



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner
Wisconsin.gov

November 27, 2018

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MR JOHN SVOBODA
SR VP & REGULATORY OFFICER
QBE NORTH AMERICA
55 WATER ST 19TH FLOOR
NEW YORK NY 10041

Wisconsin OCI
Ex #: 23
Case #: 18-42836

Re: Form D Filings: Proposed changes to affiliated agreements pursuant to the proposed sale of Unigard Indemnity Company to Sutton National Insurance Holdings, LLC

Dear Mr. Svoboda:

The State of Wisconsin Office of the Commissioner of Insurance ("OCI") received the following Form D filings (dated September 6, 2018, September 21, 2018, September 27, 2018 and November 2, 2018) requesting OCI's non-disapproval of certain affiliated agreements (and/or modifications to existing affiliated agreements) as listed below, pursuant to the proposed sale of Unigard Indemnity Company ("UID") by Unigard Insurance Company ("UIC") to Sutton National Insurance Holdings, LLC ("Sutton"):

- 1. Twelfth Amendment to the Intercompany Cost Allocation and Management Services Agreement by and between QBE Americas, Inc. ("QBEAI"), QBE Holdings, Inc. QBE Atlantic, LLC, QBE Investments (North America), Inc. ("QBE North America"), Unigard Insurance Company, and QBEAI's affiliates (as listed on Schedule A to the Agreement) [9/6/18 Form D]

Description: The parties wish to amend this Agreement (originally effective January 1, 2010) to remove QBE Atlantic, LLC and UID as parties to the Agreement.

- 2. Fourteenth Amendment to the Tax Sharing Agreement between QBE Investments (North America), Inc. and all subsidiaries (as listed on Schedule A of the amended Agreement) [9/6/18 Form D]

Description: The parties wish to amend this Agreement (originally effective January 1, 2008) to remove QBE Atlantic, LLC and Unigard Indemnity Company, and add QBE Blue Ocean Re Limited, as parties to the agreement.

- 3. Pooling Assignment and Assumption Agreement between QBE Insurance Corporation, Unigard Insurance Company, and Unigard Indemnity Company; 2018 Revision of the 1976 QBE North America Pooling Agreement [9/6/18 Form D]

Description: UIC, UID, and QBE Insurance Corporation ("QBEIC") ("Reinsurer") and certain other QBE North America affiliates are parties to a 1976 QBE North America Pooling Agreement (originally effective January 1, 1976), pursuant to which QBEIC reinsures policies written or reinsured by UID, UIC and certain other affiliates, and retrocedes back to participating affiliates a specific share of the pooled liabilities (UID's share is 0%). In connection with the proposed sale of UID to Sutton, UID desires to assign to UIC, and UIC desires to accept and assume from UID, 100% of UID's rights, privileges, liabilities and obligations arising under the Pooling Agreement, and will indemnify and hold harmless UID against all obligations and liabilities.

In addition, General Casualty Company of Wisconsin and UIC propose entering into the 2018 Revision of the 1976 QBE North American Pooling Agreement with QBEIC ("Reinsurer") and their QBE North America affiliates. The purpose of this Agreement is to reaffirm the basic provisions of the Pooling Agreement (as previously amended), remove UID as a party to the agreement, and assign all of the rights, duties and liabilities of UID under the Agreement to UIC.

4. Endorsement No. 1 to the Quota Share Reinsurance Contract between QBE Blue Ocean Re Limited ("Reinsurer") and various QBE North America affiliates [9/6/18 Form D]

Description: Various QBE North America affiliates are parties to a Quota Share Reinsurance Contract with QBE Blue Ocean Re (effective January 1, 2018).

Under this proposed Endorsement No.1, UID assigns, transfers, conveys and sets over to UIC 100% of its rights pursuant to the Quota Share Reinsurance Contract, and UIC agrees to perform 100% of the obligations and liabilities of UID pursuant to the contract, and will indemnify and hold harmless UID against all such obligations and liabilities.

5. Agreement to Terminate ("Termination Agreement") the Global Investment Services Master Agreement ("Master Agreement"), and Separate Agreement ("Agreement") created under the Global Investment Master Agreement by and between QBE Group Services Pty Limited ("QGS") and UID [9/6/18 Form D]

Description: The Global Investment Services Master Agreement ("Master Agreement") (effective January 1, 2017) created a separate agreement between QGS and UID ("Agreement"), whereby QGS agreed to provide investment management services to UID.

The Parties wish to enter into the Termination Agreement to terminate UID's participation under the Master Agreement, and Agreement, pursuant to sections 14.7(a) of the Master Agreement and 11.1(d) of the Agreement.

6. Fourth Amendment to the Reinsurance Trust Agreement Amendment between Equator Reinsurances Limited, Unigard Insurance Company, Unigard Indemnity Company, and Citibank, N.A. [9/6/18 Form D]

Description: UIC, UID, Equator Re, and Citibank, N.A., as parties to the Reinsurance Trust Agreement dated January 1, 2008, and as subsequently amended on November 12, 2009, and January 1, 2011, and July 31, 2014 (the "Trust Agreement"), propose to enter into the Fourth Reinsurance Trust Agreement ("Agreement") to amend the Trust Agreement to remove UID from the Trust Agreement. [Except for the removal of UID from the Trust Agreement, the terms of the Trust Agreement remain in full force and effect.]

