

FEB 24 2010

FILED

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

IN THE MATTER OF THE)	FINDINGS OF FACT, CONCLUSIONS
ACQUISITION OF CONTROL OF)	OF LAW, AND ORDER
THE CENTRAL NATIONAL)	
INSURANCE COMPANY OF OMAHA,)	CAUSE NO.: C-1812
In Rehabilitation.)	

On January 28, 2010, White Mountains Re Holdings, Inc., (“White Mountains”), and its parent, White Mountains Insurance Group, Ltd., (“WMIG”), collectively, “Applicant”, filed an application (“Form A”) seeking approval to acquire control of The Central National Insurance Company of Omaha (“Central National”), a Nebraska domestic insurer in rehabilitation. The application was filed pursuant to the Insurance Holding Company System Act, *Neb. Rev. Stat.* §44-2120, §44-2126 (Reissue 2004). The filing was subsequently supplemented on February 11, 2010, and February 19, 2010. A Notice of Public Hearing was issued February 2, 2010.

On February 24, 2010, a public hearing was held at the Nebraska Department of Insurance (“Department”). Director of Insurance, Ann M. Frohman, presided over the matter. Tracy Gruhn, a licensed Notary Public, recorded the hearing. Christine Neighbors, General Counsel, and James Nixon, Chief Examiner, represented the Department. Applicant was present and represented by W. Neal Wasserman, President of White Mountains Re Solutions, Ltd. Applicant presented testimony in favor of the acquisition through Mr. Wasserman. Exhibits were offered by the Department and received into the record. Applicant provided Central National with notice of the hearing

as required by *Neb. Rev. Stat. §44-2127(2)*. No testimony or documentary evidence was offered in opposition to the proposed acquisition.

On the basis of the filings, correspondence and information provided to the Department, the Director finds, concludes, and orders as follows:

FINDINGS OF FACT

1. On January 28, 2010, the Department received a verified Form A from the Applicant for approval to acquire control of Central National through the purchase 100% of the issued and outstanding shares of stock from Central National's parent corporation, Drum Financial Corporation. The application and subsequent amendments were filed pursuant to the Insurance Holding Company System Act, *Neb. Rev. Stat. §44-2120, et seq.*, specifically §44-2126. The acquisition will result in Applicant exercising control of Central National as control is defined in the Act.

2. Central National is a domestic insurer organized under and governed by the laws of the State of Nebraska. Central National obtained its Certificate of Authority to transact the business of insurance in this state on August 14, 1946. Central National was placed into rehabilitation pursuant to the Nebraska Insurers Supervision, Rehabilitation, and Liquidation Act on March 3, 1990. Central National is currently a wholly owned subsidiary of Drum Financial Corporation, a Virginia corporation.

3. Applicant White Mountains is a Delaware corporation which, through its subsidiaries, offers reinsurance for property, casualty, accident and health, agriculture, aviation and space, and certain other exposures on a worldwide basis. White Mountains

also acquires and manages runoff insurance and reinsurance companies both in the United States and internationally.

4. Applicant WMIG's principal businesses are conducted through its property and casualty insurance and reinsurance subsidiaries and affiliates, which includes White Mountains, as well as its intermediate holding companies, wholly-owned investment management subsidiary, and variable annuity reinsurance run-off business. Therefore, the ultimate control rests with WMIG.

5. The consideration for the acquisition is approximately \$5,000,000, and may fluctuate based on the amount of policyholders' surplus as shown on the December 31, 2009, Statutory Accounting Practices Balance Sheet as compared to the September 30, 2009, Statutory Accounting Practices Balance Sheet and the market price for the sale of any investment asset after December 31, 2009, and prior to closing, based on carrying value. Applicant will fund the acquisition from cash on hand.

6. The parties executed a Stock Purchase Agreement dated as of January 21, 2010.

7. Applicant has no plans to have Central National declare an extraordinary dividend, to liquidate Central National, sell its assets, merge it with any other entity, or to make any other material change in Central National's business operations. Applicant anticipates that it will continue to cause Central National to run-off its liabilities in an orderly manner, consistent with Central National's contractual obligations to its policyholders, and will continue to cause Central National to meet its ongoing regulatory and statutory financial reporting requirements. Applicant does intend to change the board

and general management of Central National, and provided all required documentation regarding the new directors and officers. Applicant has no plans to cause Central National to commence writing new business without prior approval of the Nebraska Director of Insurance.

8. It is a requirement that, prior to closing, Central National is released from rehabilitation proceedings by the District Court of Lancaster County, Nebraska. The Rehabilitator of Central National will file the appropriate documentation with the court for its consideration at a hearing on February 25, 2010.

9. Applicant has filed all the documents and information required by law and requested by the Department.

CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received and evidence presented at the hearing, the Director concludes as follows:

a. After the acquisition, Central National will satisfy the requirements for issuance of a Certificate of Authority to conduct business of insurance in the State of Nebraska and write the lines of insurance for which it is presently licensed.

b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.

c. The financial condition of Applicant is such that it would not jeopardize the financial stability of Central National or prejudice the interest of the policyholders of Central National.

d. The Applicant has no plans or proposals to liquidate Central National, to sell the assets of Central National without the approval of the Department, to consolidate

or merge Central National with any person or persons without approval of the Department, or to make any other material change in the business operations or corporate structures of management which would be unfair and unreasonable to policyholders of Central National and not in the public interest.

e. The competence, experience and integrity of those persons who would control the operation of Central National are such that it would be in the interest of the policyholders of Central National and the public to allow the acquisition.

f. Applicant is not subject to the provisions of *Neb. Rev. Stat. §44-6115* under the Demutualization Act; and

g. The acquisition is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that Applicant is approved to acquire 100% of the issued and outstanding stock of Central National which will result in Applicant exercising direct control of Central National.

Within fifteen (15) days after closing, an amendment to the Insurance Holding Company System Registration Statement shall be filed with the Department in accordance with *Neb. Rev. Stat. §44-2132, et seq.*

Dated this 24th day of February, 2010.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



ANN M. FROHMAN
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to the following persons:

W. Neal Wasserman, President
White Mountains Re Solutions, Ltd.
628 Hebron Avenue
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Christine H. Repasy, General Counsel
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599 Lexington Ave.
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by electronic mail and by U.S. Mail, postage prepaid, on this 24th day of February, 2010.

A handwritten signature in blue ink, appearing to read "Christine Repasy", written over a horizontal line.