



July 7, 1993

BULLETIN #600

RE: GREATER INDEMNITY & CASUALTY CO. LTD.; GREATER INDEMNITY COMPANY & CASUALTY COMPANY LTD.; GREATER INDEMNITY AND CASUALTY INSURANCE CO. LTD.; GREATER INDEMNITY INSURANCE COMPANY LTD.; GREATER INDEMNITY CASUALTY CO. LTD.; GREATER AMERICAN AND CASUALTY INSURANCE, LTD.; GREATER AMERICAN CASUALTY INSURANCE LTD.; GREATER AMERICAN AND CASUALTY INSURANCE CO. LTD. (Greater Indemnity) (Turks & Caicos)

We have been requested by the California Insurance Department, acting in accordance with and pursuant to Section 1765. 1 of the Insurance Code, to advise all Surplus Line brokers and Special Lines Surplus Line brokers that effective July 6, 1993 unless and until notified by the Department to the contrary, the above insurer should not be employed for placements of California business. No further new or renewal business may be placed with the company.

Please see attached documentation for further information.

James S. Pugh

Assistant Manager

JSP/ii-nb

Attachments STATE OF CALIFORNIA

JOHN GARAMENDI, Insurance Commissioner

DEPARTMENT OF INSURANCE

45 FREMONT STREET, ~24th FLOOR

SAN FRANCISCO, CA 94105

July 6, 1993

The Surplus Line Association of California 388 Market Street, Suite 1150 San Francisco, CA 94111

Subject: Greater Indemnity & Casualty Co. Ltd.; Greater Indemnity Company & Casualty Company Ltd; Greater Indemnity and Casualty Insurance Co. Ltd.; Greater Indemnity Insurance Company Ltd.; Greater Indemnity Casualty Co. Ltd; Greater American and Casualty Insurance, Ltd.; Greater American Casualty Insurance Ltd.; Greater American and Casualty Insurance Co. Ltd. (Greater Indemnity) (Turks & Caicos)

Order Pursuant to California Insurance Code Section 1765.1 and California Code of Regulations title 10 chapter 5 section 2174 et sea.

Dear Gentle People:

Please issue a bulletin to your members notifying them that Greater Indemnity & Casualty Co. Ltd., Greater Indemnity Company & Casualty Company Ltd, Greater Indemnity and Casualty Insurance Co. Ltd., Greater Indemnity Insurance Company Ltd., Greater Indemnity Casualty Co. Ltd, Greater American and Casualty Insurance, Ltd., Greater American Casualty Insurance Ltd., Greater American and Casualty Insurance Co. Ltd. (Greater Indemnity) (Turks & Caicos Islands) is unacceptable pursuant to CIC S 1765.1 and CCR section 2174 et seq. for placement of new or renewal business.

Attached please find a copy of the Department's letter to this company and its representatives.

Very truly yours,

Jill A. Jacobi
Senior Staff Counsel
(415) 904-5362

cc: Janice E. Kerr, CDI General Counsel
Victoria S. Sidbury, CDI Assistant Chief Counsel Greater Indemnity

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 24TH FLOOR
SAN FRANCISCO, CA 94105

July 6, 1993
via certified Mail Return Receipt Requested

James Paul Estes
3030 Saturn Street, Suite 202
Brea, California 92621

Greater Indemnity & Casualty Co. Ltd.,
Greater American
Casualty Insurance Ltd.
400 West King Street, Suite 402
Carson City, Nevada 89703

Greater Indemnity and Casualty
-Insurance Co. Ltd.
Unit 10 The Mariner
Providenciales
Turks & Caicos Islands,
B.W.I.

Robert H. Beswick, Esq.
2029 Century Park East
Suite 1200
Los Angeles, California 90067

Greater Indemnity & Casualty
Greater Indemnity Company
Co. Ltd., Greater American
Casualty Insurance Ltd.
P.O. Box 64
Unit D18/19 Market Place
-Providenciales
Turks & Caicos Islands, B.W.I.

