

DEPARTMENT OF INSURANCE

STATE OF WYOMING

IN THE MATTER OF CAPITAL ASSURANCE)
RISK RETENTION GROUP, INC.,)
in Rehabilitation.)

Docket No. 07-15

**ORDER OF SUSPENSION OF AUTHORIZATION
TO TRANSACT BUSINESS**

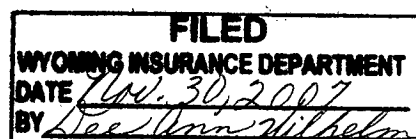
WHEREAS, Capital Assurance Risk Retention Group, Inc. (hereinafter "Capital Assurance"), a Risk Retention Group, 1327 Ashley River Road, Building C, Suite 200, Charleston, SC 29407-5384, is authorized to transact business in the State of Wyoming as a risk retention group; and

WHEREAS, Alison R. Lee, Chief Administrative Judge, in the Court of Common Pleas, Fifth Judicial Circuit, Richland County, State of South Carolina, entered a Consent Order Commencing Rehabilitation Proceedings & Granting an Injunction & Automatic Stay of Proceedings (hereinafter "Consent Order") on October 31, 2007, upon the Petition of Scott H. Richardson, Director of the South Carolina Department of Insurance, who was appointed as Receiver;

WHEREAS, the Consent Order found that Capital Assurance is a privately held South Carolina captive (stock) insurance company formed as a Risk Retention Group and organized and licensed under the provisions of S.C. Code Ann. §§ 38-90-10, *et seq.* The Consent Order further found that Capital Assurance is not a publicly-traded corporation, but is owned by its policyholders (80 percent by The Ultimate Warranty Corporation ("Ultimate"));

WHEREAS, on or about September 11, 2007, the Director of Insurance of the State of South Carolina issued a Confidential Order Imposing Administrative Supervision and Appointing Supervisor with respect to Respondent on the grounds that Ultimate's financial condition placed Respondent in a hazardous financial condition and further finding that Respondent had failed to file a timely audited financial report in compliance with South Carolina's state laws. The Consent Order went on to find that in light of the financial issues involving its owner, Ultimate, Respondent Capital Assurance is in such condition to be hazardous, financially, to its policyholders, its creditors and the public;

WHEREAS, Wyo. Stat. §§ 26-36-111 and 26-36-112 allow the Insurance Commissioner of the State of Wyoming to impose penalties applicable to licensed insurers generally under the



Insurance Code, including the suspension of a license and the right to do business as risk retention groups; and

WHEREAS, pursuant to Wyo. Stat. § 26-36-114, an order issued by any district court of the United States enjoining a risk retention group from soliciting or selling insurance or operating in any state or in all states or in any territory or possession of the United States upon a finding that such a group is in a hazardous financial condition shall be enforceable in the courts of this state ; and

WHEREAS, pursuant to Wyo. Stat. § 26-3-116(e), the Insurance Commissioner of the State of Wyoming may immediately suspend the authorization to transact business of a risk retention group against whom a proceedings for receivership, conservatorship, rehabilitation or other delinquency proceedings has been commenced in any state by the public insurance supervisory official of that state ;

IT IS HEREBY ORDERED that the authorization of Capital Assurance, a Risk Retention Group, to transact the business of a risk retention group be, and the same hereby is, suspended for a period of one year;

IT IS FURTHER ORDERED, pursuant to Wyo. Stat. § 26-3-118(b), that during the suspension period Capital Assurance shall not solicit or write any new business in this state but shall file its annual statement, pay fees, licenses and taxes as required under the Wyoming Insurance Code, and may service its business already in force in the State of Wyoming as if the certificate of authority had continued in full force.

FURTHER ORDERED, that during the suspension period such authorization to transact business may be reinstated upon Capital Assurance's motion and adequate proof to the Insurance Commissioner of the State of Wyoming that said company has solved the problems which led to the issuance of the Consent Order by the State of South Caroling.

FURTHER ORDERED, however, that if Capital Assurance fails to request a hearing and prove to the satisfaction of the Insurance Commissioner of the State of Wyoming that it has solved the problems which caused the Court of Common Pleas, Fifth Judicial District, State of South Carolina to issue the Consent Order, its authorization to transact business shall terminate at the end of the one-year period and shall become permanently revoked pursuant to Wyo. Stat. § 26-3-118.

IT IS FURTHER ORDERED that Capital Assurance, a Risk Retention Group, shall forthwith surrender and deliver any certificate of authorization to transact the business of a risk retention group in the State of Wyoming to the Insurance Commissioner of the State of Wyoming within ten (10) days after receipt of this Order of Suspension pursuant to Wyo. Stat. § 26-3-113(c).

Done in Cheyenne, Wyoming this 30th day of November, 2007.



KENNETH G. VINES
WYOMING INSURANCE COMMISSIONER