7. Amendment to the Reinsurance Trust Agreement between QBE Blue Ocean Re ("Blue Ocean Re"), Unigard Insurance Company, Unigard Indemnity Company, and Citibank, N.A. [9/6/18 Form D]

Description: Blue Ocean Re, UIC, UID, and Citibank, as parties to a Reinsurance Trust Agreement dated May 18, 2019 (the "Trust Agreement"), propose to enter the Reinsurance Trust Agreement Amendment to remove UID as a party to the Trust Agreement. [Except for the removal of UID from the Trust Agreement, the terms of the Trust Agreement remain in full force and effect.]

8. Administrative Services Agreement between Unigard Indemnity Company, and Unigard Insurance Company [9/6/18 Form D]

Description: Pursuant to this Agreement, UID would appoint UIC, on an exclusive basis, to provide administrative services with respect to: (i) All Policies reinsured by UIC under the Loss Portfolio Transfer Agreement, (ii) Any and all agreements of Inuring Reinsurance, and (iii) Those agreements, contracts, or other arrangements between UID and an agent or other person, pursuant to which Policies were written on behalf of UID. [Pursuant to a Loss Portfolio Transfer Agreement (discussed below) that is being executed concurrently with this Agreement, UIC has agreed to indemnify UID for 100% of the Policy Liabilities.] There would be no service costs associated with this Agreement.

9. Loss Portfolio Transfer Agreement by and between Unigard Indemnity Company and Unigard Insurance Company [9/6/18 Form D (and 9/13/18 Amended Form D)]

Description: UIC and Sutton, UID and UIC intend to enter into a Loss Portfolio Transfer Agreement, pursuant to which UIC will reinsure all of UID's policy liabilities, as defined in the Agreement. **[Per Item 5 of the Form D (dated 9/6/18), the estimated ceded/assumed liabilities was \$661,417.44. QBE submitted a correction to the Form D on 9/13/18, which included a revised estimated ceded/assumed liability of \$2,120,113.44.]**

10. Endorsement No. 6 to the Quota Share Reinsurance Contract between Equator Reinsurances Limited ("Equator Re") and various QBE North America affiliates [9/21/18 Form D]

Description: QBE Reinsurance Corporation and various QBE North America affiliates are parties to a Quota Share Reinsurance Agreement with Equator Re ("Reinsurer") (effective January 1, 2015 and terminated effective January 1, 2018).

Pursuant to this Endorsement (in conjunction with the Loss Portfolio Transfer Agreement between UID and UIC (discussed above)), UID will assign, transfer, convey, and set over to UIC 100% of its rights pursuant to the Quota Share Reinsurance Contract, and UIC will assume, agree to pay, perform, or otherwise satisfy 100% of the obligations and liabilities of UID, and shall indemnify and hold harmless UID against all such obligations and liabilities.

11. Termination Agreement to the Whole Account Catastrophe & Large Aggregate Excess of Loss Reinsurance Agreement with QBE Blue Ocean Re ("Blue Ocean Re") [9/27/18 Form D]

Description: Various QBE North America affiliates are parties to a Whole Account Catastrophe & Large Aggregate of Loss Reinsurance Agreement with Blue Ocean Re ("Reinsurer") (effective January 1, 2018).

The purpose of this Agreement is to terminate UID's participation in the Reinsurance Agreement. All other terms and conditions of the Reinsurance Agreement remain the same.

12. Addendum No. 3 to the Loss Portfolio Agreement with Equator Reinsurances Limited ("Equator Re") [11/2/18 Form D]

Description: Various QBE North America affiliates are parties to a Loss Portfolio Agreement with Equator Re (effective January 1, 2016).

The purpose of this Addendum is to remove UID as a party to the Agreement, and for UID to assign, transfer, convey, and set over to UIC 100% of its rights pursuant to the Agreement, and for UIC to assume, agree to pay or perform, or otherwise satisfy, when and as due, 100% of the obligations and liabilities of Unigard Indemnity Company under this Agreement.

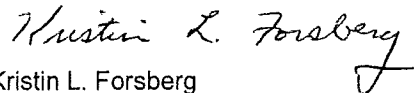
The proposed effective date for the above-referenced amendments, addendums, endorsements, and agreements was originally November 1, 2018, but is now anticipated to be January 1, 2019, contingent upon approval by QBE North America's Board of Directors, and the approval of the Form A by OCI.

Please be advised that OCI conditionally non-disapproves the aforementioned agreements and amendments, pursuant to s. Ins 40.04 (6), Wis. Adm. Code and s. 617.21 (3), Wis. Stat., contingent upon approval by QBE North America's Board of Directors, and approval of the Form A by OCI.

Assuming satisfaction of the condition set-forth in the previous paragraph, UID shall file executed copies of the above-referenced agreements with OCI within 10 days of OCI's Final Decision regarding the sale of UID to Sutton.

Please don't hesitate to call me at (608) 266-9896 should you have any questions.

Sincerely,



Kristin L. Forsberg
Insurance Financial Examiner Chief
Bureau of Financial Analysis and Examinations
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