& Casualty Company Ltd., et al.
c/o Roman Gorodnitsky,
President
Greater Indemnity
Holdings, Inc.
6399 Wilshire Boulevard,
Suite 414
Los Angeles, CA 90048

**Subject: Greater Indemnity & Casualty Co. Ltd.; Greater Indemnity Company & Casualty Company Ltd;
Greater Indemnity and Casualty Insurance Co. Ltd.; Greater Indemnity Insurance Company Ltd.; Greater
Indemnity Casualty Co. Ltd; Greater American and Casualty Insurance, Ltd.; Greater American Casualty
Insurance Ltd.; Greater American and Casualty Insurance Co. Ltd. (Greater Indemnity) (Turks & Caicos)
Order Pursuant to California insurance Code (CIC) 1765.1 and California code of Regulations (CCR) Title 10
Chapter 5 section 2174 et seq.**

Dear Gentle People,

**The California Department of Insurance has reviewed the financial and other information recently submitted to
it pursuant to California Code of Regulations (CCR) Title 10 Chapter 5 section 2174.4 et seq concerning the
subject insurer Greater Indemnity &**

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**Casualty Co. Ltd. (hereafter "GI"). The Department has also received financial and other information regarding
GI, Greater Indemnity Company & Casualty Company Ltd, Greater Indemnity and Casualty Insurance Co.
Ltd., Greater Indemnity Insurance Company Ltd., Greater Indemnity Casualty Co. Ltd, Greater American and
Casualty Insurance, Ltd., Greater American Casualty Insurance Ltd., Greater American and Casualty
Insurance Co. Ltd. (collectively hereafter "Greater Indemnity"), names by which the subject company is**

otherwise known as, names of predecessor entities or names of affiliated insurance companies. Greater Indemnity has been described as a non-admitted underwriter of automobile liability and casualty insurance in the State of California.

The Department's review of the GI submission and other Greater Indemnity information is guided by legal and accounting standards as set forth in our California Insurance Code and other California laws. The Department has a number of concerns which require the issuance of an order and bulletin pursuant to California Insurance Code (CIC) Section 1765.1, ordering that no further business be placed with GI and Greater Indemnity.

The Department is authorized to issue this order and bulletin regarding GI because the 2174.4 submission does not comply with California law as set forth in CCR title 10 chapter 5 section 2174.4 (a) and GI fails to meet the standards set forth in section CCR title 10 chapter 5 section 2174.9 (a) (1), (2), (3), (4), (5), (6) and (7). The Department is also authorized to issue this order and bulletin regarding GI and Greater Indemnity because the financial and other information reviewed do not meet the applicable legal and financial standards, including those set forth in CCR Title 10 chapter 5 section 2174.9 (a) and issuance of this order is necessary to protect the public interest pursuant to section 2174.9 (b).

FAILURE TO COMPLY WITH FILING REQUIREMENTS CCR section 2174.9 (c)

The GI submission was rejected for numerous reasons as set forth below.

The complete and consistent documentation required by California law have not been submitted for filing with the Department of Insurance. On June 2, 1993 the Department of Insurance Assistant Chief Investigator Charles P. Wiscavage wrote to Mr. James Paul Estes, the surplus lines broker who submitted materials on behalf of Greater Indemnity & Casualty Co. Ltd., and advised that the GI submission was rejected for not being in substantial compliance with the applicable regulations. Through that correspondence GI was advised that its trust account did not appear to include the 5.4 million dollars worth of assets as required by California Code of regulations (CCR) Title 10 chapter 5 section 2174.9 (a) (4).

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That correspondence further advised that the copy of the NAIC trust agreement submitted was not certified as required under CCR Title 10 chapter 5 section 2174.5 (a) (5) (A). Further, CCR Title 10 chapter 5 section 2174.9 (a) (4) requires that the trust account of \$5.4 million be maintained in the United States in a Federal Reserve system bank. GI reported in its submitted documents that its United States trustee is "Burns Philip Trustee Co. (Att: Peter Clark) Qualified Trustee for National Bank of Australia (NAIC Approved list) Wholly owned Subsidiary of Citicorp (USA)". The National Bank of Australia does not appear to exist and the Department was unable to confirm that it is a wholly owned subsidiary of Citicorp, USA. Therefore the Department was unable to confirm that the described trust does in fact reside in a member of the Federal Reserve banking system.

Subsequent to the rejection of the submission, the denoted trustee, Burns Philp Trustee Company (Canberra) Limited, has itself identified its correspondent bank in Australia as Citibank Australia Limited, not the National Bank of Australia designated in the submission to the Department.

In addition, by that correspondence GI was advised that the Department was unable to determine that the quality of assets meets the requirements of Insurance Code sections 1170 through 1182 as required by CCR Title 10 chapter 5 section 2174.9 (a) (5). Documents submitted on behalf of GI reflect that its assets are not producing any investments, which shows that the assets are not of the required quality.

That correspondence further states that the documents submitted under CCR Title 10 chapter 5 section 2174.5 (a) (1), are inconsistent. In particular it was noted that the organizational chart submitted was inconsistent with other information contained in the submission, making it difficult to determine whether the all applicable regulatory standards have been met. Also two different and inconsistent copies of form C were submitted.

By that letter, GI was also made aware that the submission did not adequately affirm that GI is not subject to

any orders which prohibit the transaction of business or relate to receivership as required under CCR Title 10 chapter 5 section 2174.5 (7) (f). On the contrary, documents submitted disclosed that the Orange County Superior Court issued an order which prohibits the transaction of certain insurance business and places that same business into receivership. The submission does not, however, make reference to the failure to make a security deposit of one million dollars (\$1,000,000) with the court appointed receiver by March 26, 1993 as required by the court's minute order of March 19, 1993.

The correspondence also noted that the copy of the Turks & Caicos insurance license and the certificate of good standing submitted

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on behalf of GI were not certified copies issued by the insurer's domiciliary jurisdiction in violation of CCR Title 10 chapter 5 section 2174.5 (b).

Finally, the correspondence advised that the Department was unable to determine from the documents submitted whether assets identified as "\$7,519,050 valued partnership units" or "Mortgage Backed Partnership Units" were assets held in the name of GI. Therefore the documents submitted on behalf of GI did not demonstrate that GI's capital and surplus was at least 15 million as required by CCR Title 10 chapter 5 section 2174.9 (a) (3) nor were the assets of the requisite quality (CIC section 717 (b)) .

For all of the above reasons, the documents submitted for filing on behalf of GI appeared upon review to be incomplete, ambiguous, inconsistent, inaccurate or incomprehensible.

GI was the only Greater Indemnity company that chose to make a submission to this Department. No submission was received by this Department on behalf of Greater Indemnity and Casualty Insurance Co. Ltd., Greater Indemnity Insurance Company Ltd., Greater Indemnity Casualty Co. Ltd, Greater American and Casualty Insurance, Ltd., Greater American Casualty Insurance Ltd., and Greater American and Casualty Insurance Co. Ltd. Pursuant to CCR Title 10 chapter 5 section 2174.9 (c) , a CIC section 1765. 1 stop order may issue when there is a failure to make the appropriate submissions under CCR Title 10 chapter 5 sections 2174.4 (a) and (b). In addition to the inadequacy or lack of 2174 submissions, this Department is aware of other documents and information which tend to substantiate that Greater Indemnity is unable to meet the applicable regulatory and legal standards, requiring the issuance of this 1765.1 order as set forth more particularly below.

FAILURE TO MEET THE 2174.9 (a) STANDARDS

As of December 31, 1992 Greater Indemnity Holdings, Inc. reported total assets of \$17,334,825, of which 75% or \$12,919,050 comprised of shares of the parent LA Entertainment stock and the book value of some mortgaged backed partnership units. As explained in more detail herein, these assets must be disallowed from consideration as to whether Greater Indemnity has met its minimum capital and surplus requirements set forth in CCR Title 10 chapter 5 section 2174.9 (a) (3). The Department has been unable to confirm the ownership of these assets, therefore the LA Entertainment shares and partnership units do not meet the Department's standards on investments held in insurers own name (CIC 1100). Also it appears that the purported assets do not meet the Department's standards on liquidity (CIC 706.5), sound investment (CIC1196a), and income production (CIC 1195).

The Department has also been unable to confirm the maintenance in the United States of a trust account in a Federal Reserve System

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member bank holding the requisite 5.4 million. (CCR Title 10 chapter 5 section 2174.9 (a) (4). In addition, the

Department has been unable to confirm licensure and seasoning requirements have been met, all as set forth in more detail herein. (CCR Title 10 chapter 5 section 2174.9 (a) (6) and (7).

1. Assets Not Quantified/Insufficient Quality

On September 25, 1992 LA Entertainment, Inc., now Gerant Industries, acquired a 40% equity and controlling interest in Greater Indemnity Holdings, Inc. (GIH) a Delaware Corporation. GIH is the 100% owner of the affiliates Greater Indemnity and Casualty Insurance Co. Ltd and other affiliates.

As of December 31, 1992, the LA Entertainment in its Securities and Exchange Commission (SEC) form 10-Q statement for the quarter ending December 31, 1992 admits that it has not yet quantified the assets and liabilities of its newly acquired subsidiary GIH. LA Entertainment admits in relevant part at note 3 on page 11 that it

. . . is currently in the process of identifying, quantifying and valuing the assets acquired and the liabilities assumed as a result of the recent acquisitions of controlling interests in . . . GIH. Accordingly, the assets acquired and the liabilities assumed are subject to further adjustment in subsequent periods.

The assets that LA Entertainment was unable to quantify and value as of December 31, 1992 include in relevant part 1) its own LA Entertainment stock and 2) certain "mortgage backed partnership units" referenced in the GI submission. These assets, which were admittedly not quantifiable just six months ago, are the same assets submitted on behalf of GI to this Department with specific value representations. Both the parent company stock and the mortgage backed partnership units must be disallowed from consideration as to whether Greater Indemnity has met the appropriate capital and surplus requirement set forth in CCR Title 10 chapter 5 section 2174.9 (a) (3).

LA Entertainment Stock

At the time of its acquisition of GIH, LA Entertainment apparently provided Greater Indemnity' with 5,400,000 shares of its own class B preferred, non-voting, non-cumulative stock with a par value of \$1 per share (\$5.4 million). For the reasons set

The Department has been unable to ascertain whether the LA Entertainment stock is held by Greater Indemnity Holding or one or more of its insurer affiliates.

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forth herein, the Department questions the value and quality of these shares.

1. In its October 14, 1992 audit of the consolidated balance sheet of the March 31, 1992 of LA Entertainment, auditors Hollander, Gilbert & Co. state that LA Entertainment . . . has sustained continuing losses and has recently discontinued a significant segment of its operations and reconfigured its business objectives. It has acquired controlling interests in other businesses which generally have either limited operating history or have incurred losses during the most recent periods. It is not presently possible to determine if the Company will be successful in generating positive cash flow from these acquisitions or obtaining financing to sustain operations. These conditions raise substantial doubt about the company's ability to continue as a going concern. The company's ability to continue as a going concern is dependent on its ability to attain future profitable operations and to raise capital. Accordingly, the consolidated financial statements do not include my adjustments that might result from the outcome of these uncertainties.

2. Over the past calendar year, the parent company LA Entertainment has purportedly acquired several new subsidiaries which operate diverse businesses the operations of which are unfamiliar to the parent. LA Entertainment is apparently no longer in the video cassette rental business and as explained above has reported some financial losses from its own operations. The newly acquired businesses involve a wide spectrum of operations from insurance to waste management and blood products.

The LA Entertainment form 10-Q statement for the quarter ending December 31, 1992 at Item number 2 page 13 provides that, As a result of the discontinuance of the (LA Entertainment) operations that had previously provided all of the Company's (LA Entertainment's) operating revenues during the fiscal year ended March 31, 1992, and the recent acquisitions of controlling interests in several operating companies [including GIH], the previously reported results do not provide a meaningful basis from which to understand the Company's [LA Entertainment's) current operating structure and the results of operations that may be attained in the future.

The Department is therefore unable to assess on a meaningful basis the operational results of LA Entertainment and cannot therefore verify the value of the LA Entertainment stock held by

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its insurance subsidiary Greater Indemnity. 3. As of June 1, 1993, the corporate status of LA Entertainment (now GERANT Industries) a Nevada Corporation, was delinquent.

4. On September 2, 1992 a major shareholder of LA Entertainment, Sherman Mazur, was indicted by a federal grand jury on 29 charges, in addition to 45 charges previously filed, of bankruptcy and tax fraud relating to the management of certain real estate partnerships. As part of that indictment, the shareholder is accused of diverting \$700,000 from an insurance trust account into a real estate partnership in bankruptcy proceedings. This shareholder was reportedly active in negotiating a failed merger of LA Entertainment. This shareholder has been reportedly described by the president of LA Entertainment as the principal negotiator for LA Entertainment from 1988-1992. In addition, it has been reported that LA Entertainment's vice-president for finance Elaine Greenberg (aka Elaine Melnyk) was an unindicted co-conspirator. These matters appear to have adversely impacted the value of LA Entertainment stock reportedly held by GI.

