

SEP 19 2005

BEFORE THE DEPARTMENT OF INSURANCE  
STATE OF NEBRASKA

FILED

IN THE MATTER OF: )  
)  
THE APPLICATION OF MUTUAL )  
PROTECTIVE INSURANCE COMPANY, A )  
NEBRASKA DOMESTIC INSURER, TO )  
REORGANIZE TO FORM A STOCK )  
INSURANCE COMPANY, AN )  
INTERMEDIATE STOCK HOLDING )  
COMPANY, A MUTUAL INSURANCE )  
HOLDING COMPANY, AND TO CHANGE )  
ITS NAME TO MEDICO INSURANCE )  
COMPANY )

ORDER

CAUSE NO. C-1531

This matter was heard by the Nebraska Director of Insurance, L. Tim Wagner (Director), on September 16, 2005, at 10:00 a.m., at the Nebraska Department of Insurance, 941 "O" Street, Suite 500, Lincoln, Nebraska, pursuant to a Notice of Public Hearing issued in this matter to consider a proposed Plan of Reorganization (Plan) filed by Mutual Protective Insurance Company, (Mutual Protective), a Nebraska domestic insurer. The proposed Plan was filed pursuant to the Nebraska Mutual Insurance Holding Company Act (Act). Neb. Rev. Stat. §44-6122, et. seq. on August 5, 2005.

Mutual Protective was represented by in-house counsel, John J. Schirger, and by Jeanette Smith of Kutak Rock, Omaha, Nebraska. The Nebraska Department of Insurance (Department) was represented by Christine Neighbors, Counsel, and David Krumm, Chief Examiner. The hearing was conducted pursuant to Neb. Rev. Stat. §44-6127 and was recorded by Tracy Gruhn, a licensed Notary Public. Oral testimony and other evidence were received into the record. The hearing concluded at approximately 11:00 a.m. and the record was closed by order of the Director. Based upon review of the Plan and other evidence received as part of the public record, the Director hereby finds, concludes and orders as follows:

## **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. On August 5, 2005, Mutual Protective filed a proposed Plan pursuant to the Act, and subsequently filed additional documents, which did not vary in substance from the original Plan.

2. On or about August 12, 2005, Mutual Protective provided its policyholders with notice of a public hearing to be conducted by the Nebraska Department of Insurance regarding the Plan. The notice stated the hearing would be held at 10:00 a.m. on September 16, 2005 at the Nebraska Department of Insurance, 941 "O" Street, Suite 500, Lincoln, Nebraska. The notice was sent together with a short summary of the Plan prepared by Mutual Protective.

3. On September 1, 2005 and September 8, 2005, a copy of the Notice of Public Hearing was published in the Omaha World Herald the Lincoln Journal Star.

4. The Plan proposes the creation of a mutual insurance holding company to be named Medico Mutual Insurance Holding Company, (MIHC), an intermediate stock holding company to be named Medico Holdings, Inc., (Intermediate Company), and the reorganization of the corporate existence of Mutual Protective with the new name of Medico Insurance Company, (Reorganized Stock Company).

5. The Plan provides that, upon the effective date of the reorganization, all of the initial shares of the capital stock of the Reorganized Stock Company will be issued to and owned by MIHC which shall thereafter contribute all of the initial shares of the capital stock of the Reorganized Stock Company to the Intermediate Company in exchange for all of the voting securities of the Intermediate Company. Upon the effective date of the reorganization, MIHC will own all of the initial shares of the capital stock of the Intermediate Company and the Intermediate Company will own all of the initial shares of capital stock of the Reorganized Stock

Company. The Reorganized Stock Company's stock subsidiary, Medico Life Insurance Company, shall remain a subsidiary of the Reorganized Stock Company.

6. Upon the effective date of the reorganization, the policyholders' existing membership interests in Mutual Protective shall be transferred to MIHC and shall become membership interests in MIHC. Policyholder membership interests in Mutual Protective shall terminate at that same time. MIHC shall provide its members with the same membership rights as were provided to policyholders of Mutual Protective immediately prior to reorganization.

