

**IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA**

STATE OF OKLAHOMA, ex rel.)
 CARROLL FISHER, Insurance)
 Commissioner,)
)
 Petitioner,)
)
 vs.)
)
 REPUBLIC CASUALTY COMPANY,)
 A licensed domestic insurer in)
 the State of Oklahoma,)
)
 Respondent.)

Case No. CJ-2001-9030

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

DEC 10 2001

PATRICIA PRESLEY, COURT CLERK
By ~~Deputy~~

ORDER APPOINTING RECEIVER AND PERMANENT INJUNCTION

Now on this 10th day of December, 2001, there came on for hearing the November 20, 2001, Order Directing Insurer to Show Cause filed by Petitioner, Carroll Fisher, Insurance Commissioner, State of Oklahoma. The Insurance Commissioner appeared by and through his counsel of record, Andrew W. Lester of Lester, Loving & Davies, P.C. Republic Investors, Inc. and Will Rogers ~~appeared through counsel of record, Robert F. Groshon.~~ *CRK failed to appear* Republic Investors, Inc., the majority shareholder of Republic Casualty Company, the Respondent, has also filed an entry of appearance through its counsel, Joe L. Roselle and Robert F. Groshon, and indicated therein that it does not object to the appointment of a receiver and that it does not intend to proceed further in this action at this time. The Court, upon hearing this matter and having examined the Order Directing Insurer to Show Cause, having heard the parties, and being well advised in the premises, finds:

1. Carroll Fisher is the duly qualified and acting Insurance Commissioner of the State of Oklahoma, and as such is charged with the duty of administering and regulating the

state's insurance industry. Pursuant to 36 O.S. § 1903, the Insurance Commissioner may appear in the District Court to make application for an order directing the insurer to show cause why an Order of Liquidation or Rehabilitation should not be entered and a Receiver appointed.

2. This Court has jurisdiction of this action pursuant to 36 O.S. § 1902(A).
3. Venue in this Court is appropriate pursuant to 36 O.S. § 1902(F).
4. Republic Casualty Company is an Oklahoma domestic insurer authorized to transact insurance in the State of Oklahoma, holding certificate of authority number 7090. Republic Casualty Company is currently authorized to transact property and casualty insurance, and has its home office in Oklahoma City, Oklahoma.

5. Republic Casualty Company was placed into administrative conservatorship pursuant to 36 O.S. § 1805 through that certain Consent Order of Conservatorship dated November 2, 2001.

6. The Consent Order of Conservatorship includes Findings of Fact that Republic Casualty Company is insolvent and that Republic Casualty Company's condition is such as to render the continuance of its business hazardous to the public or to holders of its policies or certificates of insurance.

7. The Consent Order of Conservatorship includes Conclusions of Law that Republic Casualty Company is insolvent pursuant to 36 O.S. § 1802(3), that Republic Casualty Company's condition is such as to render the continuance of its business hazardous to the public or to holders of its policies or certificates of insurance, that Republic Casualty Company has exceeded its powers as defined in 36 O.S. § 1802(4) in that Republic Casualty Company has failed to remedy the statutory financial deficiencies of Republic Casualty Company, and that

Republic Casualty Company has failed to comply with the law in that the company is insolvent and also pursuant to 36 O.S. §§ 1803 and 1805.

8. The Consent Order of Conservatorship includes a Conclusion of Law and orders that, pursuant to 36 O.S. § 1805(D), if the Commissioner is satisfied that the Republic Casualty Company is not in condition to continue business in the interest of its policy or certificate holders, under the conservator, the Commissioner shall apply to the appropriate court for an order appointing him as receiver for the Company, under the provisions of 36 O.S. §§ 1901 *et seq.* The Consent Order also includes a Conclusion of Law and ordered that it shall be in the discretion of the Commissioner to determine whether or not he will operate the insurance company through a conservator or apply for an order appointing him receiver.

