

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

**IN THE MATTER OF
FIRST GUARANTY INSURANCE COMPANY,
AN ARKANSAS DOMESTIC INSURER**

A.I.D. 2008- 045

ORDER

Now on this day, the matter of First Guaranty Insurance Company (“Company”), of Ashdown, Arkansas, NAIC #84034, an Arkansas domestic insurer authorized to transact life, accident and health insurance business, comes before Julie Benafield Bowman, Insurance Commissioner of the State of Arkansas (“Commissioner”). From the facts and matters before her, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the parties and subject matter pursuant to Ark. Code Ann. § 23-61-103, Ark. Code Ann. § 23-63-501, *et seq.*, and other provisions of the Arkansas Insurance Code.
2. The Company is an Arkansas domestic insurer authorized to transact life, accident and health insurance business in the State of Arkansas.
3. Guaranty National Corporation owns one hundred percent (100%) of the issued and outstanding stock of First Guaranty Insurance Company.
4. The Madden Grand Children’s Trust owns four sixth’s (4/6) of the issued and outstanding stock of Guaranty National Corporation. The remaining stock is held equally by Jack Madden, Sr. (1/6) and a trust at Century Bank established for the purchase of stock previously held by Robert Eichelberger (1/6).
5. There are four (4) equal beneficiaries of the Madden Grandchildren’s Trust: Jack Madden, Jr.; David Wayne Madden; Christi Diane Babb; and Lynda Sue Cobb.

6. The stock held in trust at Century Bank will, upon approval of the Commissioner of Insurance for the State of Arkansas, be transferred from the trust to Guaranty National Corporation and held as treasury stock.

7. After the transfer of the stock from the Madden Grandchildren's Trust to each of the beneficial owners in their respective interests and upon transfer of the stock from the trust at Century Bank to Guaranty National Corporation, all of the issued and outstanding stock will be owned equally by the following five individuals: Jack Madden, Jr.(1/5); David Wayne Madden (1/5); Christi Diane Babb (1/5); Lynda Sue Cobb (1/5); and Jack Madden, Sr. (1/5).

8. Jack Madden, Jr.; David Wayne Madden; Christi Diane Babb; Lynda Sue Cobb and Jack Madden, Sr. have all executed Individual Disclaimer of Control Affidavits as each one of them individually is unable to exercise control of Guaranty National Corporation or its wholly owned subsidiary, First Guaranty Insurance Company.

9. The transfer of stock from the Madden Grandchildren's Trust to the beneficiaries in their respective interests is not being done for the purpose of changing or influencing control of a domestic insurer as set forth in §23-63-507(3).

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact and the evidence before her, the Commissioner concludes as follows:

10. Pursuant to Ark. Code Ann. § 23-63-507, the provisions of Ark. Code Ann. §§ 23-63-506 through 23-63-513 shall not apply in certain circumstances. Specifically, that section provides that Ark. Code Ann. §§ 23-63-506 through 23-63-513 shall not apply to “[a]ny offer, request, invitation, agreement, or acquisition which the commissioner, by order, shall exempt therefrom

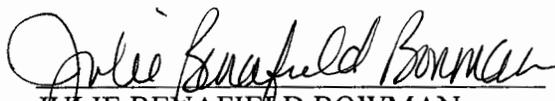
as not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer.” Ark. Code Ann. § 23-63-507(3)(A).

11. The proposed transfer of Guaranty National Corporation stock from the Madden Grandchildren’s Trust to its beneficiaries in their respective interests was not made or entered into for the purpose of changing or influencing the control of the Company, nor did the transfer of Guaranty National Corporation stock have the effect of changing or influencing the control of the Company.

12. For the reasons stated herein, the Company’s request for an exemption from the requirements of the Insurance Holding Company Regulatory Act, Ark. Code Ann. §§ 23-63-501, *et seq.*, is hereby granted pursuant to Ark. Code Ann. § 23-63-507(3)(A).

13. The Company is directed to provide written notice to the Arkansas Insurance Department and obtain the approval of the Commissioner prior to any future change in ownership of the Company.

IT IS SO ORDERED ON THIS 11th DAY OF JUNE, 2008


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS