

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

In the Matter of the Proposed)	
Plan and Agreement of Merger of)	
PATRONS INSURANCE COMPANY)	
)	
With and Into)	Docket No. 3478-M
)	
COLUMBIA NATIONAL INSURANCE)	
COMPANY)	

ORDER

NOW on this 17th day of March 2006, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a Joint Application for Approval of Merger ("Joint Application") pursuant to K.S.A. § 40-309 and K.A.R. § 40-1-22 by Patrons Insurance Company ("Patrons") and its affiliated company Columbia National Insurance Company ("Columbia National"), (collectively, "Applicants"). The Joint Application relates to the proposed merger of Patrons with and into Columbia National.

Applicants are represented by their Corporate Secretary and General Counsel, James E. Cunningham. The Kansas Insurance Department ("KID") is represented by its General Counsel, John W. Campbell. Also appearing for KID are Linda J. Sheppard, Assistant General Counsel; Kenneth G. Abitz, Director, Financial Surveillance Division; and Mark E. Owens, Financial Analyst, Financial Surveillance Division.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. §§ 40-309, 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. §§ 77-501, *et seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law, and orders, as follows:

DECLARATIONS OF PUBLIC INTEREST AND POLICY

The Commissioner finds and declares that it is consistent with the public interest and the interest of policyholders to permit insurers to:

- (a) Engage in activities which would enable insurers to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition and/or organization of subsidiaries;
- (c) implement sound tax-planning conclusions; and
- (d) serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further finds and declares that the policies and purposes in K.S.A. 40-3301, *et seq.*, promote the public interest by:

- (a) facilitating the achievement of the objectives set out above;
- (b) requiring disclosure of pertinent information relating to changes in control of an insurer;
- (c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, and
- (d) providing standards governing material transactions between an insurer and its affiliates.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The findings and conclusions stated herein are based upon the statements made by Applicants in the Joint Application and Exhibits made under oath and filed with KID by Applicants pursuant to K.S.A. § 40-309 and K.A.R. § 40-1-22.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of KID, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. § 77-646(c).

2. The purpose of the filing of the Joint Application and Exhibits is to seek approval from KID, as required under K.S.A. § 40-309, for the proposed merger of Patrons with and into Columbia National. The terms and conditions of the proposed merger are more fully set forth in a draft Plan and Agreement of Merger, dated February 13, 2006, filed with the Commissioner pursuant to K.S.A. § 40-309 and K.A.R. § 40-1-22.

3. Applicants submitted various Exhibits to the Joint Application, including, but not limited to, a draft Plan and Agreement of Merger of Patrons Insurance Company into Columbia National Insurance Company, certificates of authority for Patrons and Columbia National, minutes of special meetings of the shareholders of Patrons and Columbia National granting approval of the proposed merger, dated January 6, 2006, actuarial opinions, and financial statements.

4. The staff of KID have inspected and reviewed the contents of the Joint Application and the Exhibits attached thereto, to the extent necessary, and found that the filing of the Joint Application and Exhibits are in accordance with the requirements of K.S.A. § 40-309 and provide all information required under Kansas law to enable the Commissioner to render a decision on the Joint Application.

5. Patrons Insurance Company, a Kansas domestic property and casualty insurance company, was organized under the laws of Kansas on August 28, 1989 and commenced the business of insurance on December 6, 1989.

6. Columbia National Insurance Company, a Nebraska domestic property and casualty insurance company, with its headquarters office located at 10820 Harney Street, Omaha, Nebraska, was organized under the laws of Nebraska on August 13, 1985 and commenced the business of insurance under a certificate of authority issued by the State of Nebraska Department of Insurance on January 1, 1986.

7. Columbia Insurance Group, Inc., an insurance company organized under the laws of Missouri in 1969, with its headquarters office located at 2102 White Gate Drive, Columbia, Missouri, directly owns 100% of the issued and outstanding common stock of both Patrons and Columbia National.

8. Columbia Mutual Insurance Company, an insurance company organized under the laws of Missouri on June 3, 1940, with its headquarters office located at 2102 White Gate drive, Columbia, Missouri, directly owns 100% of the issued and outstanding common stock of Columbia Insurance Group, Inc. and is the ultimate controlling person of both Patrons and Columbia National.

9. The information provided in the Joint Application and Exhibits establishes that Patrons and Columbia National are engaged in like business and have similar corporate powers.

10. The Joint Application and Exhibits establish that Columbia National is exempt from filing a Form A, as required under K.S.A. § 40-3304, because the merger of Patrons with and into Columbia National does not have the purpose or effect of changing or influencing control of Patrons inasmuch as both Patrons and Columbia National are wholly owned by

Columbia Insurance Group, Inc., which will continue to own 100% of the issued and outstanding stock of Columbia National, the surviving company.

11. The draft Agreement of Merger was approved by 100% of the common stock shareholders of Patrons at a meeting convened on January 6, 2006 pursuant to notice duly provided in accordance with the articles and by-laws applicable to Patrons.

12. The draft Agreement of Merger was approved by 100% of the common stock shareholders of Columbia National at a meeting convened on January 6, 2006 pursuant to notice duly provided in accordance with the articles and by-laws applicable to Columbia National.

13. The Joint Application and Exhibits establish that on the effective date of the merger, Columbia National will assume and be responsible for all debts, obligations, claims and liabilities for which Patrons is legally responsible and all assets of Patrons will be transferred to Columbia National.

14. The Joint Application and Exhibits establish that on the effective date of the merger, Columbia National will assume all policies and insurance business of Patrons and will assume all rights, responsibilities, and obligations of Patrons for such policies and insurance business.

15. On the effective date of the merger, Patrons will change its name to Columbia National Insurance Company and relocate its headquarters office to Omaha, Nebraska.

16. On the effective date of the merger, the financial statements submitted with the Joint Application indicate that Columbia National, the surviving entity, will have approximately \$82 million in assets and approximately \$33 million in capital and surplus immediately following the merger.

17. No evidence has been introduced to establish that the proposed merger of Patrons with and into Columbia National would be injurious to or prejudice the interests of the policyholders and creditors of Applicants.

18. No evidence has been introduced to establish that the proposed merger of Patrons with and into Columbia National will be hazardous or prejudicial to the insurance-buying public.

19. The Joint Application and Exhibits are in compliance with the provisions of K.S.A. § 40-309.

20. The evidence provided in the Joint Application and Exhibits supports approval of the proposed Plan and Agreement of Merger of Patrons with and into Columbia National.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The Joint Application of Patrons Insurance Company and Columbia National Insurance Company seeking approval of the merger of Patrons with and into Columbia National in the manner set forth in the Joint Application and Exhibits attached thereto is hereby **approved** pursuant to K.S.A. § 40-309, provided the merger is effected within sixty (60) days of the date of this Order and provided that all closing documents are executed and filed with the Kansas Insurance Department within sixty (60) days of the date of this Order.

2. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

Notice of Rights

Patrons Insurance Company and Columbia National Insurance Company are entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If Applicants desire a hearing, they 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 Applicants request a hearing, the Kansas Insurance Department will notify them 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 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 Applicants file 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 17TH DAY OF MARCH 2006, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 17th day of March 2006 to:

James E. Cunningham
Secretary and General Counsel
Columbia National Insurance Company
2102 White Gate Drive
P.O. Box 618
Columbia, MO 65205

/s/ Linda J. Sheppard
Linda J. Sheppard
Assistant General Counsel