

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE ACQUISITION OF
DIRECT NATIONAL INSURANCE COMPANY,
NAIC #23736, BY APPLICANT
NATIONAL GENERAL HOLDINGS CORP.**

AID NO. 2016- 087

ORDER

A public hearing was held at 2:00 p.m. on October 13, 2016, in the Hearing Room of the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Statement Regarding the Acquisition of Control of a Domestic Insurer (“Statement”), which included the requisite plan and agreement, dated July 8, 2016, filed by National General Holdings Corp. (“Applicant”) seeking approval of the acquisition of Direct National Insurance Company (“Company”). The hearing was held before Chief Deputy Commissioner Russ Galbraith, (“Hearing Officer”), pursuant to his appointment by Commissioner Allen Kerr in accordance with Ark. Code Ann. § 23-61-103. The Arkansas Insurance Department (“Department”) was represented by Amanda Capps Rose, Associate Counsel, and Mel Anderson, Deputy Commissioner of Financial Regulation. The Applicant was represented by Jeffrey Weissmann, General Counsel and Secretary of the Applicant, and by its attorneys, T. Ark. Monroe, III and Brian A. Pipkin of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.

FINDINGS OF FACT

From the Statement, related filings, testimony of witnesses, and other evidence presented at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel, and other matters and things considered, the Hearing Officer finds that:

1. The Statement and related filings were filed herein on July 11, 2016.
2. The Company is an Arkansas domiciled insurance company, NAIC No. 23736, duly licensed and in good standing under the laws of the State of Arkansas and is a wholly-owned subsidiary of Elara Holdings Inc. a Delaware corporation.
3. The Applicant, a Delaware corporation, will acquire control of the Company through the merger of Bluebird Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Applicant, with and into Elara Holdings, Inc., the parent of the Company pursuant to the Agreement and Plan of Merger, dated as of June 24, 2016.
4. All persons attending the hearing were provided the opportunity to present evidence, examine witnesses, and/or offer argument or objection. The Applicant presented evidence and argument through counsel and through the testimony of its representative, Jeffrey Weissmann.
5. Mr. Weissmann testified that, in his opinion:
 - (a) The acquisition is not contrary to law;
 - (b) The acquisition will be fair and equitable to the Company and its shareholders;
 - (c) The acquisition will not substantially reduce the security of and service to be rendered to the Company's policyholders and the public;
 - (d) After the change of control, the Company will be able to satisfy the requirements for the issuance of a license to write the line(s) of business for which it is presently licensed;
 - (e) The acquisition will not substantially lessen competition in any line of insurance business in Arkansas or tend to create a monopoly;
 - (f) The financial condition of the Applicant will not jeopardize the financial stability of the Company or any corporation controlling the Company or prejudice the interests of its policyholders;

- (g) Any plans, proposals, operations, investment policies, corporate structure and management will be fair and reasonable to the security holders of the Company; and
- (h) The competence, experience and integrity of those persons who would control the operation of the Company upon the acquisition are such that it would be in the interest of policyholders and of the public to permit the acquisition.

6. No objections were made at the hearing or otherwise to the proposed acquisition of the Company by the Applicant.

CONCLUSIONS OF LAW

7. The parties agree that the Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code. The Notices of Hearing were given within the time and in the manner required by law.

8. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Hearing Officer have been duly completed by the Applicant and the Department.

9. The requirements of Ark. Code Ann. §§ 23-63-501, *et seq.*, regarding the acquisition of the Company have been satisfactorily met, the proposed acquisition will not violate applicable law, none of the conditions specified in Ark. Code Ann. § 23-63-510 as preclusions for the approval of the acquisition exist, and the Department has completed its review of the proposed transaction.

RECOMMENDATIONS OF THE HEARING OFFICER

WHEREFORE, based upon the foregoing Findings of Fact, Conclusions of Law, and other matters before the Hearing Officer, the Hearing Officer recommends that the proposed acquisition of

control of Direct National Insurance Company be conditionally approved as provided in the Statement and related filings and as described in this Order.



RUSS GALBRAITH
CHIEF DEPUTY COMMISSIONER
and HEARING OFFICER

CERTIFICATION

I, Allen Kerr, Insurance Commissioner for the State of Arkansas, do hereby certify that the above Findings of Fact, Conclusions of Law, and Recommendation of the Hearing Officer were made by and under my authority and supervision by Russ Galbraith, Chief Deputy Commissioner and Hearing Officer in this proceeding. I hereby adopt the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations in full and enter this order.

THEREFORE, it is hereby ORDERED, based upon the above and foregoing Findings of Fact, Conclusions of Law and other matters stated herein, the Hearing Officer does hereby approve the proposed acquisition of control of Direct National Insurance Company, pursuant to and subject to the terms and conditions of the Statement and related filings.

IT IS SO ORDERED this 18th day of October, 2016.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS