

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

In the Matter of the Proposed)
Acquisition of Control of)
)
FINANCIAL AMERICAN LIFE INSURANCE COMPANY)
Formerly known as) **Docket No. 4216-ACQ**
CARDIF LIFE INSURANCE COMPANY)
)
By)
)
FINANCIAL AMERICAN HOLDINGS CORPORATION)

ORDER

NOW on this ___1st___ day of _____December____ 2010, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a pre-acquisition notice, pursuant to K.S.A. § 40-3304 and K.A.R. § 40-1-28, in the form of a “Form A” Statement regarding a Proposed Acquisition of Control (“Form A Statement”) by Financial American Holdings Corporation (“Applicant”). The Form A Statement relates to the proposed acquisition of control of the Kansas domestic insurance company, Financial American Life Insurance Company (“Financial American”), by the Applicant. The acquisition of control of Financial American will be effected pursuant to a Stock Purchase Agreement, dated May 20, 2010, between Interstate National Corporation (“Interstate”) and Cardiff Holding Incorporated (Seller) and BNP Paribas Assurance (Seller Parent), and Assignment of Certain Rights Under the Stock Purchase Agreement dated July 12, 2010, by and between Applicant and Interstate, a Delaware corporation.

The Applicant is represented by its attorneys, Diana M. Chafey and David Mendelsohn and its director and president, Shaun Fetherston. The Kansas Insurance Department (“KID”) is represented by its General Counsel, John W. Campbell. Also appearing for KID are John

Dowell, Staff Attorney; Kenneth G. Abitz, Director, Financial Surveillance Division; and Mark E. Owens, Principal Financial Analyst, Financial Surveillance Division.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. §§ 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) have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) implement sound tax-planning conclusions; and
- (e) 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 enumerated in K.S.A. § 40-3301 and 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, including certain dividends paid by the insurer; 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 the Applicant in the Form A Statement and accompanying documents made under oath and filed with KID by Applicant pursuant to K.S.A. § 40-3304(b) and K.A.R. § 40-1-28.

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. § 77-546(c).

2. Applicant is a financial holding company, incorporated in the State of Delaware.

3. Warranty Topco, Inc. Directly owns 100% of the Applicant. GGC Opportunity Fund Management GP, Ltd. (“GGC”) will own at least 50% of Warranty Topco, Inc. and Golden Gate Capital Management II, LLC (“Golden”) will own at least 26% of Warranty Topco, Inc. No other individual person will own more than 10% of the stock of Warranty Topco, Inc. GGC and Golden will be the ultimate controlling persons of Financial American.

4. GGC ownership in Financial American will be allocated and owned by four affiliated investment funds: Golden Gate Capital Opportunity Fund, L.P., Golden Gate Capital Opportunity Fund – A, L.P., GGCOF Co-Invest, L.P. and GGCOF Third Party Co-Invest, L.P. L.P. Golden ownership in Financial American will be allocated and owned by four affiliated

investment funds: Golden Gate Capital Investment Fund II, L.P., Golden Gate Investment Fund II(AI), L.P., Golden Gate Capital Associates II-QP, LLC and Golden Gate Associates II-AI, LLC.

5. Cardif Life Insurance Company, a Kansas life insurance company, was incorporated on June 1, 1964 and was admitted to Kansas on December 27, 1990. Cardif Life Insurance Company changed its name to Financial American Life Insurance Company on August 30, 2010, said change was and is approved by the Commissioner.

6. The purpose of the filing of the "Form A" Statement is to seek authority from KID for the proposed acquisition of control of Financial American by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth in the duly certified copy of the Form A Statement officially filed with the Commissioner on or about July 14, 2010, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. §§ 40-3301, *et seq.*

7. The Applicant submitted various Exhibits, A through F, to the Form A Statement, including, but not limited to, the Stock Purchase Agreement, organization charts, financial statements, and future business plans for Financial American.

8. The staff of KID have inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and find that the filing of the Form A Statement and Exhibits are in accordance with K.S.A. § 40-3304 and K.A.R. § 40-1-28 and that the Form A Statement and Exhibits have provided the information required under the Kansas statutes to enable the Commissioner to render a decision on the application.

9. The acquisition of control of Financial American will occur through the execution of the Stock Purchase Agreement, dated May 20, 2010, by and between Applicant, and Financial American and the closing of the transactions contemplated thereby. As a result of the executed Stock Purchase Agreement and the closing, the Applicant will purchase all of the issued and outstanding capital stock of Financial American.

10. Amendment of Certain Rights Under the Stock Purchase Agreement, dated July 12, 2010, provided for an assignment of the Stock Purchase Agreement to Financial American Holdings Corporation from Interstate National Corporation.

11. A review of the evidence establishes that after the acquisition of control as proposed in the Form A Statement, the Applicant will be able to satisfy the requirements necessary for maintaining the business of Financial American to the satisfaction of its policyholders.

12. The evidence establishes that, after the acquisition of control as proposed in the Form A Statement, Financial American will be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.

13. No evidence has been introduced to establish that the financial condition of the Applicant will jeopardize the financial stability of Financial American or prejudice the interests of its policyholders.

14. Evidence has been introduced which shows that the Applicant has no plans or proposals to liquidate Financial American, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management which would be unfair and unreasonable to the policyholders of Financial American and not be in the public interest.

15. Evidence has been introduced to establish that the competence, experience, and integrity of those persons who will control the operations of Financial American after the acquisition are such that it will be in the interest of its policyholders and of the public interest to permit the acquisition by the Applicant.

16. Evidence has been introduced to establish that the Applicant's acquisition of Financial American will not be hazardous or prejudicial to the insurance-buying public.

17. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. §§ 40-3301, *et seq.* and K.A.R. § 40-1-28.

18. The evidence submitted supports approval of the proposed acquisition of control of Financial American by the Applicant.

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

1. The application by Financial American Holdings Corporation to acquire control of Financial American in the manner set forth in the Form A Statement and Exhibits attached thereto is hereby approved pursuant to K.S.A. § 40-3304, provided that (a) the acquisition is effected 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

The Applicant is entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If the Applicant 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 the Applicant 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 the Applicant 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 ____1st____ DAY OF ____December____, 2010, IN
THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



____/s/ Sandy Praeger_____

Sandy Praeger
Commissioner of Insurance

BY:

____/s/ John W. Campbell_____

John W. Campbell
General Counsel

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 ___1st___ day of ___December___, 2010 to:

Shaun Fetherston
Director and President
Financial American Holdings Corporation
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/s/ John Dowell

John Dowell
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