

P.O. Box 690, Jefferson City, Mo. 65102-0690

IN RE:	The Proposed Acquisition of	)	
	Capital Reserve Life Insurance Company	)	Case No. 020325216C
	by Franklin L. Warden	)	

## FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

## Findings of Fact and Conclusions of Law

Based on the testimony and other evidence presented, I, SCOTT B. LAKIN, Director of the Department of Insurance, State of Missouri, find that:

- 1. On or about March 15, 2002, Franklin L. Warden filed a Form A Statement with the Missouri Department of Insurance (the "Department"), in connection with the proposed acquisition of Capital Reserve Life Insurance Company (Capital Reserve Life), a Missouri stock life insurance company. A public hearing was held on April 11, 2002, as ordered by the Department on March 26, 2002. Mr. Warden appeared in person and by counsel and the Department's Division of Financial Regulation appeared by counsel.
- 2. According to the Form A, Capital Reserve Life will reacquire 3,578 shares of its own stock at a price per share of \$2,562.60, for a total purchase price of \$9,169,000. The 3,578 shares represent exactly 50% of the issued and outstanding shares of stock of Capital Reserve Life. Because Mr. Warden is currently a shareholder, the result of the reacquisition of shares will effectively increase Mr. Warden's percentage ownership of the voting securities of Capital Reserve Life, both individually and with his wife, from about 19.1% to 38.2%, thereby placing Mr. Warden in control of Capital Reserve Life.
- 3. A preponderance of evidence on the whole record fails to show that:
  - A. After the acquisition of Capital Reserve Life by Mr. Warden, Capital Reserve Life

will not be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

- B. The effect of the acquisition of Capital Reserve Life by Mr. Warden will be to substantially lessen competition in insurance or tend to create a monopoly in this State.
- C. The financial condition of Mr. Warden is such as might jeopardize the financial stability of Capital Reserve Life or prejudice the interests of its policyholders.
- D. Mr. Warden's plans, if any, to liquidate or sell Capital Reserve Life or to consolidate or merge it with other companies or to make any other material change in Capital Reserve Life's business, corporate structure, or management, would be unfair or unreasonable to policyholders of Capital Reserve Life or contrary to the public interest.
- E. The competence, experience, and integrity of Mr. Warden's management are such that it would be contrary to the interest of policyholders of Capital Reserve Life and to the public to permit the acquisition of Capital Reserve Life by Mr. Warden.
- F. The proposed acquisition of Capital Reserve Life by Mr. Warden is likely to be hazardous or prejudicial to the insurance buying public.
- 4. Insufficient evidence was presented to establish either that the Department has jurisdiction to grant a waiver of the requirement to maintain an interest maintenance reserve (IMR) as part of a Form A proceeding or, assuming such jurisdiction for purposes of argument, that granting such a waiver in the present case is warranted.

## **ORDER**

Based on the foregoing Findings and Conclusions and pursuant to the provisions of sections 382.040 to 382.060, RSMo, the acquisition of control of Capital Reserve Life Insurance Company by Franklin L. Warden as proposed in the Form A Statement filed in this matter, with the exception of the waiver of the interest maintenance reserve, is **APPROVED.** 

So ordered, signed and official seal affixed this	day of	, 2002.
	SCOTT B. LAKIN, Director	
	Missouri Department of Insurance	