

3. The Commissioner of Insurance has jurisdiction over the subject matter of this proceeding and over Northwestern National Casualty and this proceeding is held in the public interest.

4. Northwestern National Casualty's policyholders' surplus decreased from \$76,271,702 as of December 31, 1999 down to \$49,849,362 as of December 31, 2000, which represents a decrease of \$(26,422,340).

5. Northwestern National Casualty's policyholders' surplus was reported as \$29,978,357 as of September 30, 2001, which represents a further decrease in policyholders' surplus of \$(19,871,005) during the first nine months of 2001.

6. The reduction in Northwestern National Casualty's policyholders surplus is primarily due to a net underwriting loss of (\$38,776,312) during 2000 and another (\$26,620,015) in the first nine months of 2001.

7. The one year and two year reserve development as of year end 2000 indicated a deficiency of \$19.5 million and \$8.2 million respectively.

8. The September 30, 2001 financial statement reflects a \$12.2 million deficiency in the development of the December 31, 2000 total loss and loss adjustment expense reserves.

9. NN Insurance Company is a subsidiary of Northwestern National Casualty.

10. Highlands Insurance Group, Inc., is an upstream parent company of Northwestern National Casualty.

11. An investigation of Northwestern National Casualty, NN Insurance Company, and Highland Insurance Group, Inc., by the Wisconsin Insurance

Department, produced sufficient concern regarding the financial stability and well-being of the insurance companies to warrant the issuance of a Stipulation and Order dated the 1st of November, 2001. The Order was signed by Northwestern National Casualty and NN Insurance Company and is attached as Exhibit A.

12. Northwestern National Casualty's financial status currently remains above the minimum of capital and surplus requirements, as stated in K.S.A. 40-901 and K.S.A. 40-1104. However, the circumstances, as viewed by the Kansas Insurance Department, produce sufficient evidence regarding the financial stability and well-being of the insurance company to warrant the suspension of its Certificate of Authority in the State of Kansas.

Conclusions of Law

13. K.S.A. 40-222d provides in relevant part:

For the purposes of this act a company may be deemed to be in a hazardous financial condition when the commissioner has determined...that the loss experience of the company, when reviewed in conjunction with the kinds and nature of risks insured, the financial condition of the company and its ownership or the ratio of the annual premium volume in proportion to the company's policyholders surplus creates a condition that would make further assumption of risks hazardous to the insuring public.

14. Based upon paragraphs 4 through 11, it appears to be in the best interest of the policyholders of Northwestern National Casualty that the Kansas Insurance Department suspend Northwestern National Casualty's Certificate of Authority pursuant to K.S.A. 222, K.S.A. 40-222b and K.S.A. 40-222e.

15. Northwestern National Casualty neither admits nor denies the allegations set forth herein this order as described above.

16. Northwestern National Casualty waives its right to a formal hearing under the Kansas Administrative Procedure Act, K.S.A. 77-501, et seq. and notice thereof, and voluntarily consents to the following order of the Commissioner of Insurance.

IT IS, THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

1. The Certificate of Authority of Northwestern National Casualty is hereby suspended, effective the date of this Consent Order. Said suspension will continue until such time as the Commissioner of Insurance determines the company is able to meet this state's minimum financial requirements and is no longer in a hazardous financial condition.

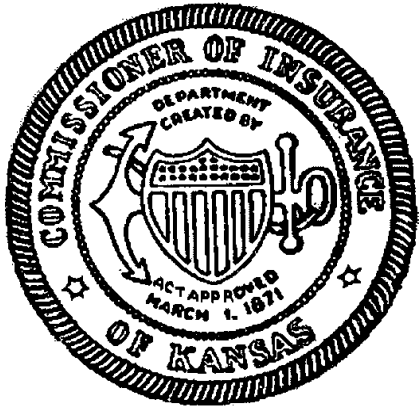
2. Northwestern National Casualty shall refrain from writing any new or renewal business in the State of Kansas.

3. Northwestern National Casualty may petition the Commissioner of Insurance to modify the provisions of this Consent Order at any time by a written request that demonstrates the hazardous financial condition of the company has been rectified.

4. Northwestern National Casualty shall take appropriate action to increase its capital and surplus to a level whereby the company's continued operation would no longer be in a hazardous financial condition.

5. The Commissioner of Insurance retained jurisdiction over this subject matter for the purpose of entering such further order or orders as may be deemed proper and necessary.

IT IS SO ORDERED THIS _11th_ DAY OF __JANUARY__, 2002, IN THE
CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



_____/s/ Kathleen Sebelius_____
Kathleen Sebelius
Commissioner of Insurance
BY:

_____/s/ Kathy Greenlee_____
Kathy Greenlee
General Counsel

Northwestern National Casualty Company

BY: ____/s/ Stephen L. Kibblehouse_____
Stephen L. Kibblehouse
Chief Executive Officer & General Counsel