

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

**IN THE MATTER OF THE APPLICATION FOR  
APPROVAL OF THE ACQUISITION OF CONTROL  
OF STONEVILLE INSURANCE COMPANY OF  
ARKANSAS BY ROUNDSTONE HOLDINGS, INC.**

051  
AID NO. 2006-\_\_\_\_\_

**ORDER**

A hearing was held before the Arkansas Insurance Commissioner (“Commissioner”) on November 29, 2006 at 1:30 p.m. in the hearing room of the Arkansas Insurance Department (“Department”) in accordance with the provisions of Ark. Code Ann. §§ 23-63-506 through 23-63-510 and other pertinent provisions of the Arkansas Insurance Code pursuant to a petition dated April 8, 2005, and a Form A Application dated April 7, 2005, filed by Roundstone Holdings, Inc. (“Applicant”). Applicant sought approval of a Stock Purchase Agreement (“Agreement”) dated January 12, 2005, entered into by the Applicant and The Honorable George Dale (“Liquidator”), Insurance Commissioner of the State of Mississippi, in his capacity as Liquidator of Stoneville Insurance Company of Mississippi, the owner of all outstanding capital stock of Stoneville Insurance Company of Arkansas (“Company”), NAIC No. 10146.

The Department was represented by Ms. Jean Langford, Chief Counsel; Ms. Amanda Capps Rose, Associate Counsel; and Mr. Leo Liu, Manager of Financial Analysis. Applicant was represented by its President, Mr. Michael A. Schroeder, and its attorneys, Dover Dixon Horne PLLC, through Mr. Allan W. Horne. The Liquidator and the Company were represented by Mr. Cecil Harper, Deputy Liquidator, and by his attorneys, Copeland, Cook, Taylor & Brush P.A., through Ms. Michelle C. Partridge. With the

consent of the Commissioner, Mr. Liu presented his written recommendation regarding the transaction in lieu of verbal testimony.

### **FINDINGS OF FACT**

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

1. The petition and Form A were filed herein on April 8, 2005. The Commissioner has jurisdiction of the parties and the subject matter pursuant to Ark. Code Ann. § 23-63-510 and other pertinent provisions of the Arkansas Insurance Code. The notice of hearing was given within the time and in the manner required by law and/or was waived, and the parties have consented to the holding of this hearing at this time and on this date. The previously scheduled hearings were continued by agreement of the parties until concluded on this date.

2. Applicant is an Arkansas property and casualty insurance company and is subject to the provisions of the Arkansas Insurance Holding Company Regulatory Act, codified at Ark. Code Ann. §§ 23-63-501, *et seq.*, and Department Rule 15.

3. Through the acquisition of the Company by the Applicant, the Company will become a wholly-owned subsidiary of the Applicant. The Agreement has been approved by the Board of Directors of the Applicant and by the Liquidator.

4. The purchase price agreed to be paid for the stock of the Company was reached through arms-length, independent negotiation by the parties and therefore is fair

and equitable to the Applicant. The terms of the Agreement are not unreasonable, inequitable, or unfair to the security holder of the Company.

5. Applicant is duly licensed and in good standing at the Department under the laws of the State of Arkansas. The Company has no policyholders and, consequently, consummation of the Agreement will not reduce the security of, or the service to be rendered to, any policyholders of the Company. The financial condition of the Applicant will not jeopardize the financial stability of the Company, prejudice the interests of any policyholder, or prejudice the interests of any security holders.

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

7. There are no plans or proposals to liquidate the Company, move or re-domesticate the company, sell its assets, or consolidate or merge it with any other person or entity, except as set forth in the Agreement. There are no plans or proposals to make any material changes in the Company's business or corporate structure that would be unreasonable or unfair to any policyholders of the Company or against the public interest.

8. The competence and experience of the persons who would control the operations of the Company are not such that the acquisition of control would be against the best interest of any policyholders of the Company or the public.

9. 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.

10. The Agreement is not contrary to law.

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

12. After the acquisition of the Company is complete, and prior to the issuance of any policies or contracts by the Company, the Applicant has agreed to obtain reinsurance for all or a significant part of insurance business issued by the Company through an A.M. Best "A" rated, unaffiliated reinsurer currently authorized or registered by the Commissioner to transact reinsurance business in the State of Arkansas. In the alternative, the Applicant and its affiliates have agreed not to issue any policies or contracts of insurance to be reinsured by the Company's parent, Roundstone Insurance, Ltd., a Bermuda reinsurance company ("Reinsurer") until the Reinsurer attains a surplus in the amount of seven million dollars (\$7,000,000.00). In the event that the Reinsurer accepts reinsurance from the Company, it will provide a letter of credit or create a trust account for reinsurance ceded to the Reinsurer which funds may not be removed from the trust account without prior written approval of the Commissioner. Applicant's immediate parent and ultimate parent have both provided written guaranties to maintain not less than one million five hundred thousand dollars (\$1,500,000.00) of capital and surplus for the Company and have agreed to submit to the jurisdiction of Arkansas courts, all as more specifically set forth in a letter agreement dated September 25, 2006, a true and correct copy of which was admitted into evidence as Exhibit 22 at the hearing.

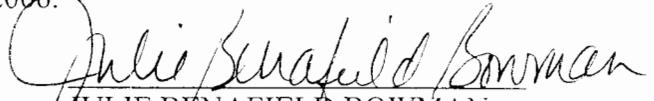
#### **CONCLUSIONS OF LAW**

Based upon the above and foregoing Findings of Fact and other matters and facts before the Commissioner, the Commissioner finds and concludes that none of the

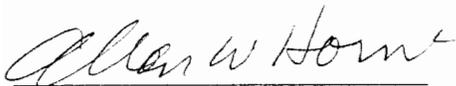
conditions specified in Ark. Code Ann. § 23-63-510 as preclusions for the approval of the Agreement exist. The Commissioner further finds and concludes that the proposed acquisition of control of the Company should be approved as provided in the Agreement, Petition, Form A Application, and as described in this Order. The Company's charter has not been extinguished and shall continue in full force and effect.

IT IS THEREFORE ORDERED that the Stock Purchase Agreement whereby the Applicant would acquire all of the outstanding capital stock and control of the Company should be, and is, hereby approved and that corporate existence of the Company has not been extinguished and will continue in full force and effect.

DATED this 6th day of December, 2006.

  
JULIE BENAFIELD BOWMAN  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS

Approved as to form:



Mr. Allan W. Horne  
Dover Dixon Horne PLLC  
425 West Capitol Ave., Suite 3700  
Little Rock, AR 72201  
(501) 375-9151

*Counsel for Applicant*