

DEPARTMENT OF INSURANCE  
STATE OF KANSAS

**FINAL ORDER**

Effective: 03/02/04

In the Matter of )  
PATRONS INSURANCE COMPANY )

Docket No. 3282-SO

**SUMMARY ORDER**

Pursuant to authority granted to the Commissioner of Insurance ("Commissioner") by Kansas Statutes Annotated (K.S.A.) 40-103 and K.S.A. 77-501, *et seq.*,

I, Sandy Praeger, the duly elected and qualified Commissioner of Insurance of the State of Kansas, hereby make the following findings of fact, conclusions of law, and order, to wit:

**Findings of Fact**

1. Patrons Insurance Company ("Patrons") is a stock fire and casualty insurance company authorized to transact the business of insurance in the state of Kansas with its statutory home office located at 124 Iowa Avenue, Salina, Kansas 67402 and is subject to statutes regulating the business of insurance.

2. The Commissioner of Insurance ("the Commissioner") has jurisdiction over the subject matter of this proceeding and this proceeding is held in the public interest.

3. On December 21, 1989, Patrons, a corporation organized under Kansas law, was authorized to transact the business of insurance as a stock fire and casualty insurance company in Kansas and since such date has conducted business in the state of Kansas.

4. The Kansas Insurance Department (“KID”) received the December 31, 2002 Annual Financial Statement (“Annual Statement”) of Patrons.

5. On November 3, 2003, KID sent a letter to Patrons questioning the statutory authority of the company to invest in securities CUSIP 252787106, Diamonds Trust Series 1, \$891,986 actual cost and CUSIP 78462F103, Standard & Poor’s Deposit Shares, \$1,047,047 actual cost as noted on Schedule D – Part 2 – Section 2 of the annual statement.

6. On November 17, 2003, KID received a letter from Patrons that provided Kansas Statutes Annotated (“K.S.A.”) 40-2a22 as the statutory authority for the investments.

#### **Conclusions of Law**

7. K.S.A. 40-2a16 provides,

Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in investments whether or not qualified and permitted under this act and notwithstanding any conditions or limitations prescribed therein, in an aggregate amount not more than 10% of its admitted assets as shown by the company's last annual report as filed with the commissioner of insurance, except that investments shall not be permitted in insolvent organizations or organizations in default with respect to the payment of principal or interest.

8. K.S.A. 40-2a22(a) provides, in relevant part:

Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in shares of a corporation registered and operated as an open-end regulated investment company in accordance with the investment company act of 1940, as amended.

9. The investments noted in paragraph 5 of the Findings of Fact are registered as united investment trusts with the Securities Exchange Commission and are not considered an authorized investment as they do not meet the requirements as set forth in K.S.A. 40-2a22.

10. Based upon the Findings of Fact contained in paragraphs number 3 through 6, amounts in excess of the limitations provided by K.S.A. 40-2a16 are registered as united investment trusts with the Securities Exchange Commission and are considered an unauthorized investment.

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

1. Patrons shall properly divest of any unauthorized investments on or before June 28, 2004.
2. Patrons shall notify the Kansas Insurance Department once the divestment is completed.
3. This Summary Order shall be effective January 28, 2004.
4. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further orders deemed appropriate or to take such further action as necessary to dispose of this matter.

**NOTICE OF RIGHTS**

Patrons Insurance Company ("Patrons") is entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If Patrons desires a hearing, the company must file a written request for a hearing with:

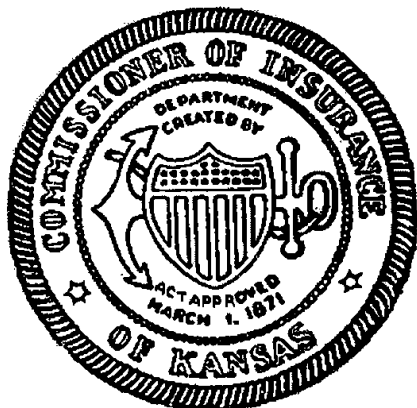
John W. Campbell, General Counsel  
 Kansas Insurance Department  
 420 S.W. 9th Street  
 Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If Patrons requests a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

If a hearing is not requested in the time and manner stated above, this Summary Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. § 77-613. In the event that Patrons files a petition for judicial review, pursuant to K.S.A. § 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel  
 Kansas Insurance Department  
 420 S.W. 9th Street  
 Topeka, Kansas 66612.

**IT IS SO ORDERED THIS 15th DAY OF FEBRUARY, 2004, IN THE  
 CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



\_\_\_\_\_  
 /s/ Sandy Praeger  
 Sandy Praeger  
 Commissioner of Insurance

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 /s/ John W. Campbell  
 John W. Campbell  
 General Counsel

SUBMITTED AND APPROVED BY:

/s/ Deletria L. Nash\_\_\_\_\_  
Deletria L. Nash  
Attorney for Petitioner  
Kansas Insurance Department

**Certificate of Service**

The undersigned hereby certifies that a true and correct copy of the above order was transmitted by U.S. Mail, postage prepaid, on this \_15th\_ day of February, 2004 to:

James E. Cunningham  
Secretary and General Counsel  
Patrons Insurance Company  
P.O. Box 2180  
Salina, Kansas 67402

/s/ Deletria L. Nash\_\_\_\_\_  
Deletria L. Nash  
Staff Attorney