

FILED IN THE DISTRICT COURT
IN THE DISTRICT COURT OF OKLAHOMA, OKLAHOMA COUNTY, OKLA.
STATE OF OKLAHOMA

SEP 29 2006

STATE OF OKLAHOMA, ex rel.)
KIM HOLLAND, Insurance Commissioner,)
)
Petitioner,)
)
vs.)
)
SECURITY GENERAL LIFE)
INSURANCE COMPANY,)
a licensed domestic insurer in the)
State of Oklahoma,)
)
Defendant.)

PATRICIA PRESLEY, COURT CLERK
by _____ Deputy .

Case No. CJ-2006-_____

CJ 2006-8062

**ORDER DIRECTING INSURER TO SHOW CAUSE,
ALLOWING INJUNCTIVE RELIEF AND ORDER FOR HEARING**

NOW on this 29 day of September, 2006, there came on for hearing the verified Application of Kim Holland, Insurance Commissioner, State of Oklahoma, for an Order directing insurer to show cause and for certain injunctive relief against defendant, Security General Life Insurance Company (hereinafter "Security General") the Court, having examined such application and being well advised in the premises, finds as follows:

1. Kim Holland is 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. That 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 Rehabilitation should not be entered and a Receiver appointed.

2. The Court has jurisdiction over this matter pursuant to the provisions of 36 O.S. § 1902(A), which gives the District Court exclusive original jurisdiction of such proceedings against any insurer.

3. Venue is proper in the District Court within Oklahoma County pursuant to the provisions of 36 O.S. § 1902(F).

4. Security General is an Oklahoma domestic insurer licensed to transact insurance under the laws of the State of Oklahoma holding certificate of authority number 7296. Security General is authorized to transact life and accident & health, and has its home office in Del City, Oklahoma.

6. The Oklahoma Insurance Commissioner has learned that the financial position of Security General has reached the point that the company is impaired and/or insolvent.

7. The Oklahoma Insurance Commissioner has determined that the competence and integrity of the persons controlling the operations of Security General are such that it would not be in the interest of policyholders or the public to permit the company to continue operations.

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 liquidate Security General upon the grounds specified above. Furthermore, the court concludes that 36 O.S. § 1904(A) allows the Commissioner to seek certain injunctive relief without notice.

IT IS THEREFORE ORDERED AND DECREED that Security General shall appear at a hearing before this court on ~~OCTOBER~~ 20 2006 at 1:15 PM o'clock to show cause why an Order of Receivership should not be entered, why Kim Holland should not be appointed as Receiver of and for Security General, why Richard Darling should not be appointed Assistant Receiver with the granting of all the powers of the Receiver, and why the Commissioner should not release Security General's deposit to the Assistant Receiver, pursuant to 36 O.S. § 1707(3).

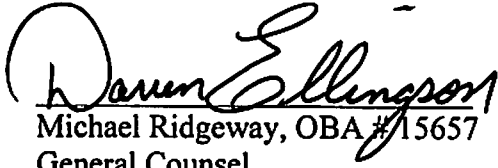
IT IS FURTHER ORDERED AND DECREED that Security General, its officers, directors, stockholders, members, subscribers, agents and all other persons are hereby enjoined and prohibited from transacting any further business of Security General and wasting and disposing of Security General's assets until further order of the Court; that all persons and entities are enjoined and prohibited from interfering with the Insurance Commissioner or these proceedings; that all persons and entities are enjoined and prohibited from wasting the assets of Security General, commencing or prosecuting any actions against Security General, obtaining any preferences, judgments, attachments, or other liens against Security General, or making of any levy against Security General or its assets or any part thereof.

IT IS FURTHER ORDERED AND DECREED that Kim Holland, Insurance Commissioner, through her Assistant Receiver, Richard Darling, shall immediately take control of the assets and business of Security General until the factual matters addressed in this Show Cause Order are finally resolved by this Court.

PATRICIA PRESLEY, Court Clerk for Oklahoma County, Okla., Hereby certify that the foregoing is true, correct and complete copy of the instrument herewith set out as appears of record in the District Court Clerk's Office of Oklahoma County, Okla.
This 29 day of Sept, 2006
By [Signature] PATRICIA PRESLEY, Court Clerk
Deputy

PATRICIA G. PARRISH
JUDGE OF THE DISTRICT COURT

APPROVED:

A handwritten signature in black ink that reads "Darren Ellingson". The signature is written in a cursive style with a large, prominent initial "D".

