

**BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE APPLICATION  
FOR APPROVAL OF THE ACQUISITION OF  
CONTROL OF GREGG INSURANCE COMPANY  
BY FIRST GUARANTY INSURANCE COMPANY  
and ASSUMPTION REINSURANCE AGREEMENT**

AID # 2005-064

**ORDER**

A hearing was held on December 13, 2005, in the Hearing Room of the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. § 23-63-510, 23-69-149, 23-63-515, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a letter/petition dated October 17, 2005 and Form A application dated October 17, 2005, filed by First Guaranty Insurance Company (the "Applicant"), seeking approval of a Stock Purchase Agreement ("Agreement") dated August 31, 2005 with James G. Osborne as Executor of the Estate of Maxine S. Gregg (the "Estate"), the sole shareholder of Gregg Insurance Company (the "Company"), NAIC No. 84026, and an Assumption Reinsurance Agreement ("Reinsurance Agreement") whereby all of the Company's insurance in force would be transferred to the Applicant pursuant to an Assumption Reinsurance Agreement to be entered into between the Applicant and the Company. The Insurance Department was represented by Booth Rand, Associate Counsel, Mel Anderson, Assistant Commissioner, Financial Regulation, and other members of the Department. The Applicant was represented by Robert Eichelberger and by its attorneys, Dover Dixon Horne PLLC, through Allan W. Horne. The Estate was represented by James G. Osborne and by its attorney, Larry Jennings.

## FINDINGS OF FACT

From the letter/petition, Form A, testimony of the witnesses and other evidence introduced at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel, and other matters and things considered, the Commissioner finds as follows:

1. The letter/petition and Form A were filed herein on October 17, 2005. The Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. § 23-63-510, 23-69-149, 23-63-515 and other pertinent provisions of the Arkansas Insurance Code. The Notice of the hearing was given within the time and in the manner required by law or was waived and the parties consented to the holding of this hearing at this time and on this date.

2. Guaranty National Corporation ("GNC") is the owner of all of the issued and outstanding capital stock of the Applicant. GNC and the Applicant are subject to the provisions of the Arkansas Insurance Holding Company Regulatory Act (the "Act").

3. The Applicant is an Arkansas life insurance company. All of its outstanding capital stock is owned by GNC.

4. The Company is an Arkansas life insurance company. All of its outstanding capital stock is owned by the Estate.

5. Through the acquisition of the Company, the Company will become the wholly-owned subsidiary of the Applicant. The Agreement has been approved by the Board of Directors of the Applicant and by the Estate as the sole stockholder of the Company.

6. As a result of the approval and implementation of the Reinsurance Agreement, all of

the policies of the Company will be transferred to the Applicant.

7. The purchase price agreed to be paid for the stock of the Company is fair and equitable to the sole security holder of the Applicant. The terms of the Agreement are not inequitable, unfair or unreasonable to the security holder of the Company.

8. The Applicant is a financially sound life insurance company, is duly licensed to conduct the business of life and health insurance in this state pursuant to an existing Certificate of Authority and meets all requirements for such license. Consummation of the Agreement will not reduce the security of or the service to be rendered to any policyholders of the Company, nor will the financial condition of the Applicant jeopardize the financial stability of the Company or prejudice the interest of its policyholders or the interest of any security holders.

9. The Reinsurance Agreement is not inequitable to the sole stockholder of the Company, nor will it substantially reduce the protection or services to its policyholders.

10. Consummation of the Agreement and assumption of control of the Company will not substantially lessen competition in the insurance business in this state or tend to create a monopoly therein.

11. The transfer, pursuant to the Reinsurance Agreement, of all of the Company's policies and the changes in its business and management are not unfair or unreasonable to the policyholders of the Company and are not against the public interest.

12. There are no plans or proposals to liquidate the Company, sell its assets, consolidate or merge it with any other person. There are no plans or proposals to make any material changes in its business or corporate structure that would be unfair or unreasonable to any policyholders of the Company or against the public interest.

13. The competence, experience and integrity of the persons who would control the operations of the Company are not such that the acquisition of control would not be in the best interest of the policyholders of the Company and of the public.

14. No director, officer, agent or employee of any of the parties shall receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner aiding, promoting or assisting with the Agreement or Reinsurance Agreement.

15. The Agreement and Reinsurance Agreement are not contrary to law.

16. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Commissioner have been duly complied with and by the Applicant, the Company, the Estate and the Department.

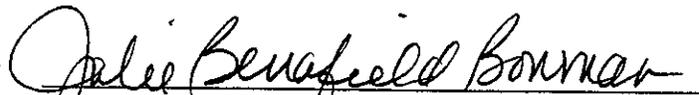
#### CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact and other matters, facts and things before the Commissioner, the Commissioner finds and concludes that none of the conditions specified in Ark. Code Ann. § 23-63-510 and 23-69-149 as preclusions for the approval of the Agreement and Reinsurance Agreement exist and the proposed acquisition of control of the Company, bulk reinsurance of all or substantially all of the Company's insurance business to the Applicant should be approved as provided in the Agreement, Reinsurance Agreement, letter/petition, Form A, and as described in this Order with the Reinsurance Agreement to be effective upon notice to the Department. Upon consummation of the Reinsurance Agreement, the Company's charter shall not be extinguished but shall continue in full force and effect.

IT IS, THEREFORE, ORDERED, that the Stock Purchase Agreement whereby the Applicant would acquire all of the issued and outstanding capital stock and thus control of the Company should

be and it is hereby approved, and the Reinsurance Agreement whereby all of the Company's insurance business would be transferred to the Applicant is hereby approved. Upon consummation of the Reinsurance Agreement, the charter and corporate existence of the Company will not be extinguished, but will be continued in full force and effect.

DATED this 13<sup>th</sup> day of December, 2005.

  
Julie Benafield Bowman, Insurance Commissioner