3rd DAY OF JUNE 2005, IN THE CITY OF TOPEKA,
COUNTY OF SHAWNEE, STATE OF KANSAS.**



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 3rd day of June 2005 to:

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Linda J. Sheppard
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