Before the State of South Carolina
Department of Insurance

In the Matter of:	**Order**
Consolidated American Insurance Co.,	**Imposing Voluntary Administrative Supervision**
South Carolina Insurance Co.,	**And Appointing Supervisor**
1501 Lady Street Columbia, South Carolina 29201.	

The South Carolina Department of Insurance brings this matter before me upon review of the business affairs and operations of companies within the Seibels Bruce Group, Inc. (Seibels Bruce) and two of its subsidiaries, Consolidated American Insurance Company (CAIC) and South Carolina Insurance Company (SCIC).

It is the Department's opinion that the operation of the Companies is such as to render the continuation of their business hazardous to the public and the holders of their policies of insurance. The Department further believes these companies may have failed to comply with the insurance laws of this state by not maintaining the required minimum capital and surplus. This opinion is based on the following findings of fact.

FINDINGS OF FACT

1. CAIC and SCIC (the Companies) are South Carolina domestic insurance companies that hold certificates of authority under the provisions of S.C. Code Ann. § 38-5-20 (2002). The Department granted CAIC a license to transact business as an insurance company on March 1, 1953. The Department granted SCIC a license to transact business as an insurance company on June 1, 1910.

2. The Companies entered into an agreement with Human Dynamics Corporation effective January 2002 to provide workers compensation policies through an employee leasing venture in Arizona and California.

3. The Companies and Human Dynamics Corporation (HDC) are involved in ongoing litigation. Trial is set to begin on some of the outstanding issues on March 28, 2005. It is unlikely that HDC has the wherewithal to fund the payment of workers compensation claims.

4. On February 7, 2005, management of the two companies along with counsel reported to the Department that SCIC had a $2,405,000 negative policyholder surplus as of December 31, 2004. This financial condition is due to adverse development of $3, 111,000 in mainly asbestos and environmental reserves that are in run-off and $2,814,000 related to the HDC workers compensation claims. The Department asked the Seibels Bruce Group to infuse additional funds. According to management, the Seibels Bruce Group, Inc. has declined to infuse additional funds to cure the surplus deficiency.

5. Management has agreed to voluntary supervision and liquidation of these Companies.

CONCLUSIONS OF LAW

After a thorough review of the matter, given the Companies' current level of capital and surplus, the lack of reinsurance, the uncertainty surrounding the Companies' claims exposure, the litigation with HDC, the status of the Companies' business operations, and based on the preliminary information outlined above, I hereby conclude the following as a matter of law.

1. As Director of Insurance I have jurisdiction over the Companies and this matter.

2. Sufficient grounds exist for the suspension or revocation of the Companies' certificates of authority.

   a. The Companies are in unsound financial condition and their continued operation without this action is hazardous to the public. A previous ruling of the Arizona Court found the Companies to be 100% responsible for HDC policy risks without reinsurance. Through an Interim Agreement, HDC was responsible for funding all claims under the program.

   b. As of December 31, 2004, officers from the Companies reported that SCIC had a $2,405,000 negative policyholder surplus. A review of the SCIC's Annual Statement indicated negative policyholder surplus of $2,324,696. The negative policyholder surplus includes the assets of CAIC. According to company officials, this financial condition is due to adverse development of $3,111,000 in mainly asbestos and environmental reserves that are in run-off and $2,814,000 related to the HDC workers compensation claims. The insolvency of SCIC will negatively impact CAIC which has also has HDC exposure. The common stock of CAIC is owned by SCIC.

   c. The Department asked the Seibels Bruce Group to infuse additional funds. According to management, the Seibels Bruce Group, Inc. has declined to infuse additional funds to cure the surplus deficiency. Without an infusion of additional capital, SCIC is in violation of §38-9-30(1) which requires SCIC to maintain stated capital of $2,000,000 and surplus of $375,000.

ORDER

IT IS THEREFORE ORDERED that the Companies be placed under the Department's supervision pursuant to the Administrative Supervision of Insurers Act. S.C. Code Ann. §§ 38-26-10, et seq. (2002). Pursuant to that Act and S.C. Code Ann. § 38-3-150 (2002), I hereby appoint Dean F. Kruger, the Department's Property and Casualty Director, as Interim Supervisor of the Companies, vesting him with full authority to effect and apply all applicable statutes and regulations. The Department will appoint a permanent Supervisor.

IT IS FURTHER ORDERED that, during the period of supervision, neither of the Companies may do any of the following acts *without the prior approval* of the Supervisor or his appointed representative(s) for supervision:

1. dispose of, convey, or encumber its assets or its business in force;

2. withdraw its bank accounts;

3. lend its funds;

4. invest its funds;

5. transfer its property;

6. incur any debt, obligation, or liability;

7. merge or consolidate with another company;

8. accept and/or approve any applications for insurance;

9. approve new premiums or renew policies;

10. enter into a new reinsurance contract or treaty;

11. engage in any advertisement or solicitation;

12. terminate, surrender, forfeit, convert, or lapse an insurance policy, a certificate or a contract, except for nonpayment of premiums due;

13. release, pay, or refund premium deposits, accrued cash or loan values, unearned premiums, or other reserves on an insurance policy, certificate or contract;

14. make a material change in management; and

15. increase salaries or benefits of officers or directors or the preferential payment of bonuses, dividends, or other preferential payments.

IT IS FURTHER ORDERED, effective immediately, the Companies shall cease writing all new risk-bearing business in accordance with S.C. Code Ann. § 38-26-60 (8), (9), and (11) (2002). Both Companies are in run-off.

IT IS FURTHER ORDERED the Supervisor shall fix and determine all costs incident to service rendered by him or his appointed representative(s) pursuant to this order. This amount is to be a charge against the assets and funds of the Companies to be paid as required by S.C. Code Ann. § 38-13-70 (2002).

IT IS FURTHER ORDERED that the Companies will remain under the administrative supervision of this Department for at least six months.

IT IS FURTHER ORDERED that nothing contained within this administrative order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative order should be construed to limit the duty of the Director, pursuant to S.C. Code Ann. § 38-3-110 (2002), exercised either directly or through the Department, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report." Nothing contained within this administrative order should be construed to limit the ability of the Director to impose further action against the Companies, including placing them into conservation, rehabilitation, liquidation, or other delinquency proceedings, during the period of administrative supervision or, as the Director believes, in his sole discretion, circumstances warrant. *See* S.C. Code Ann. § 38-26-80 (2002).

Pursuant to §38-26-50 (D) of the South Carolina Code, a copy of this order shall be immediately transmitted to the National Association of Insurance Commissioners and to the insurance departments of all states in which the Companies transact business.

This order is to be binding upon the Companies, their agents, servants, officers, directors, employees, attorneys, and on all those persons in active concert or participation with them or who will receive actual or constructive notice of this order by personal service or otherwise.

This order becomes effective on the date of my signature below.

Eleanor Kitzman
Director

8 March 2005
Columbia, South Carolina