

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

**IN THE MATTER OF THE APPLICATION  
FOR APPROVAL OF THE ACQUISITION OF  
CONTROL OF GIBRALTAR NATIONAL  
INSURANCE COMPANY BY APPLICANT,  
SASSA, LLC**

A.I.D. NO. 2009- 003

**ORDER**

On Wednesday, January 14, 2009, at 10:00 a.m., in the Hearing Room of the Arkansas Insurance Department (the "Department"), in accordance with the provisions of Ark. Code Ann. §§ 23-61-109, 23-61-303, 23-69-142(g), and other pertinent provisions of the Arkansas Insurance Code, a public hearing was held regarding the acquisition of control of the voting stock of Gibraltar National Insurance Company ("Gibraltar") by Edward M. Harvey from United Capital LTD on December 29, 2008 and regarding the Statement Regarding the Acquisition of Controlling Interest of the Voting Stock of a Domestic Insurer (the "Acquisition Statement"). The Acquisition Statement, dated December 31, 2008, as amended and supplemented, was filed by SASSA, LLC ("SASSA"), seeking approval of the acquisition of control of Gibraltar, as detailed in the Acquisition Statement. The hearing was held before Jay Morgan, Deputy Commissioner/General Counsel, and Hearing Officer, as designated by the Insurance Commissioner for the State of Arkansas ("Commissioner"). The Department was represented by Ms. Amanda Capps Rose, Associate Counsel, and Mr. Mel Anderson, Deputy Commissioner for Financial Regulation/Audit. Present on behalf of Gibraltar and Edward M. Harvey was Ms. Audra Welcher, Director and President of Gibraltar, and its counsel Mr. Dick Horne of Dover Dixon Horne PLLC, who also appeared on behalf of Edward M. Harvey. Representing SASSA was Ms. Alisha Pollock, owner and managing member of SASSA and Mr. Jared Standridge,

owner and member of SASSA, and its counsel Mr. Nick Thompson, of Mitchell, Williams, Selig, Gates and Woodyard, and Toney McMillan of McMillan, McCorkle, Curry & Bennington, LLP. Ms. Welcher, Ms. Pollock, and Mr. Steve Standridge, the proposed Chairman of the Board of Gibraltar following the acquisition, testified at the hearing.

### **FINDINGS OF FACT**

From the Acquisition Statement, testimony of witnesses, and other evidence presented 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 that:

1. Gibraltar is an Arkansas domiciled insurer, NAIC No. 35360, and is licensed to transact property, casualty, and marine insurance in Arkansas.
2. All persons attending the hearing were provided the opportunity to present evidence, examine witnesses, and/or offer argument or objection. SASSA presented evidence and argument through counsel and through the testimony of Ms. Pollock and Mr. Standridge. Ms. Welcher presented evidence on behalf of Gibraltar.
3. Ms. Welcher testified that, at a meeting of Gibraltar's sole shareholder (United Capital LTD as of said meeting) and the Board of Directors of Gibraltar, held December 29, 2008, the proposed transfer of all of the shares of Gibraltar's stock from United Capital LTD to Edward M. Harvey was approved in order to facilitate the acquisition of Gibraltar by SASSA. The Board Resolution and Stock Certificate conveying the stock of Gibraltar to Edward M. Harvey were admitted as Hearing Exhibit 11.

4. Ms. Welcher testified that no director, officer, agent or employee of Gibraltar received any fee, commission, compensation or other valuable consideration whatsoever for in any manner acting, promoting or assisting the above referenced-transfer of Gibraltar stock, except as set forth in Hearing Exhibit 11.
5. Ms. Welcher testified on behalf of Gibraltar that, in her opinion:
  - (a) Edward M. Harvey's acquisition of Gibraltar did not violate any law;
  - (b) Edward M. Harvey's acquisition of Gibraltar from United Capital LTD was not inequitable to Gibraltar's shareholder; and
  - (c) Edward M. Harvey's acquisition of Gibraltar did not substantially reduce the security of and service rendered to Gibraltar's policyholders.
6. SASSA is an Arkansas limited liability company with its home office located in Mt. Ida, Arkansas.
7. No objections were made at the hearing or otherwise to the proposed acquisitions of Gibraltar by Edward M. Harvey or by SASSA.
8. The testimony presented by Ms. Pollock at the hearing, and the biographical affidavits filed as part of the Acquisition Statement, provide evidence that most of the proposed directors and all of the proposed officers of Gibraltar have prior experience in the insurance industry, including experience managing insurance companies.
9. Ms. Pollock testified that control of Gibraltar by SASSA is to be acquired through a Stock Purchase Agreement, dated December 31, 2008, as amended and supplemented, by and between Gibraltar, SASSA, and Edward M. Harvey, whereby SASSA will transfer to Edward M. Harvey two million (\$2,000,000) in

certificates of deposit in exchange for all of the issued and outstanding capital stock of Gibraltar.

