

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE: ULLICO CASUALTY)
COMPANY)
(NAIC NO. 37893))

DOCKET NO. 13-00~~6~~⁸-1

ORDER TO CEASE AND DESIST

Based upon the Ex Parte Motion for a Cease and Desist Order filed by the Insurance Division of the Department of Financial Regulation (the "Department") on April 11, 2013, the Commissioner makes the following Findings of Fact and Conclusions of Law and issues the following Order:

FINDINGS OF FACT

1. Respondent is a Delaware domiciled property and casualty insurance company with its main administrative offices located at 1625 Eye St. NW, Washington, DC 20006.
2. On November 5, 1982, Respondent obtained a Certificate of Authority to conduct the business of property and casualty insurance in the State of Vermont.
3. In its annual financial statement filed on March 1, 2013, Respondent reported its surplus as regards policyholders for the twelve month period ending December 31, 2012 as *negative* \$52,883,209.00, which was a \$145,970,948.00 decrease from the prior twelve month period ending December 31, 2011.
4. On March 11, 2013, the Court of Chancery of the State of Delaware issued a Rehabilitation and Injunction Order (the "Delaware Order") stating that Respondent is impaired, insolvent, in unsound condition, and in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, and ordered Respondent into receivership for purposes of rehabilitation. Respondent consented to the receivership.

CONCLUSIONS OF LAW

5. Pursuant to 8 V.S.A. § 3661, the Commissioner is authorized to issue a cease and desist order when the Commissioner believes that any person, including a business entity, has violated a law, an administrative rule of the Department, or an order of the Commissioner relating to insurance.

6. Section 3 of Regulation 93-2, titled *Defining Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition* ("Regulation 93-2"), promulgated pursuant to the authority granted by Title 8, Chapters 101 and 145, authorizes the Commissioner to consider several standards, singly or in combination, to determine whether the continued operation of any insurer transacting an insurance business in this state might be deemed to be hazardous to the policyholders, creditors, or the general public.

7. Based on the information contained in Respondent's annual financial statement and the conclusions made in the Delaware Order, Respondent is in violation of several of the standards set forth in Regulation 93-2, Section 3, including but not limited to Sections 3(A), 3(D), 3(F), and 3(O), and these violations render the continued operation of Respondent's insurance business in this state hazardous to the policyholders, creditors or the general public such that the Commissioner may, pursuant to Section 4(B) of Regulation 93-2, issue an order requiring the insurer to, among other actions, reduce, suspend or limit the volume of business being accepted or renewed in Vermont.

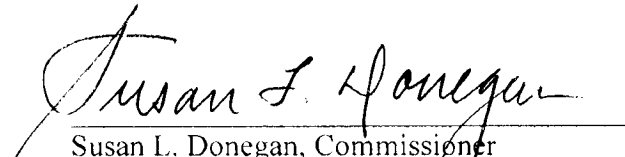
8. Pursuant to the authority contained in Section 13 of Department Regulation 82-1 (Revised), where the Commissioner is authorized by law to issue a cease and desist order, she may do so without written or oral notice to the Respondent.

ORDER

PURSUANT TO 8 V.S.A § 3661 AND SECTION 13 OF DEPARTMENT
REGULATION 82-1 (REVISED), IT IS HEREBY ORDERED THAT:

Respondent, Ullico Casualty Company, is ordered to Cease and Desist from (1)
soliciting, issuing, or otherwise writing new policies or contracts of insurance in Vermont; (2)
renewing any insurance business in Vermont; and (3) assuming any new risk in Vermont.

Entered at Montpelier, Vermont this 11th day of April, 2013.



Susan L. Donegan, Commissioner
Vermont Department of Financial Regulation

NOTICE OF RIGHT TO REQUEST HEARING

DOCKET NO. 13-005-I

ULLICO CASUALTY COMPANY is hereby given NOTICE that a hearing will be afforded in this matter if it so requests in accordance with Department of Financial Regulation No. 82-1 (Revised) within thirty (30) days from the date of mailing of this Notice. Any such request must be delivered to the attention of the Docket Clerk, Diane Lewis, 89 Main Street, Montpelier, Vermont 05620-3101. The Department is located at 89 Main Street, City Center, 2nd Floor, Montpelier, Vermont.

A hearing in this matter will be conducted in accordance with the contested case procedures prescribed in 3 V.S.A. § 809 and Department of Financial Regulation No. 82-1 (Revised). All parties have the right to represent themselves or to be represented throughout the proceedings herein by legal counsel.

FAILURE TO REQUEST A HEARING IN A TIMELY MANNER OR TO ATTEND A HEARING THAT HAS BEEN SCHEDULED MAY RESULT IN THE ENTRY OF DEFAULT JUDGMENT AGAINST YOU FOR THE RELIEF REQUESTED BY THE DEPARTMENT.