

FEB 23 2007

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of the
Acquisition of Control of
National Guaranty Insurance
Company
(NAIC No. 12068),
Insurer,
By
Carlos Lidsky
Petitioner.

) Docket No. 07A-032-INS

ORDER APPROVING
ACQUISITION

On August 25, 2006, Carlos Lidsky ("Petitioner") submitted an application for the acquisition of control of National Guaranty Insurance Company ("Insurer") with the Arizona Department of Insurance (the "Department") for approval of Petitioner as the controlling person of the Insurer pursuant to the provisions of A.R.S. §§20-481 through 20-481.30 and A.A.C. R20-6-1402.

Based upon reliable evidence provided to the Director of Insurance ("Director") by the Assistant Director of the Financial Affairs Division of the Department, the Director makes the following Findings of Fact, Conclusions of Law and enters the following Order:

1 liquidate the insurer, sell its assets or consolidate or merge it with any person, or to
2 make any other material change in its business or corporate structure or management;

3 h. Would not be in the public interest of policyholders of the Insurer and of
4 the public to permit the merger or other acquisition of control based upon the
5 competence, experience and integrity of those persons who would control the operation
6 of the Insurer; or

7 i. Would likely be hazardous or prejudicial to the insurance-buying public.

8 6. The Petitioner furnished completed fingerprint cards to the Department to
9 enable the Department to determine if Petitioner and its proposed officers or directors of
10 the Insurer have been charged with or convicted of a felony or misdemeanor other than
11 minor traffic violations. The results of the analysis of the fingerprint cards submitted by
12 the Petitioner and its proposed officers and directors of the Insurer have not been
13 received by the Department. The Petitioner and its proposed officers and directors of
14 the Insurer made representations material to the issuance of the Order in this matter
15 that none of its officers or directors have been charged with or convicted of a felony or
16 misdemeanor other than minor traffic violations.

17 7. The Petitioner has committed to increase the current capital and surplus of
18 the Insurer as follows:

19 a. to an amount not less than \$2.3 million within ninety (90) days after the
20 closing of the acquisition; and

21 b. to an amount not less than \$4.3 million by June 30, 2008; and

22 c. to an amount not less than \$6.3 million by June 30, 2009.

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1 by or disclosed to the Director or any other person in the course of filing the application
2 is confidential and privileged, is not subject to Title 39, Chapter 1, Article 2 and is not
3 subject to subpoena.

4 3. The Petitioner shall advise the Director in writing of the effective date of
5 the change of control.

6 4. The Petitioner shall increase the current capital and surplus of the Insurer
7 as follows:

8 a. to an amount not less than \$2.3 million within ninety (90) days after the
9 closing of the Acquisition;

10 b. to an amount not less than \$4.3 million by June 30, 2008; and

11 c. to an amount not less than \$6.3 million by June 30, 2009.

12 After giving consideration to the capital commitments set forth above, the
13 premium writings of the Insurer shall not exceed a three to one premium to surplus ratio.

14 5. Upon consummation of this acquisition, the Insurer shall file its registration
15 statement in the form prescribed by A.R.S. §20-481.10 and within the time period
16 prescribed by A.R.S. §20-481.13. If the registration statement would duplicate the
17 information previously submitted by the Petitioner in the statement filed with the
18 Department pursuant to A.R.S. §20-481.03 and there have been no material changes
19 since the filing of that statement, then the Insurer shall submit a statement to that effect
20 incorporating by reference the statement previously filed with the Department in lieu of
21 the registration statement;

22 . . .

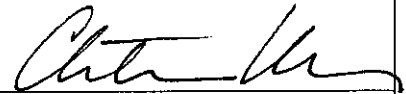
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1 6. The failure to adhere to one or more of the above terms and conditions
2 shall result without further proceedings in the suspension or revocation of the Insurer's
3 Certificate of Authority.

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5 DATED this 22nd day of February, 2007.

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8 CHRISTINA URIAS
9 Director Of Insurance

10 COPY of the foregoing mailed
11 this 23rd day of February, 2007,

12 Gerrie Marks, Deputy Director
13 Mary Butterfield, Assistant Director
14 Catherine O'Neil, Consumer Legal Affairs Officer
15 Steven Ferguson, Assistant Director
16 Leslie R. Hess, Financial Affairs Legal Analyst
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