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

In the Matter of the Proposed Exemption of ) **General Electric Capital Services, Inc.** )

Docket No. 3556-EX

### ORDER

Now comes on for disposition the request of General Electric Capital Services, Inc., dated May 2, 2006, ("Applicant" or "GECS") for an Order, pursuant to K.S.A. 40-3304(e)(1), exempting Applicant from the filing and approval requirements of K.S.A. 40-3304(a), as said statute may be construed to apply to the restructuring of the insurance holding company system of Employers Reinsurance Corporation. Such restructuring is to be accomplished through a change in the ownership of Employers Reinsurance Corporation, the entity that is the holding company for Employers Reassurance Corporation.

### **FINDINGS OF FACT**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-103 and K.S.A. 40-3301, et seq.

2. GECS is a Delaware company incorporated in 1986.

3. GECS has requested an exemption from the acquisition and approval requirements of the Kansas Insurance Holding Companies Act, specifically those requirements stated in K.S.A. 40-3304(a).

4. Employers Reinsurance Corporation ("ERC") is a Missouri-domiciled insurance company and is the holding company for Employers Reassurance Corporation ("ERAC"), a Kansasdomiciled insurance company.

5. Currently 100% of the common stock of ERAC is owned by ERC; 100% of the common stock of ERC is owned by General Electric Insurance Solutions Corporation ("GEISC"), a Delawareregistered company; 92% of the common stock of GEISC is owned by Applicant GECS; and 99.81% of the common stock of GECS is owned by General Electric Company ("GE"). Therefore, the ultimate owner of ERAC is GE.

6. GE and Swiss Reinsurance Company ("Swiss Re") have entered into a Transaction Agreement, dated November 18, 2005, pursuant to which GE is selling most of its insurance and reinsurance operations to Swiss Re, including ERC and GEISC. The Transaction Agreement does not provide for the sale of ERAC to Swiss Re.

7. Prior to the closing of the sale to Swiss Re, ERC will divest of its direct ownership of ERAC through a series of stock dividends, which will result in GECS being the ultimate owner of ERAC.

8. In the March 31, 2006 Quarterly Financial Statement of ERAC filed with the Kansas Insurance Department, the statutory book value of ERAC was stated as \$436,758,649. The exact amount of the dividend payments, based on the statutory book value of ERAC, will be determined at the closing of the Swiss Re acquisition of GEISC from GE.

9. Both before and after the Swiss RE acquisition of most of the insurance and reinsurance operations of GE, GE is and will continue to be the ultimate controlling person of ERAC, through its subsidiary GECS.

#### **CONCLUSIONS OF LAW**

10. K.S.A. 40-3304(a) provides, in part, as follows:

(a) No person other than the issuer shall . . . enter into any agreement to exchange securities, or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, . . . at the time . . . any such agreement is entered into, . . . such person has filed with the commissioner of insurance and has sent to such insurer, a statement containing the information required by this section and such . . . agreement . . . has been approved by the commissioner of insurance in the manner hereinafter prescribed.

11. K.S.A. 40-3304(e) provides:

(e) The provisions of this section shall not apply to:

Any offer, request, invitation, agreement or acquisition which the commissioner of insurance by order shall exempt therefrom as: (1) Not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer; . . .

12. Based upon the information enumerated in the Findings of Fact contained in paragraphs

one through nine above, and the representations made on behalf of Applicant, the restructuring of the

holding company system whereby the stock ownership of ERAC will be divested as dividend payments from ERC to GEISC and then from GEISC to GECS is not made for the purpose of and will not have the effect of changing or influencing the control of ERAC, a Kansas-domiciled insurer.

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

1. General Electric Capital Services, Inc. shall be exempt from the application of the formal filing and approval requirements of K.S.A 40-3304(a) as it may be deemed to apply to the reorganization of General Electric Company, the holding company for Employers Reassurance Corporation, provided the reorganization is effected within sixty (60) days of the date of this Order.

2. General Electric Capital Services, Inc. shall comply with all of the provisions and requirements of K.S.A. 40-3301, *et seq.*, in the future.

3. 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**

General Electric Capital Services, Inc. is entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If GECS desires 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 GECS requests 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 GECS 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. 9<sup>th</sup> Street Topeka, Kansas 66612

# IT IS SO ORDERED THIS \_30th\_ DAY OF MAY, 2006, IN THE CITY OF TOPEKA,

# COUNTY OF SHAWNEE, STATE OF KANSAS.



\_/s/ John W. Campbell\_\_\_\_\_

John W. Campbell General Counsel