9. The actions and omissions of Will Rogers, President of Republic Casualty Company, before and after the agreement to enter into the Consent Order of Conservatorship, make it apparent that the Insurance Commissioner should exercise his discretion to apply for an order appointing him receiver pursuant to 36 O.S. § 1805(D) and 36 O.S. §§ 1901 *et seq.*

10. Information available to the Insurance Commissioner has revealed that the financial condition of Republic Casualty Company is worse than was known on the date of the Consent Order of Conservatorship, and that the company is no longer in condition to continue business in the interest of its policyholders or certificate holders under the Conservatorship pursuant to 36 O.S. § 1805(D). The information indicating the grave condition of Republic Casualty Company includes the following discrepancies between the Republic Casualty Company's quarterly statement filing dated June 30, 2001 and the financial condition as determined by the Conservator post November 2, 2001.

- A. Republic Casualty Company's quarterly statement reflected a bond at a value of \$250,000.00. The value after adjustments by the Insurance Department is \$0.
- B. Republic Casualty Company's quarterly statement reflected net value of real estate of \$206,705.00. The value after adjustments by the Insurance Department is \$0.
- C. Republic Casualty Company's quarterly statement reflected premiums and agents balances receivable of \$850,852.00. The value as determined by the Insurance Department is \$0.
- D. Republic Casualty Company's quarterly statement reflected a reinsurance receivable of \$1,127,515.00. The value as determined by the Insurance Department is \$0.
- E. Republic Casualty Company's quarterly statement reflected receivable from parent, subsidiaries and affiliates of \$70,482.00. The value as determined by the Insurance Department is \$0.
- F. Republic Casualty Company currently has outstanding claims of \$3,126,079 not including incurred but not received claims, and the company has approximately \$700,000.00 in cash and other liquid assets available to pay all claims and expenses.
11. Republic Casualty Company is required to possess capital and surplus in the amount of \$500,000.00, and in fact possesses capital and surplus of at least a negative <\$2,061,626.00>, and the capital and surplus will be even lower after loss reserves and other liability adjustments.
12. Republic Casualty Company's capital and surplus continues to be below the minimum required.
13. Republic Casualty Company is currently insolvent and impaired.

14. Republic Casualty Company has consented to the entry of this order through a majority of its stockholders.

Accordingly, the Court concludes that, pursuant to 36 O.S. §§ 1905 and 1906, the Insurance Commissioner may apply to the District Court for an Order appointing the Insurance Commissioner as receiver of, and directing the Insurance Commissioner to rehabilitate or to liquidate, Republic Casualty Company or any other domestic insurer upon the grounds specified above. Furthermore, the court concludes that 36 O.S. § 1904(A) allows the Commissioner to seek certain injunctive relief.

IT IS THEREFORE ORDERED AND DECREED THAT

1. Carroll Fisher, Insurance Commissioner of the State of Oklahoma, is hereby appointed Receiver of Republic Casualty Company and directed to liquidate the company pursuant to the laws of the State of Oklahoma.
2. The statutory deposits on file with the Oklahoma Insurance Department be released pursuant to 36 O.S. § 1707(3).
3. The Insurance Commissioner is vested with all powers and authority, express or implied, under the provisions of 36 O.S. §§ 1901 *et seq.*, in order to liquidate Republic Casualty Company. The Receiver is authorized and directed to take all action necessary and appropriate for the accomplishment of the liquidation of Republic Casualty Company.
4. The Insurance Commissioner shall forthwith take possession of the property of Republic Casualty Company and conduct its business until further order of the Court.
5. The Insurance Commissioner is hereby vested by operation of law with the title to all of the property, contracts, and rights of action and all of the books and records of the insurer, wherever located, now or hereafter discovered, as of the date of this Order.