Since LA Entertainment (now GERANT Industries) owns an insurer, Greater Indemnity, which in turn purportedly holds units in some real estate partnerships, the indictment of this major shareholder and chief negotiator of the parent company raises serious questions as to value of the LA Entertainment shares purportedly held by Greater Indemnity. It is for all of the reasons that this Department concludes these shares of stock are not of the same character and quality required by CIC sections 1170 through 1182, and the shares must be disallowed from the determination as to whether Greater Indemnity has met the appropriate capital and surplus requirement set forth in CCR Title 10 chapter 5 section 2174.9 (a) (3).

Mortgage Backed Partnership Units

Assets submitted for capital and surplus determination include certain "mortgage backed partnership units" with a reported total book value of \$7,519,050. This real estate partnership is identified as Consolidated Capital Institutional Properties/2 ("Concap 2"). The character, quality, value and ownership of these units has not been affirmed, therefore they must be disallowed from consideration of the capital and surplus standard.

No certificate, recorded lien or other documentation was submitted on behalf of GI to substantiate its ownership interest in these described mortgaged backed partnership units. Concap 2 is a California Limited partnership formed April 12, 1983 to lend funds through non-recourse notes with participation

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interests to Equity Partners/2 ("EP/2"), secured on real estate owned by EP/2. During 1989, EP/2 defaulted on interest payments due Concap 2 and EP/2 was placed under Chapter 11 Bankruptcy protection. A copy of the reorganization plan has not been provided.

Concap 2 has a total of 909,174 units outstanding with a reported book value as of December 31, 1991 of 93.92

per unit. The book value per unit has declined from \$132.40 in 1988 to 93.92 in 1991. In the submission made on behalf of GI it is represented that the 1991 book value approximates the market value, however, the book value is based on historical information and is not equivalent to a market value of the units. Greater Indemnity has not provided a market value for these units and no publicly traded market for these partnership units exists nor is one expected to develop.

The Concap 2 partnership suffered a \$5,051,000 loss in 1990 and is reported suffering the effects of the overall downturn of the commercial real estate market. The marketability of these units has not been substantiated. The value of these units as an asset to Greater Indemnity, assuming that the assets are held by Greater Indemnity, is questionable. Therefore, these assets must be disallowed from consideration of the minimum capital and surplus requirement.

2. Existence and Sufficiency of Trust Assets

The Department has been unable to confirm that a trust account for the protection of United States policyholders exists and holds the requisite 5.4 million.

Trust Account Existence/Ownership

Burns Philp Trustee Company (Canberra) Limited advises that it is acting as the trustee of Greater Indemnity and Casualty Co. Ltd. As of June 7, 1993, Burns Philp was still seeking affirmation from the National Association of Insurance Commissioners (NAIC) that it can act as a trustee for non-admitted insurers doing business in the United States. As discussed in greater detail above, the Department has been unable to confirm that an appropriate banking facility has been utilized to hold the trust assets.

As of October 7, 1992, Greater Indemnity & Casualty Insurance Ltd. held five million four hundred thousand shares of stock in LA Entertainment Inc with a reported par value of \$1.00/share on deposit in account number 231-19175 with Alex. Brown & Sons, Incorporated. These appear to be the same shares of stock reportedly held in trust by Burns Philip for Greater Indemnity & Casualty Co. Ltd., which raises questions as to ownership of the trust assets.

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Trust Asset Valuation

The securities reportedly held in trust have not been valued by the NAIC Securities Valuation Office. As explained in more detail above, the character, quality and value of the shares of stock does not appear to meet the appropriate legal standards as specified in CIC sections 1170 through 1182. Therefore Greater Indemnity does not meet the requirement set forth in CCR Title 10 chapter 5 section 2174.9 (a) (4).

3. Licensure and Domiciliary/Seasoning/Receivership Actions

The Department has been unable to determine whether the various Greater Indemnity names represent: 1) separate and-distinct entities that co-exist, 2) predecessor names or entities or 3) one or more entities using multiple sound alike names. The inability to ascertain the appropriate name of the subject companies calls into question the ownership of assets reportedly held by GI and Greater Indemnity.

