

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

In the Matter of: **Middle Atlantic Life**)
Insurance Company n/k/a Liberty) Docket No. 3462-RE
Bankers Life Insurance Company)

ORDER TO REINSTATE CERTIFICATE OF AUTHORITY

Pursuant to the authority granted the Commissioner of Insurance by Kansas Statutes Annotated (K.S.A.) 40-222, K.S.A. 40-222b, K.S.A. 40-222d, K.S.A. 40-222e, and K.S.A. 77-501, *et seq.*,

I, Sandy Praeger, the duly elected, qualified, and acting 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. Middle Atlantic Life Insurance Company ("Middle Atlantic") is an insurance company incorporated under the laws of the State of Oklahoma, with its registered corporate office located at 2824 Sweetbriar, Edmond, Oklahoma, 73034. The executive office is located at 1800 Valley View Lane, Suite 300, Dallas, Texas 75234.

2. Middle Atlantic was licensed to transact the business of insurance in the State of Kansas on March 24, 1987, under the authority of K.S.A. 40-402.

3. The Commissioner of Insurance ("Commissioner") has jurisdiction over the operation of Middle Atlantic in this state and the subject matter of this proceeding.

4. On October 30, 1991, the Commissioner issued a Consent Order ("Order") suspending the Certificate of Authority of Middle Atlantic upon a finding that Middle Atlantic's financial affairs were in an unsound condition and the continued operation of the company was

potentially hazardous to the insuring public. This finding was based on information contained in the company's June 30, 1991 Quarterly Statement filed with the Commissioner indicating that Middle Atlantic's surplus was \$119,148 below the minimum surplus of \$600,000, as required under K.S.A. 40-402.

5. Under this Order Middle Atlantic was ordered to refrain from writing any new business in the State of Kansas until such time as the company could demonstrate to the Commissioner that it was no longer in an unsound financial condition and no longer potentially hazardous to the Kansas insuring public.

6. On December 8, 1992, Middle Atlantic changed its name to Liberty Bankers Life Insurance Company ("Liberty Bankers Life" or "Company").

7. On January 29, 2004 American Reserve Life Insurance Company, a subsidiary of Realty Advisors, Inc., purchased Liberty Bankers Life. One hundred percent of the stock of Realty Advisors, Inc. is owned by the May Trust.

8. On July 29, 2004, and again on August 6, 2004 and December 8, 2004, Liberty Bankers Life filed written requests with the Kansas Department of Insurance ("KID") requesting modification of the October 30, 1991 Consent Order suspending Middle Atlantic's Certificate of Authority.

9. Following receipt of this request, representatives of KID's Financial Surveillance Division obtained and reviewed copies of Liberty Banker's Life's financial statements for the periods ending December 31, 2002, December 31, 2003, September 30, 2004, and December 31, 2004. As of December 31, 2004, the company's financial statement shows that the Company has capital and surplus of \$14, 806,293.

10. On April 11, 2005, Bradford A. Phillips, President and Chief Executive Officer of Liberty Bankers Life, provided the Commissioner with an organization chart, dated December 31, 2004, indicating that the May Trust is the "Ultimate Controlling Parties" of Realty Advisors, Inc., American Reserve Life Insurance Company, and Liberty Bankers Life. Mr. Phillips also provided documentation indicating that the Trustees of the May Trust are Mickey N. Phillips, Ryan T. Phillips, and Donald W. Phillips.

11. Based on the financial information obtained and the other documents submitted to the Commissioner by the management of the Company, it appears that the conditions that warranted the suspension of Middle Atlantic's certificate of authority on October 30, 1991 no longer exist and Liberty Bankers Life, f/k/a Middle Atlantic, is no longer in an unsound financial condition and no longer potentially hazardous to the Kansas insuring public.

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

The Certificate of Authority of Middle Atlantic Life Insurance Company, n/k/a Liberty Bankers Life Insurance Company, is hereby reinstated and Liberty Bankers Life is authorized to conduct the business of insurance in the State of Kansas, subject to the following conditions:

- A. Liberty Bankers Life shall file a quarterly report with the Financial Surveillance Division of the Kansas Insurance Department that provides detailed information on:
 - i. its investments;
 - ii. its acquisition of new insurance business;
 - iii. any reinsurance agreements;
 - iv. any transactions between affiliates in the holding company group; and
 - v. any dividends declared or paid by the group.
- B. The Company shall file all transactions with affiliates for prior approval. For purposes of this paragraph, "affiliate" is defined as any entity owned by an officer or director of Liberty Bankers Life, an entity owned by the May Trust, including

all of its subsidiaries, and any entity owned by Gene Phillips or a relative of Gene Phillips.

- C. The Company shall file extraordinary dividends for prior approval.
- D. Real estate investments will not exceed 10% of surplus.
- E. Common/preferred stock investments will not exceed 10% of assets, unless the Company receives express written permission from the Commissioner.
- F. The Company shall not invest in any person, company or entity in which Gene E. Phillips or a relative of Gene E. Phillips has an investment interest, ownership interest, or management position without prior written approval of the Kansas Insurance Department. This paragraph shall not apply to Bradford Phillips in his capacity as President of the Company and American reserve Life Insurance Company.
- G. Gene E. Phillips will have no director or indirect role in the management of the Company, nor in matters including, but not limited to, decisions or actions relating to the Company's investments, financial disbursements, affiliate transactions, or any other matters concerning the Company and/or the Company's business.
- H. These requirements, A through G, shall remain in effect for a period of five (5) years unless terminated or extended by order of the Commissioner.

IT IS SO ORDERED THIS 6th DAY OF MAY 2005, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger

Sandy Praeger
Commissioner of Insurance

BY:

/s/ John Campbell

John Campbell
General Counsel