10. Ms. Pollock testified that SASSA intends to continue the type of business already being underwritten by Gibraltar.
11. Ms. Pollock further testified that, at the present time, SASSA did not anticipate pursuing any other business ventures.
12. Ms. Pollock testified that the proposed acquisition by SASSA will have a direct, positive financial impact on the financial condition of Gibraltar by providing Gibraltar with the surplus and capital necessary to cure its current deficiencies to the benefit of all current and future Gibraltar policyholders.
13. Ms. Pollock testified that in her opinion the terms of the acquisition by SASSA are fair and reasonable to Gibraltar. Ms. Pollock testified that SASSA has no plans to make any material changes in Gibraltar's business or corporate structure that would be unfair or unreasonable to any policyholders of Gibraltar.
14. Ms. Pollock testified that the nature and amount of the consideration concerning the acquisition by SASSA were determined through: (1) negotiations on an arms length basis; (2) the value of the renewal book of business of Gibraltar; (3) future sales of Gibraltar; and (4) an independent third party accountant's evaluation of Gibraltar.
15. Ms. Pollock testified that a certain Surplus Note in the amount of \$2 million to Steve and Debbie Standridge from Gibraltar also required regulatory approval from the Department in connection with the acquisition by SASSA.
16. Ms. Welcher testified that she will remain the President of Gibraltar subsequent to

the acquisition by SASSA.

17. Ms. Welcher testified that the proposed acquisition by SASSA will have no impact on current employees of Gibraltar.
18. Ms. Welcher testified that Gibraltar will continue its current business plan for the next three (3) to five (5) years in an attempt to expand into a larger, more stable domestic property and casualty insurer.
19. Ms. Welcher testified that she knew of no plans by SASSA, or the individuals controlling it, to cause a dividend of assets from Gibraltar.
20. Ms. Welcher testified that, other than as described in the Acquisition Statement, she knew of no plans or proposals by SASSA to liquidate Gibraltar, sell its assets or consolidate or merge it with any person, or to make any other material change in its business, corporate structure, or management such that the acquisition would not be fair and reasonable to policyholders of Gibraltar and in the public interest.
21. Ms. Welcher testified that no director, officer, agent, employee of any party to this exchange received any fee, commission, or other valuable consideration whatsoever for aiding, promoting, assisting therein except as set forth in the plan or agreements.
22. Both Ms. Pollock and Ms. Welcher testified that no director, officer, agent or employee of Gibraltar or SASSA will receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner acting, promoting or assisting therein except as set forth in the Acquisition Statement and exhibits thereto.

23. Ms. Pollock testified on behalf of SASSA and Ms. Welcher testified on behalf of Gibraltar that, in their opinion:

(a) SASSA's acquisition of Gibraltar will not violate any law;

(b) SASSA's acquisition of Gibraltar is not inequitable to Gibraltar's shareholders; and

(c) SASSA's acquisition of Gibraltar will not substantially reduce the security of and service rendered to Gibraltar's policyholders.

24. No objections were made at the hearing or otherwise to the proposed acquisitions of Gibraltar by SASSA.

25. Testimony indicated that the anticipated closing date for the acquisition of Gibraltar is January 16, 2009; however, the closing date has been rescheduled for January 23, 2009 by agreement of the parties hereto.

#### **CONCLUSIONS OF LAW**

Based upon the foregoing Findings of Fact, the Commissioner concludes as follows:

1. That the Commissioner has jurisdiction over the parties and the subject matter herein.
2. That the acquisitions of control would not tend to adversely affect the contractual obligations of Gibraltar or its ability to render service in the future to its policyholders and the public.
3. That the effect of the acquisitions of control of Gibraltar would not substantially lessen competition in any line of insurance business in any section of the State of Arkansas or tend to create a monopoly therein.

