

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of:)	
The Adoption of the)	
Financial Condition Examination)	Docket No. 3435-ER
Report as of December 31, 2002 of)	
Old United Casualty Company)	

ORDER

NOW COMES on for formal disposition the matter of the adoption of the verified written financial condition examination report ("Report") as of December 31, 2002, of Old United Casualty Company ("Old United"), a Kansas corporation. This matter is brought before the Commissioner of Insurance ("Commissioner") for adoption pursuant to the provisions of K.S.A. § 40-222.

I, Sandy Praeger, the duly elected, qualified, and acting Commissioner of Insurance, having fully considered and reviewed the Report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners' work papers, and further, being fully advised on all premises, hereby find:

Findings of Fact

1. The Commissioner has jurisdiction over this matter pursuant to K.S.A. § 40-222.
2. An examination of Old United was undertaken by the Kansas Insurance Department ("KID") and was completed on December 11, 2003.

3. The examiner-in-charge tendered and filed with KID a verified written report of the examination within thirty (30) days following completion of the examination, to wit; December 29, 2003.

4. Following receipt of the Report, KID transmitted the Report to Old United on July 22, 2004, with a duly executed notice advising the company of its opportunity to prepare and submit to KID a written submission or rebuttal with respect to any and all matters contained in the Report. Old United was further advised that any written submission or rebuttal needed to be filed with KID no later than thirty (30) days after receipt of the verified Report.

5. Old United filed a written rebuttal of the verified Report on August 20, 2004 requesting certain modifications to the Report.

6. Based upon the written rebuttal tendered by Old United KID agreed to make certain modifications to the Report. A copy of the modified Report was sent to Old United on December 9, 2004, with a duly executed notice again advising the company of its opportunity to prepare and submit to KID a written submission or rebuttal with respect to any and all matters contained in the Report. Old United was further advised that any written submission or rebuttal needed to be filed with KID no later than ten (10) days after receipt of the verified Report.

7. Old United again filed a written rebuttal of the verified Report on December 16, 2004, and an additional written rebuttal on January 4, 2005.

8. Within thirty (30) days of the end of the time period allowed for written submission or rebuttal, the Commissioner fully reviewed the Report, together with all

written submissions and rebuttals provided by Old United. The Commissioner further reviewed all relevant work papers.

9. No other written submissions or rebuttals were submitted by Old United.

10. The Report contains a finding that Old United took improper Kansas salary credits on its 2001 and 2002 premium tax returns filed with KID. The examination revealed a written agreement whereby Old United would pay its affiliate, MPP, Inc., \$180,000 per year as full reimbursement under an administrative service agreement. The 2001 and 2002 Annual Statements filed with KID reveal that of this total only \$36,000 was allocated as salary reimbursement. Old United had claimed 100% of salaries incurred at MPP, Inc. as well as additional amounts from another affiliate, V.T., Inc. As a result of reducing the salary credits to \$5,400 for each year pursuant to the written agreement between Old United and MPP, Inc. it appears the company owes to KID additional premium taxes for the years 2001 and 2002 of \$514,196 and \$427,164, respectively.

Conclusions of Law

11. K.S.A. 40-222(k)(2) states, in part, as follows:

(2) Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners' workpapers and enter an order:

(A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violations; . . .

12. Based upon the Findings of Fact enumerated in paragraphs 1 through 10 above, the financial condition examination Report as of December 31, 2002, of Old United Casualty Company should be adopted.

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

1. The Financial Condition Examination Report as of December 31, 2002, of Old United Casualty Company, as modified, is hereby adopted.

2. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action necessary to dispose of this matter.

IT IS SO ORDERED THIS 28th DAY OF FEBRUARY, 2005, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



___/s/ Sandy Praeger_____

Sandy Praeger

Commissioner of Insurance

By:

___/s/ Linda Sheppard_____

Linda Sheppard

Assistant General Counsel