The nomenclature issue raises public interest concerns and casts doubt on Greater Indemnity experience, expertise and seasoning in the industry. In addition to the financial grounds for issuing this order, information regarding Greater Indemnity's licensure, domiciliary, and failure to meet the applicable seasoning requirements warrants the issuance of this order as set forth in detail herein.

For your convenience, each of the entities or names referenced here are set forth separately. The information provided in many instances is equally applicable to other Greater Indemnity entities, therefore one should not infer from this presentation that the information provided is applicable only to the entity named in the title. 1. Greater Indemnity and Casualty Insurance Co. Ltd.; Greater American and Casualty Insurance, Ltd.
Licensure

Greater American and Casualty Insurance Ltd has been registered in the Turks & Caicos Islands since March 13, 1986 (Registration number 3394) but it is not a licensed insurer in the Turks & Caicos Islands. The Department was unable to verify that Greater Indemnity and Casualty Insurance Co. Ltd., a fictitious business name for Greater American and Casualty Insurance, Ltd, is itself licensed as an insurer.

Receivership and Restraining Orders On February 10, 1993 the Honorable Richard W. Lusebrink, Judge of Mr. James Paul Estes et al.

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the Superior Court of the County of Orange issued Restraining Orders an Order to Show Cause and Designation of Receiver in Civil Action number 704464 entitled Greater American and Casualty Insurance, Ltd., a Turks and Caicos Islands, British West Indies Corporation dba Greater Indemnity and Casualty Insurance Co. Ltd. v. H & K insurance Services, Inc. dba K.D. Excess & Surplus insurance sex-vices et al. That order provides for the mutual restraintment of business operations relating to both the plaintiffs and defendants in that proceeding and for the appointment of a court receiver to, among other things, collect premium from Greater American and Casualty Insurance, Ltd. dba Greater Indemnity and Casualty Insurance Co. Ltd. insureds.

2. Greater Indemnity Company & Casualty Company Ltd

Licensure

Greater Indemnity Company & Casualty Company Ltd is described in the December 31, 1992 10-Q of LA Entertainment as the operating subsidiary of GIH. The Department was unable to verify that Greater Indemnity Company & Casualty Company Ltd is licensed as an insurer.

3. Greater Indemnity and Casualty Company Ltd

Licensure and Domiciliary

As of May 6, 1992 the name Greater Indemnity and Casualty Company Ltd was cleared and reserved by the Registry of the Turks & Caicos Islands for use by a company to be registered shortly. As of December 14, 1992, no insurance license was issued for any company utilizing this name. The Department has recently learned that Greater Indemnity and Casualty Co. Ltd plans to change its domiciliary to Australia.

4. Greater American Casualty Insurance Ltd.

Licensure

Included with the documents submitted to the Department on behalf of GI, there is a copy of what appears to be a license issued by the Turks & Caicos Islands on December 22, 1992 authorizing . Greater American Casualty Insurance Ltd. to operate reinsurance business in the Turks & Caicos Islands. By way of a copy of another document submitted to the Department on behalf of GI, this one dated January 8, 1993, it is reported that almost six years earlier, on March 13, 1986, Greater American Casualty Insurance Ltd. changed its name to Greater Indemnity & Casualty Co. Ltd.

An additional document included in the submission indicates that from March 22, 1993 the license was changed from reinsurance to

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unrestricted general business. This document also indicates that the name of the licensee was changed as of January 8, 1993 to Greater Indemnity & Casualty Co Ltd.

Therefore, according to the documents submitted on behalf of GI, the Turks & Caicos insurance license was originally issued some six and a half months ago in the then long defunct name of Greater American Casualty Insurance Ltd, and thereafter was issued in the correct name of Greater Indemnity & Casualty Co Ltd. Greater Indemnity & Casualty Co Ltd itself has only been licensed approximately 6 months. In addition, the license granted Greater Indemnity & Casualty Co Ltd in December, 1992 was restricted to reinsurance, and an

unrestricted general business license was not granted until some three months ago in March 22, 1993. This raises questions as to whether the seasoning requirements have been met (CCR Title 10 chapter 5 section 2174.9 (a) (6)).

