

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

ARKANSAS INSURANCE DEPARTMENT,)
 Petitioner)
)
vs.)
)
PEGASUS INSURANCE COMPANY, INC.,)
 Respondent)

A.I.D. NO. 2010- 0 6 6

AGREED ORDER

WHEREAS, Petitioner, the Arkansas Insurance Department (hereinafter referred to as the "Department"), and the Respondent, Pegasus Insurance Company, Inc. (hereinafter referred to as the "Respondent"), hereby stipulate and agree, subject to the approval of the Arkansas Insurance Commissioner (hereinafter referred to as the "Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.
2. The Commissioner has determined that the resolution set forth in this Agreed Order is fair and reasonable, and in the best public interest.
3. This Agreed Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation in or resolution of these proceedings.

4. Respondent fully understands that this Agreed Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Agreed Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

5. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Agreed Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Agreed Order by the Commissioner.

FINDINGS OF FACT

6. Respondent is an insurance company domiciled in the State of Oklahoma.

7. On or around May 15, 2010, the Respondent filed its first quarterly financial statement with the Department's Finance Division.

8. The quarterly report showed a policyholder surplus of \$6,275,985 (six million two hundred seventy-five nine hundred eighty-five dollars); however, \$5,800,477 (five million eight hundred thousand four hundred seventy-seven dollars) was transferred to affiliates on April 1, 2010, leaving an estimated surplus of \$425,507 (four hundred twenty-five thousand five hundred seven dollars).

9. On June 22, 2010, the Respondent was placed in voluntary receivership by its domiciliary state for purposes of rehabilitation due to a finding that Respondent is "insolvent and a hazard to policyholders, creditors of Pegasus and the general public."

CONCLUSIONS OF LAW

7. Ark. Code Ann. § 23-63-212(b)(1) requires the Commissioner to summarily suspend or revoke the Respondent's certificate of authority and does not require prior notice.

8. Pursuant to Ark. Code Ann. §§ 23-63-205 and 23-63-207, Respondent is required to maintain minimum capital in the amount of \$750,000 (seven hundred fifty thousand dollars) and minimum surplus in the amount of \$ 750,000 (seven hundred fifty thousand dollars).

9. Ark. Code Ann. § 23-63-213(b) allows the Commissioner, without advance notice or a hearing thereon, to suspend the Respondent's certificate of authority due to the receivership that has been initiated in its domiciliary state.

10. By virtue of the fact that the Respondent fails to meet the capital and surplus requirements of Ark. Code Ann. § 23-63-205, as well as the fact of the Respondent's placement into receivership by the Oklahoma Department of Insurance, the Respondent's financial condition is hazardous and unsound.

11. Respondent admits to the Findings of Fact, above. Respondent further admits that the Conclusions of Law, above, are fair and reasonable. In order to avoid any further expense or cost associated with litigating this matter, Respondent hereby desires to enter into this Agreed Order.

ORDER

NOW THEREFORE, on the basis of the foregoing, and the waiver of the Respondent, of its rights to a hearing and appeal under Arkansas Insurance Code and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-201, *et seq.*, and the admission by Respondent of the jurisdiction of the Commissioner, the Commissioner finds that the Respondent has agreed to the entry of this Order and that this Order is appropriate and in the public interest.

IT IS ORDERED, pursuant to Ark. Code Ann. §§ 23-63-212 and 23-63-213 the Arkansas Insurance Code, that:

1. Respondent's Certificate of Authority No. 1678 is hereby suspended for a period of two (2) years. Should the Commissioner determine that the Respondent's financial condition is no longer hazardous and unsound, he may at any time remove the suspension of the Respondent's certificate of authority. In the event the Respondent's certificate of authority is not reinstated within two (2) years from the date of this Order, the Respondent's Certificate of Authority shall automatically be revoked without further action by the Commissioner or the Arkansas Insurance Department.

2. While the Respondent's certificate of authority is either suspended or revoked, Respondent shall cease writing new business in the State of Arkansas, and shall only renew those policies that the law may require. Respondent shall, however, at all such times continue to file its annual statement, pay fees, licenses and taxes as required and applicable, and service existing policyholders and adjust losses thereunder.

3. Respondent may apply at any time to the Department, for the lifting of the foregoing suspension of its certificate of authority.

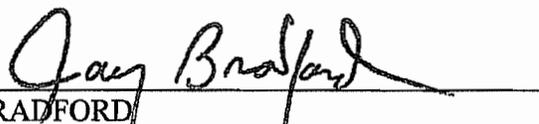
This Agreed Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Pegasus Insurance Company, Inc. affirmatively states that it has freely agreed to the entry of this Agreed Order, that it has been advised that it may consult legal counsel in this matter, and has had the opportunity to consult with legal counsel should it had desired to do so, that it waives its right to a hearing on the matters underlying this Agreed Order and

to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Department, or any agent or representative thereof. The parties, by signing this Agreed Order, affirmatively state their agreement to be bound by the terms of this Agreed Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Agreed Order, are binding upon them.

Nothing in this Agreed Order should be construed to limit the authority of the Department or the Commissioner to take further action against the Respondent should such action, in the opinion of the Department or the Commissioner, be necessary.

SO ORDERED.

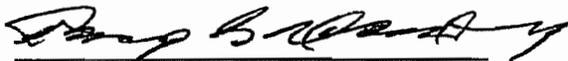
ENTERED this the 28th day of July, 2010.



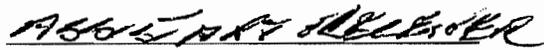
JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS

APPROVED FOR ENTRY:

Pegasus Insurance Company, Inc.



By:



Title