



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

IN RE:           The Proposed Acquisition of           )  
                  Northfield Insurance Company by        )  
                  Citigroup, Inc.                                )        Case No. 000919454C

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

Based on the testimony and other evidence presented in the above-captioned matter, I, KEITH A. WENZEL, Director of the Department of Insurance, State of Missouri, find and conclude that:

1.       On or about September 15, 2000, a Form A Statement was filed with the Missouri Department of Insurance (the "Department") on behalf of Citigroup, Inc. ("Applicant"), in connection with the proposed acquisition of Northfield Insurance Company (hereinafter "Northfield"), a Missouri stock insurance company. Applicant will acquire 100% of the voting stock of Associates First Capital Corporation (hereinafter "Associates"). Northfield is a wholly owned subsidiary of Associates. The Department issued a Notice of Hearing, ordering that a public hearing on the proposed acquisition be held at 10:00 a.m., October 18, 2000, in the Harry S Truman Building, 301 West High Street, Jefferson City, Missouri. A public hearing was held October 18, 2000, as scheduled in the Notice of Hearing. Appearing at the hearing were counsel for Applicant, the Department's Division of Financial

Regulation, and intervenors Inner City Press/Community on the Move & Inner City Public Interest Law Center (Inner City Press) and Concerned Clergy Coalition.

2. The evidence on the whole record is insufficient to support any of the following:

A. After the change of control, Northfield will be 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 control of Northfield would be substantially to lessen competition in insurance or tend to create a monopoly in this State.

C. The financial condition of Applicant is such as might jeopardize the financial stability of Northfield or prejudice the interests of its policyholders.

D. The plans or proposals of Applicant which Applicant has to liquidate Northfield or sell its assets or to consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management are unfair and unreasonable to policyholders of Northfield and contrary to the public interest. Applicant has plans to redomesticate Northfield to the state of Illinois, but such plans are not unfair or unreasonable to Northfield's policyholders and are not contrary to the public interest.

E. The competence, experience, and integrity of those persons who would control the operations of Northfield are such that it would be contrary to the interest of policyholders of Northfield and of the public to permit the acquisition of control.

F. The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

3. In its post-hearing brief, Intervenor Inner City Press argues for a remand to the hearing officer so that Inner City Press may conduct additional pre-hearing discovery that the hearing officer denied and that a new hearing be convened. These matters have already been ruled on and those rulings need not be repeated here, except to state that those rulings do not appear erroneous. In its post-hearing

brief, Intervenor Concerned Clergy Coalition also re-argues this same discovery dispute - with the same result, but also argues that Applicant has failed to prove (1) the competence, experience, and integrity of those persons who would control the operations of Northfield are such that it would not be contrary to the interest of policyholders of Northfield and of the public to permit the acquisition of control and (2) the acquisition is not likely to be hazardous or prejudicial to the insurance buying public. Concerned Clergy Coalition's argument fails for two reasons:

A. First, Concerned Clergy Coalition misplaces the burden of proof. According to section 382.060.1, RSMo, the Director "shall" approve a proposed acquisition of control, unless the Director makes one or more of the six findings necessary to contradict that approval. The "shall... approve... unless" formulation of the statute places the burden of proof, that is, the risk of non-persuasion, on those parties, if any, who oppose the proposed acquisition of control. Once Applicant filed the Form A and the Director held a public hearing, it was the statutory obligation of the Director to "thereafter approve such merger or other acquisition of control, unless..." Concerned Clergy Coalition, the Division of Financial Regulation, Inner City Press or any other interested person proved by a preponderance of evidence one or more of the six findings listed under subsection 1 of section 382.060, RSMo.

B. Second, Concerned Clergy Coalition failed to carry its burden of proof. Concerned Clergy Coalition points to evidence regarding the surplus lines insurance business of Gulf Underwriters (a current affiliate of Applicant) and Northfield. Specifically, Concerned Clergy Coalition points to (1) some testimony regarding the alleged lack of due diligence by Applicant regarding Northfield, and (2) certain witnesses's lack of familiarity with the liabilities associated with the surplus lines insurance business conducted by Gulf Underwriters and Northfield and lack of knowledge of how, if at all, Applicant's plans for cross-marketing of products would affect the surplus

lines insurance business of these two companies. Concerned Clergy Coalition fails, however, to supply evidence connecting these three alleged deficiencies with a lack of competence or a hazardous operation. For instance, regarding the alleged lack of due diligence, no showing was made that Applicant was not entitled to rely on the published detailed financial statements of Northfield that are subject to audit by independent certified public accountants and examination by the Department. Nor did Concerned Clergy Coalition show that these witnesses, all attorneys at law, should be expected to be familiar with their clients' surplus lines insurance business. To the contrary, familiarity regarding certain liabilities would reasonably seem to be the responsibility of claims personnel, actuaries and accountants rather than attorneys and knowledge of cross-marketing plans would reasonably seem to lie with marketing personnel. In addition, no showing was made that the acquisition of Northfield is such a significant part of the acquisition of Associates as a whole that Applicant should have focused significantly more attention on Northfield. Finally, the evidence of record shows that Applicant already controls four Missouri domestic insurance companies and fails to show that Applicant lacks the required competence, experience, and integrity or that Applicant's control of these four domestic insurers has been hazardous or prejudicial to the insurance buying public.

### **ORDER**

Based on the foregoing Findings and Conclusions, the proposed merger or other acquisition of control of Northfield Insurance Company by Citigroup, Inc., is **APPROVED**.

So ordered, signed and official seal affixed this \_\_\_\_ day of November, 2000.

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KEITH A. WENZEL, Director