Michael Ridgeway, OBA #15657

General Counsel

Darren Ellingson, OBA #19452

Assistant General Counsel

Oklahoma Insurance Department

2401 N.W. 23rd Street, Suite 28

Post Office Box 53408

Oklahoma City, Oklahoma 73152-3408

(405) 521-2746

Fax (405) 522-0125

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order Directing Insurer To Show Cause and For Injunctive Relief was mailed return receipt requested on this 29 day of September, 2006, to:

Charles L. Smith
Security General Insurance Company
3021 Epperly Drive
Del City, OK 73115



DARREN T. ELLINGSON,
Assistant General Counsel
Oklahoma Insurance Department
2401 N.W. 23rd Street, Suite 28
Post Office Box 53408
Oklahoma City, Oklahoma 73152-3408
(405) 521-2746
Fax (405) 522-0125

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

SEP 29 2006

PATRICIA PRESLEY, COURT CLERK
by _____
DEPUTY

STATE OF OKLAHOMA, ex rel.)
KIM HOLLAND, Insurance Commissioner,)

Petitioner,)

vs.)

SECURITY GENERAL LIFE)
INSURANCE COMPANY,)
a licensed domestic insurer in the)
State of Oklahoma,)

Defendant.)

Case No. CJ-2006- 8062

QJ 2006-8062

**APPLICATION FOR ORDER DIRECTING
INSURER TO SHOW CAUSE AND FOR INJUNCTIVE RELIEF**

COMES NOW the State of Oklahoma, ex rel. Kim Holland, Insurance
Commissioner, and alleges and states the following:

I.

Kim Holland is 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 an insurer to show cause
why an Order of Receivership should not be entered.

II.

Pursuant to the provisions of 36 O.S. § 1902(A), the District Court has exclusive
original jurisdiction of delinquency proceedings against any insurer.

III.

Venue is proper in the District Court within Oklahoma County pursuant to the provisions of 36 O.S. § 1902(F).

IV.

Security General Life Insurance Company (hereinafter "Security General") is an Oklahoma domestic insurer licensed to transact insurance under the laws of the State of Oklahoma holding certificate of authority number 7296. Security General is authorized to transact life and accident & health and has its home office in Del City, Oklahoma.

V.

The Oklahoma Insurance Commissioner has determined that Security General is financially impaired and/or insolvent.

VI.

The Oklahoma Insurance Commissioner has determined that Security General is in a condition such that the continued operation would be hazardous to the policyholders, the creditors of the insurer, or the general public.

VII.

The Oklahoma Insurance Commissioner has determined that the competence and integrity of the persons controlling the operations of Security General are such that it would not be in the interest of policyholders or the public to permit the company to continue operations, and as a result Security General is in a condition such that the continued operation would be hazardous to the policyholders, the creditors of the insurer, or the general public.

VIII.

Security General's capital and surplus is below the minimum required pursuant to the Oklahoma Insurance Code.

IX.

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 liquidate Security General upon the showing of specified grounds including insolvency, impairment, being in a condition such that the continued operation would be hazardous to the policyholders, the creditors of the insurer, or the general public, and/or if the company has consented to such an order through a majority of its directors, stockholders, members or subscribers.

X.

Pursuant to 36 O.S. § 1901(1), the capital stock of an insurer shall be deemed to be impaired and the insurer shall be deemed to be insolvent when such insurer shall not be possessed of assets at least equal to all liabilities and required reserves together with its total issued and outstanding capital stock required by the Oklahoma Insurance Code to be maintained for the kind or kinds of insurance it is then authorized to transact.

XI.

Security General is currently insolvent and/or impaired and in a condition such that the continued operation would be hazardous to the policyholders, the creditors of the insurer, or the general public, therefore it is appropriate to place Security General in receivership, to appoint Kim Holland, Insurance Commissioner, as Receiver, that the Court direct the Insurance Commissioner to rehabilitate or liquidate the business of

Security General, and that the statutory protections be afforded to Security General's policyholders, creditors and claimants as set forth in the Oklahoma Uniform Insurers Liquidation Act, 36 O.S. § 1901, et seq.