7. All existing policyholders of Mutual Protective will receive immediate membership interests in MIHC upon the effective date of the reorganization and future policy holders of the Reorganized Stock Company will acquire membership interests in MIHC as they become policyholders.

8. All policies in force on the effective date of the reorganization will remain in effect and all policy (contractual) rights will remain unchanged. The reorganization shall not reduce, limit, or affect the number or identity of the policyholders who may become members of the MIHC or secure for individuals comprising management any unfair advantage through or connected with the reorganization.

9. Nebraska statute provides that the aggregate pledges and encumbrances of MIHC's assets shall not affect more than 49% of the MIHC's stock in the Intermediate Company or the Reorganized Stock Company.

10. There are no current plans to issue stock in the Intermediate Company other than the voting securities to be exchanged with MIHC for Reorganized Stock Company's voting securities.

11. In connection with the reorganization, all necessary fees and costs will be paid by Mutual Protective. No funds will be transferred from Mutual Protective to either the Intermediate Company or MIHC as a result of the reorganization. The costs of the reorganization will not in any material way diminish the financial condition of Mutual Protective upon reorganization.

12. In the plan, Mutual Protective has made certain commitments to the Department of Insurance which are incorporated in this Order including:

- (a) Department of Insurance approval will be obtained prior to any issuance or sale of stock of the Intermediate Company or Reorganized Stock Company;
- (b) Department of Insurance approval will be obtained for the issuance or sale of stock to officers, directors or employees of MIHC, Intermediate Company or Reorganized Stock Company; and
- (c) No officer of either MIHC or Intermediate Company will receive any compensation for serving as an officer, and all of their compensation will be as a result of their employment by the Reorganized Stock Company. The compensation to the Directors of each corporation shall not exceed the amount currently paid to the Directors and if a Director serves on all three Boards, he or she will not receive more than three times the current amount paid to a Director of Mutual Protective.

13. The State of Nebraska Department of Insurance has jurisdiction pursuant to the Nebraska Mutual Insurance Holding Company Act, Neb. Rev. Stat. §44-6122 et. seq. (Reissue 2004).

14. The notice requirements of Neb. Rev. Stat. §44-6127 with respect to the public hearing have been met.

15. Before the Director shall issue a Certificate of Authority to the new Reorganized Stock Company, Mutual Protective shall have satisfied all conditions of the Plan which include:

- (a) Approval by the Director;

- (b) Approval of the Plan by Eligible Policyholders by not less than two-thirds of those voting in person or by proxy at the Special Policyholders' Meeting;
- (c) Approval by regulators of the Articles of Incorporation and By-laws for MIHC and the Intermediate Company and the Restated Articles of Incorporation and By-laws for the Reorganized Stock Company;
- (d) A letter from independent tax counsel substantially to the effect that the reorganization will constitute a tax-free reorganization or will otherwise constitute a tax-free transaction for the parties to the reorganization.

16. The Plan is fair and equitable to the policyholders of Mutual Protective.

17. The Plan does not deprive the policyholders of Mutual Protective of their property rights or due process of law.

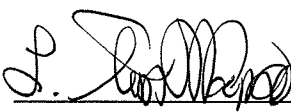
18. The Reorganized Stock Company will meet the requirements to be issued a Certificate of Authority to transact the business of insurance in Nebraska and the continued operations of the Reorganized Stock Company will not be hazardous to future policyholders and the public.

**ORDER**

IT IS THEREFORE ORDERED that the Plan is hereby approved subject to the commitments set out in the Findings of Fact and Conclusions of Law. This approval shall expire if the reorganization pursuant to the Plan is not completed within one hundred eighty (180) days after the date hereof unless extended by the Director for good cause.

DATED this 19<sup>th</sup> day of September, 2005.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

BY:   
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L. TIM WAGNER  
Director of Insurance