

BEFORE THE
DEPARTMENT OF INSURANCE
STATE OF DELAWARE

IN THE MATTER OF)
)
GREAT ATLANTIC) Docket No. 86- 14
INSURANCE COMPANY)

ORDER OF SUPERVISION

AND NOW, on this 28th day of February, 1986, under the authority of Title 18, Delaware Code, Section 5941 and 5942 the Insurance Commissioner of the State of Delaware hereby makes the following Order of Supervision with the consent of Great Atlantic Insurance Company ("GAIC").

WHEREAS, GAIC is a domestic stock insurance company organized under the laws of the State of Delaware maintaining its principal place of business at 160 Pearl Street, New York, NY 10005 and is licensed to engage in the business of health, property, and casualty insurance including workmens' compensation; and

WHEREAS, under Delaware laws, 18 Del.C. Section 511, GAIC must maintain \$600,000 paid-in capital and free surplus and maintain policyholder surplus reasonable in an amount as determined by the Commissioner in relation to the kinds and amounts of insurance it has in force; and

WHEREAS, a February 19, 1986 actuarial study by Tellinghast, Nelson and Warren, Inc., was presented to the Delaware Insurance Department by the management of GAIC; and

WHEREAS, the Tillinghast, Nelson and Warren, Inc. study indicates that GAIC needs a loss and loss adjustment expense reserve of approximately \$22,000,000; and

WHEREAS, the reserve amount exceeds the total assets of GAIC by approximately \$8,000,000; and

WHEREAS, GAIC's financial condition is in violation of the requirements set forth in Section 511, supra; and

WHEREAS, Title 18, Delaware Code, Section 5901 defines a company as "impaired" or "insolvent" when "such insurer is not possessed of assets at least equal to all liabilities and required reserves together with its total issued and outstanding capital stock"; and

WHEREAS, pursuant to the provisions of Section 5941 and 5942, supra, GAIC has given to the Insurance Commissioner its consent to the issuance of an Order of Supervision and has agreed to provide the Commissioner with a plan to correct the impairment of its surplus.

NOW THEREFORE, IT IS HEREBY ORDERED:

The Insurance Commissioner of the State of Delaware hereby issues this Order of Supervision in accordance with the provisions of Sections 5941 and 5942 and hereby orders:

(1) GAIC may not do any of the following acts without the prior written approval of the Insurance Commissioner or his Deputy:

- (a) Dispose of or convey or encumber any of its assets or its business in force;
- (b) Withdraw any of its bank accounts;
- (c) Lend any of its funds;
- (d) Invest any of its funds;
- (e) Transfer any of its property;
- (f) Incur any debt, obligation or liability, including the declaration or payment of dividends to its stockholders;
- (g) Merge or consolidate with another company;
- (h) Enter into any new reinsurance contract or treaty;
- (i) Cede any insurance risks;
- (j) Pay any money from any account in any bank or savings and loan institution; or
- (k) Any other action which would result or reduce the net worth of GAIC.

(2) GAIC is prohibited from issuing any policies, transferring any property, or paying money without the prior written approval of the Commissioner. After receipt and approval of plans specified in paragraph 4 of this Order, the Insurance Commissioner will authorize the payment of loss adjustment expenses by GAIC and other limited dollar disbursements without further specific approval.

(3) All financial assets and deposits received by or in the possession of GAIC shall be maintained in Delaware for the duration of this Order; except that GAIC may maintain checking accounts in the Marine Midland Bank in New York City for payment of daily operational expenses.

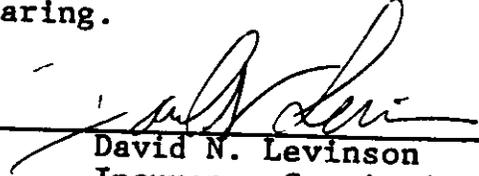
(4) GAIC shall promptly submit to the Insurance Commission two alternative plans of operation during 1986: the first, under the assumption that stockholders will be able to provide additional resources to the Company to repair the capital and reserve deficiencies, and the second, under the assumption that the stockholders are unable to repair the deficiencies and liquidation of the company is required.

(5) GAIC will continue its negotiations with shareholders located in Brazil and New York and shall file with the Department a written plan outlining the specific actions being taken by GAIC to secure additional financial commitments from its Brazilian and New York shareholders.

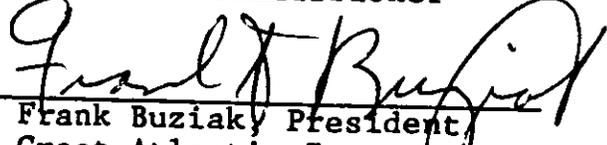
(6) Any proposed alterations to the compensation to the present Board of Directors, Officers, or employees of GAIC must have the prior written approval of the Insurance Commissioner before said changes are effective.

(7) No action at law or equity shall be commenced or prosecuted, nor shall any judgment be entered against, nor shall any execution or attachment be issued or prosecuted against Great Atlantic, or against its property, in any court without the prior written consent of the Insurance Commissioner.

(8) This Order shall continue in effect until terminated by the Insurance Commissioner with consent of GAIC or after hearing held by the Commissioner after 5 days notice by either party requesting such a hearing.



David N. Levinson
Insurance Commissioner



Frank Buziak, President
Great Atlantic Insurance
Co.