XII.

Security General has on deposit with the State of Oklahoma through the Insurance Commissioner a security deposit in the amount of approximately \$600,000.00 that is required for authority to transact insurance in Oklahoma. Said deposit may be released to the Receiver of Security General upon proper order of this Court pursuant to Section 1707(3) of Title 36.

XIII.

WHEREFORE, premises considered, the State of Oklahoma prays the Court to enter an order directing Security General to show cause why an Order of Receivership should not be entered directing the liquidation of Security General, why Kim Holland should not be appointed as Receiver of and for Security General, why Richard Darling should not be appointed Assistant Receiver with the granting of all the powers of the Receiver, and why the Insurance Commissioner should not release Security General's security deposit to the Assistant Receiver pursuant to 36 O.S. § 1707(3).

Furthermore, the State of Oklahoma prays the Court to enter an immediate injunctive order as follows:

- A. The issuance of a permanent injunction, pursuant to 36 O.S. § 1904(A), which prohibits Security General, its officers, directors, stockholders, members, subscribers, agents and all other persons from transacting any

further business of Security General and wasting and/or disposing of Security General's assets until further order of this Court.

- B. The issuance of an injunction and/or order, pursuant to 36 O.S. § 1904(B), which prohibits any person and/or entity from interfering with the Insurance Commissioner or these proceedings, wasting the assets of Security General, commencing or prosecuting any actions against Security General, obtaining any preferences, judgements, attachments, or other liens against Security General, or making of any levy against Security General or its assets or any part thereof.

Respectfully submitted,



Michael Ridgeway, OBA # 15657
General Counsel
Darren Ellingson, OBA # 19452
Assistant General Counsel
Oklahoma Insurance Department
2401 N.W. 23rd Street, Suite 28
Post Office Box 53408
Oklahoma City, Oklahoma 73152-3408
(405) 521-2746
Fax (405) 522-0125

CERTIFICATE OF MAILING

I, Darren T. Ellingson, hereby certify that a true and correct copy of the above and foregoing Application For Order Directing Insurer To Show Cause and For Injunctive Relief was mailed return receipt requested on this 29 day of SEPTEMBER 2006, to:

Charles L. Smith
Security General Insurance Company
3021 Epperly Drive
Del City, OK 73115



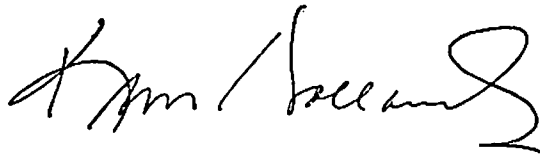
DARREN T. ELLINGSON
Assistant General Counsel
Oklahoma Insurance Department
2401 N.W. 23rd Street, Suite 28
Post Office Box 53408
Oklahoma City, Oklahoma 73152-3408
(405) 521-2746
Fax (405) 522-0125

VERIFICATION

STATE OF OKLAHOMA)
) ss.
COUNTY OF OKLAHOMA)

I, KIM HOLLAND, being of lawful age and being duly sworn and under oath state:

I am the Insurance Commissioner of the State of Oklahoma, and I have read the foregoing Application for Order Directing Insurer to Show Cause and For Injunctive Relief, and that the contents thereof and the facts set forth therein are within my personal knowledge and are true to the best of my knowledge.




KIM HOLLAND
INSURANCE COMMISSIONER
STATE OF OKLAHOMA

VERIFICATION

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) ss.

I, FRANK STONE, being of lawful age and being duly sworn and under oath
state:

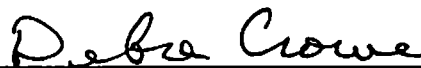
I am the Insurance Commissioner of the State of Oklahoma, and I have read the
foregoing Application for Order Directing Insurer to Show Cause and For Injunctive
Relief, and that the contents thereof and the facts set forth therein are within my personal
knowledge and are true to the best of my knowledge.


FRANK STONE
DEPUTY INSURANCE COMMISSIONER
STATE OF OKLAHOMA

Subscribed and sworn to before me this 29 day of September, 2006, by
Frank Stone.

My commissioner expires:

10/14/08


Notary Public

(SEAL)