5. Greater American & Casualty Insurance Co. Ltd.

Ownership

It is reported that effective November 22, 1991 a Dr. Raymond White acquired a 7.5% equity interest in Greater Indemnity Holdings, Inc. and concurrently contributed mortgage backed partnership units valued at \$7,519,050 which were assigned to Greater American & Casualty Insurance Company Ltd. These are the same assets identified in the submission to this Department as assets of GI.

Licensure

The Department was unable to verify that Greater American & Casualty Insurance Co Ltd is licensed as an insurer.

6. Greater Indemnity Insurance Company Ltd.

Licensure

Greater Indemnity Insurance Company Ltd., originally registered in the Turks & Caicos Islands on September 18, 1988 (Registration No. E.7000), was struck from the registry on February 19, 1991. This company is not currently licensed by the Turks & Caicos Islands.

7. Greater Indemnity Insurance Company Inc.

Licensure

On October 29, 1991 Safeguard Administrative services, Inc, entered into an agreement and "plan of reorganization" with Greater Indemnity Insurance Company Inc., a Delaware Corporation.

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Pursuant to this agreement, Safeguard was authorized to change its name to Greater Indemnity Insurance Company Inc.

The Department was unable to verify that Greater Indemnity Insurance Company Inc. is licensed as an insurer.

8. Greater Indemnity & Casualty Insurance Ltd.

Licensure

The Department was unable to verify that Greater Indemnity & Casualty Insurance Ltd is licensed as an insurer.

9. Greater Indemnity and Casualty Co. Ltd.

Asset Ownership

It has been reported that Greater Indemnity and Casualty Co. Ltd. holds five million four hundred thousand shares of stock in LA Entertainment Inc with a par value of \$1.00/share. These appear to be the same assets reportedly held by Greater Indemnity & Casualty Insurance Ltd.

Licensure

Documents submitted to the Department on behalf of GI indicate that on January 8, 1993 Greater Indemnity & Casualty Co Ltd. was issued a license restricted to reinsurance and that on March 22, 1993 the license was changed from reinsurance to unrestricted general business.

By correspondence dated June 7, 1993, Burns Philp Trustee Company (Canberra) Limited advises that Greater Indemnity and Casualty Co. Ltd. is in the process of changing its domicile to Australia. The Department has been unable to confirm the issuance of any insurance license to Greater Indemnity and Casualty Co. Ltd.

10. Greater Indemnity Casualty Co. Ltd.

Licensure

By way of a copy of a document dated March 10, 1993, submitted to the Department on behalf of GI, it is

reported that as of March 10, 1993 Greater Indemnity Casualty Co. Ltd. was a company in good standing with the registrar of companies, Turks & Caicos Islands. No submission, however, was made on behalf of this entity.

It appears that the issuance of an order pursuant to CIC section 1765.1 is in order. As set forth in more detail above, on June 2, 1993 the Department of Insurance rejected the submission made on behalf of GI for not being in substantial compliance with the

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applicable regulations. Greater Indemnity does not appear to have a trust account in the United States in a Federal Reserve System member bank that holds the minimum 5.4 million dollars worth of assets as required by California Code of regulations (CCR) Title 10 chapter 5 section 2174.9 (a) (4). Az; substantial percentage of its reported assets, \$12,919,050, (representing shares of stock and mortgaged backed partnership units) have been disallowed from consideration of the minimum capital and surplus requirements set forth in CCR Title 10 chapter 5 section 2174.9 (a) (3), leaving Greater Indemnity short of the legal minimum.

Therefore, Greater Indemnity is unacceptable for placement of further new or renewal business pursuant to CIC 1765.1 because of: 1) the above described financial instability due to questionable and insufficient assets 2) the unconfirmed existence of a conforming trust account and 3) the above described questionable reputation and integrity due its current and past questionable investments, practices and apparent lack of insurance experience.

You may make a written-request for a hearing within thirty (30) calendar days of the service of this order. The Department will set a hearing not less than twenty (20) nor more than thirty (30) calendar days of its receipt of your written request.

Sincerely, Jill A. Jacobi

Senior Staff Counsel
(415) 904-5362

cc: Surplus Lines Association
NAIC c/o Maximiliane Moody, NAIIO
Honorable Greer Stroud, Receiver
Janice E. Kerr, General Counsel
Victoria S. Sidbury, Bureau Chief of Corporate Affairs