6. The Insurance Commissioner may appoint one or more assistant commissioners or receivers to act for him and may employ such counsel, clerks, and assistants as he deems necessary. The Insurance Commissioner's prior appointment of Robert Abel as assistant receiver and of the law firm Lester, Loving & Davies, P.C., as counsel are hereby approved. The compensation of the assistant commissioners or receivers, counsel, clerks, or deputies and all expenses of taking possession of the insurer and of the conducting of the proceedings shall be fixed by the Insurance Commissioner, subject to approval of this Court, and shall be paid out of the funds or assets of Republic Casualty Company. Within the limits of duties imposed upon them, any assistant commissioner or receiver shall possess all of the powers given to and, in the exercise of those powers, shall be subject to all of the duties imposed upon the Insurance Commissioner as Receiver with respect to these proceedings.

7. If any legal action is commenced against the Insurance Commissioner, assistant commissioners or receivers, retained counsel, or any of their employees or personnel, whether personally or in an official capacity, alleging property damage, property loss, personal injury, or other civil liability caused by or resulting from any alleged act, error, or omission of any such person, the Insurance Commissioner, assistant commissioners or receivers, retained counsel, or any of their employees or personnel shall be immune from liability and indemnified as defined by 36 O.S. § 1937.

8. Effective as of the date of this Uncontested Order Appointing Receiver And Permanent Injunction, until further order the Court, no obligation, claim or debt of Republic Casualty Company shall be paid except those which the Receiver deems to be necessary or appropriate to facilitate the taking of possession or commencement/furtherance of liquidation.

Except as provided above, no distribution of Republic Casualty Company's property will be made without approval of the Court.

9. Except as provided above, no distribution of Republic Casualty Company's property will be made without approval of the Court.

10. Republic Casualty Company, its officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons, are hereby permanently enjoined and prohibited from transacting any further business of Republic Casualty Company and from wasting, transferring, selling, concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, records, correspondence, memoranda, or any other documents or other property of Republic Casualty Company or any of its affiliates which may have any conceivable relevance to these proceedings.

11. Republic Casualty Company, its officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons, are restrained and prohibited from paying any further claims, debts, or obligations of Republic Casualty Company and shall issue no further drafts or checks.

12. Republic Casualty Company, its officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons, are hereby directed to assign, transfer and deliver any property of Republic Casualty Company to the Insurance Commissioner.

13. All persons and entities (including secured and unsecured creditors) are hereby enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing and assigning, in any manner, the assets and property of Republic Casualty Company and commencing or prosecuting any actions against Republic Casualty Company, obtaining any

preferences, judgments, attachments, or other liens, against Republic Casualty Company, or making any levy against Republic Casualty Company or any party thereof.

14. All proceedings in which Republic Casualty Company or its policyholder is a party in any court in this state is stayed for a period of one hundred twenty (120) days from the date of this order, *pursuant to 36 OS §2020. CHR*

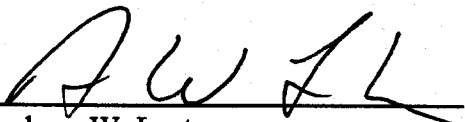
15. Any amounts recovered or recoverable by the Insurance Commissioner from any reinsurer of Republic Casualty Company shall not be reduced as a result of this delinquency proceeding.

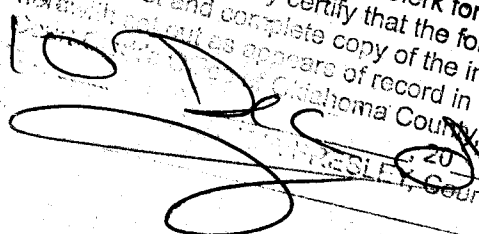
Dated this 10th day of December, 2001.

CAROLYN R. BATES

Judge of the District Court

APPROVED:


Andrew W. Lester
Lester, Loving & Davies, P.C.
1505 South Renaissance Boulevard
Edmond, Oklahoma 73013-3018
Tel. (405) 844-9900
Fax (405) 844-9958

I, PATRICIA PRESLEY, Court Clerk for Oklahoma County, Okla., hereby certify that the foregoing is a true, correct and complete copy of the instrument here-with set out as appears of record in the District Court, Oklahoma County, Okla.,

PATRICIA PRESLEY, Court Clerk Deputy