4. That the acquisitions of control of Gibraltar will not jeopardize the financial stability of Gibraltar or prejudice the interests of their policyholders. Therefore, the acquisitions should be approved.
5. That, other than as described in the Acquisition Statement, neither Edward M. Harvey nor SASSA has any plans or proposals to liquidate Gibraltar, sell its assets or consolidate or merge the assets with any person, or to make any other material change in the business, corporate structure, or management of Gibraltar.
6. That the plans or proposals of SASSA with respect to Gibraltar as set forth in the Acquisition Statement, and as presented at the hearing, are fair and reasonable to policyholders of Gibraltar and in the public interest.
7. That the competence, experience, and integrity of those persons who would control the operations of Gibraltar are such that the acquisitions of control would not tend to adversely affect the general capacity or intention of Gibraltar to transact the business of insurance in a safe and prudent manner.
8. That the Acquisition Statement submitted by SASSA is properly supported by the required documents and meets all the requirements of law for its approval.
9. That the requirements for approval of the subject acquisitions, found in Ark. Code Ann. § 23-69-142(c)(2), have been met.
10. Pursuant to Ark. Code Ann. § 23-69-132(c)(1), the Surplus Note to Steve and Debbie Standridge from Gibraltar has been filed in connection with this acquisition.
11. That Arkansas' "Business Transacted with Producer Controlled Property and Casualty Insurer Act," Ark. Code Ann. §§ 23-63-1101, *et seq.*, is applicable once

the acquisition occurs by SASSA. The agreement between the controlled insurer, Gibraltar, and the controlled producer, Steve Standridge Insurance, Inc., required by Ark. Code Ann. § 23-63-1105(b) has been filed with the Department.

12. Gibraltar has been forthright with the Department, concerning the issuance of certain surety bonds without proper regulatory approval and the failure to replace the same, and concerning the filing of certain financial statements which fail to identify the presence of a mortgage on certain real property (the "Packet House") owned by Gibraltar.
13. That simultaneously therewith or immediately subsequent to the acquisition by SASSA, Gibraltar will attain the necessary capital and surplus to cure its current financial deficiencies. Further, that the financial condition of SASSA and its members is such that it will not jeopardize the financial stability of Gibraltar or prejudice the interests of its policyholders.
14. A Guaranty Agreement exists, signed by Edward M. Harvey on August 30, 2006, guaranteeing Gibraltar's solvency during the duration of his ownership of Gibraltar.

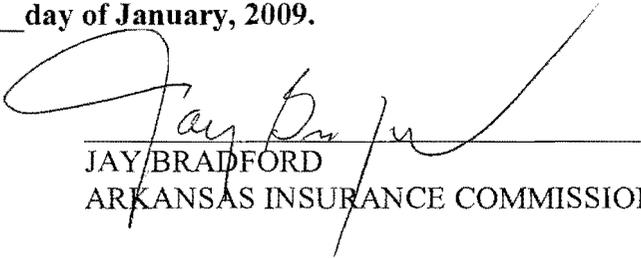
**NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:**

1. The December 29, 2008 acquisition of control of Gibraltar by Edward M. Harvey, pursuant to Hearing Exhibit 11, is hereby APPROVED.
2. The acquisition of control of Gibraltar by SASSA, as described in the December 31, 2008 Acquisition Statement and amendments and exhibits thereto, is hereby APPROVED contingent upon receipt by the Department of third party background checks, acceptable to the Department, on all executive officers and

directors requiring a third party background check in connection with this acquisition.

3. The Surplus Note from Gibraltar to Steve and Debbie Standridge filed pursuant to Ark. Code Ann. § 23-69-132(c)(1) and the Producer Controlled Property and Casualty Insurer Agreement filed pursuant to Ark. Code Ann. § 23-63-1105(b) are hereby APPROVED.
4. The Department recognizes that surety bonds were previously issued by Gibraltar without the appropriate authority, and that Gibraltar failed to take the corrective action as instructed by the Department, and that one (1) or more financial statements were filed with the Department inaccurately showing no encumbrance on the Packet House and agrees, in reliance upon testimony received at the January 14, 2009 hearing, not to seek regulatory sanction or adverse administrative action against Gibraltar, Audra Welcher, Julie Lewis, or SASSA regarding these two (2) specific, known potential liabilities. The Department retains and reserves all rights and remedies under the Arkansas Insurance Code to take any necessary action regarding these two (2) known potential liabilities if information contrary to the testimony presented or information not available at that time is received, obtained, or otherwise made known to the Department.

It is so ORDERED this 16<sup>th</sup> day of January, 2009.

  
\_\_\_\_\_  
JAY BRADFORD  
ARKANSAS INSURANCE COMMISSIONER