BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE INSURANCE DIVISION, Petitioner,	)	
vs.	)	No.: 12.01-044403J 03-53
SECURITY INDEMNITY INSURANCE COMPANY, Respondent.	)	

CONSENT ORDER

WHEREAS, Petitioner, the Tennessee Insurance Division, (hereinafter referred to as the "Division") and the Respondent, the New Jersey Department of Banking and Insurance, as Receiver in Liquidation for Security Indemnity Insurance Company, hereby stipulate and agree, subject to the approval of the Commissioner of Commerce and Insurance (hereinafter referred to as the "Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. The Commissioner has determined that the resolution set forth in this Consent Order is fair, reasonable, and in the best public interest.

3. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this

Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

4. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

5. Respondent expressly waives all further procedural steps and all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

6. Security Indemnity Insurance Company (hereinafter referred to as the "Respondent") is an insurance company domiciled in the State of New Jersey.

7. Respondent has received a certificate of authority to sell property, casualty and vehicle lines of insurance in the State of Tennessee, and is subject to regulation under the Tennessee Insurance Law (hereinafter referred to as the "Tennessee Law"), codified at Title 56 of the Tennessee Code.

8. On or around July 16, 2003, the Department suspended the Respondent's certificate of authority because the Respondent maintained insufficient surplus.

9. On or around June 30, 2004, the Superior Court of New Jersey, Mercer County, Equity Division declared the Respondent insolvent and ordered that the Respondent be liquidated.

CONCLUSIONS OF LAW

10. Tenn. Code Ann. § 56-1-416 provides that the Commissioner shall revoke or suspend all certificates of authority granted to an insurance company if the Commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound condition or has failed to comply with the law and, upon such a finding, no new business shall be done by the company or its agents under suspension or revocation while such default or disability continues and not until its authority to do business is restored by the Commissioner.

11. By virtue of the unsound condition of the Respondent, as it relates to its insolvency and liquidation, the Respondent's financial condition fails to comply with the law, in violation of Tenn. Code Ann. § 56-1-416(a)(1)(A).

12. While the Respondent's hazardous financial condition fails to meet the requirements of Tenn. Code Ann. § 56-1-416, the Respondent is not qualified to do business in this state. Such hazardous financial condition is evidenced by the order declaring insolvent and liquidating the Respondent entered by the Superior Court of New Jersey, Mercer County, Equity Division.

ORDER

NOW THEREFORE, on the basis of the foregoing, the waiver of the Respondent, of its rights to a hearing and appeal under Tennessee Insurance Law and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, *et seq.*, and the admission by Respondent of the jurisdiction of the Commissioner, the Commissioner finds that the Respondent has agreed to the entry of this order, this Order is appropriate, and in the public interest.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 56-1-416 of the Tennessee Insurance Law, that:

Respondent's Certificate of Authority is hereby revoked. Petitioner acknowledges that Respondent has no business writings in the State of Tennessee and accordingly, Respondent shall refrain from writing new business in the State of Tennessee in the future. Respondent shall, however, at all such times continue to pay fees and taxes as required and applicable and service existing policyholders and adjust losses thereunder.

This Consent Order is in the public interest and in the best interests of the parties. This Consent Order represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, the New Jersey Department of Banking and Insurance as Receiver in Liquidation for Security Indemnity Insurance Company affirmatively states that it has freely agreed to the entry of this Consent Order, that it has been advised that it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel, that it waives its right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

Nothing in this Consent Order should be construed to limit the authority of the Insurance Division or the Commissioner to take further action against the Respondent should such action, in the opinion of the Insurance Division or the Commissioner, be necessary.

SO ORDERED.

ENTERED this the 10th day of July, 2006.

Paula A. Flowers
Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

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New Jersey Department of Banking and Insurance as Receiver in Liquidation for Security Indemnity Insurance Company

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