

DEC 3 0 1997

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY ED

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In the Matter of the Acquisition of Control of:)
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 SOUTHERN FOUNDATION LIFE)
 INSURANCE COMPANY (NAIC No. 92290),)
)
 Insurer,)
)
 by)
)
 SOUTHERN FOUNDATION L.P.,)
)
 Petitioner.)
)

Docket No. 97A-224-INS

ORDER

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On December 29, 1997, the Office of Administrative Hearings, through Administrative Law Judge Lewis D. Kowal submitted Recommended Decision of Administrative Law Judge ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The Director of the Arizona Department of Insurance has reviewed the Recommended Decision and enters the following order:

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1. The recommended findings of fact and conclusions of law are adopted.
 2. The acquisition of control of the Insurer by the Petitioner is approved subject to

the express conditions as follows:

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- a. If the completed fingerprint cards furnished to the Department reveal that any of Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other than minor traffic violations, the individual(s) will be removed as an officer and/or director of the Petitioner within 30 days after notice to Petitioner by the Department and will be replaced with an officer

1 or director acceptable to the Director. If Petitioner fails to take the prescribed action within 30 days, this
2 failure will constitute an immediate danger to the public and the Director immediately will suspend or
3 revoke Insurer's certificate of authority without further proceedings.

4 3. All information, documents, and copies relating to the Insurer and Petitioner
5 obtained by or disclosed to the Director, or any other person in the course of a filing, an examination or
6 investigation made pursuant to A.R.S. §§ 20-481.03 and 20-481.20, will not be given confidential
7 treatment, will be subject to subpoena and will be made public documents, subject to inspection,
8 examination or copying by any person.

9 4. The Petitioner will advise the Director in writing of the effective date of the change
10 of control.

11 5. Upon consummation of this acquisition, the Insurer will file its registration
12 statement in the form prescribed by A.R.S. § 20-481.10 and within the time period prescribed by A.R.S.
13 § 20-481.09 or § 20-481.13. If the registration statement would duplicate the information previously
14 submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. § 20-481.03
15 and there have been no material changes since the filing of that statement, then the Insurer will submit a
16 statement to that effect incorporating by reference the statement previously filed with the Department in
17 lieu of the registration statement.

18 6. The failure to adhere to one or more of the above terms and conditions will result
19 without further proceedings in the suspension or the revocation of the Insurer's certificate of authority.

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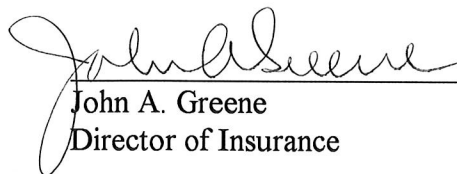
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2 NOTIFICATION OF RIGHTS

3 The aggrieved party may request a rehearing with respect to this Order by filing a written
4 petition with the Office of Administrative Hearings within 30 days of the date of this Order, setting forth
5 the basis for such relief pursuant to A.A.C. R20-6-114(B).

6 The final decision of the Director may be appealed to the Superior Court of Maricopa
7 County for judicial review pursuant to A.R.S. § 20-166. A party filing an appeal must notify the Office of
8 Administrative Hearings of the appeal within ten days after filing the complaint commencing the appeal,
9 pursuant to A.R.S. § 41-1092.10.

10 DATED this 30 day of December, 1997

11
12 
13 John A. Greene
14 Director of Insurance

15 A copy of the foregoing mailed
16 this 30th day of December, 1997

17 Charles R. Cohen, Deputy Director
18 Gregory Y. Harris, Executive Assistant Director
19 Mary Butterfield, Assistant Director
20 Catherine O'Neil, Assistant Director
21 Gary Torticill, Assistant Director
22 Deloris Williamson, Assistant Director
23 Scott Greenberg, Business Administrator
Department of Insurance
2910 N. 44th Street, Suite 210
Phoenix, AZ 85018

Office of Administrative Hearings
1700 W. Washington, Suite 602
Phoenix, AZ 85007

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Thomas E. Haney
101 N. First Avenue, Suite 2460
Phoenix, AZ 85003

Esther Davis

1 3. The Insurer and its security holders waived the ten (10) day advance
2 notice to be given as required by A.R.S. §20-481.07. No evidence has been produced
3 at the hearing that would indicate or form the basis for a finding that the Petitioner's
4 acquisition of control of the Insurer:

- 5 a. Is contrary to law;
- 6 b. Is inequitable to the shareholders of any domestic insurer involved;
- 7 c. Would substantially reduce the security of and service to be rendered to
8 the policyholders of the Insurer in this state or elsewhere;
- 9 d. After the change of control the Insurer would not be able to satisfy the
10 requirements for the reissuance of a certificate of authority to write the line or lines of
11 insurance for which it is presently licensed;
- 12 e. The effect of the acquisition of control would be to substantially lessen
13 competition in insurance in this state or tend to create a monopoly;
- 14 f. The financial condition of any acquiring party might jeopardize the
15 financial stability of the Insurer or prejudice the interest of its policyholders;
- 16 g. The plans or proposals that the acquiring party has to liquidate the
17 Insurer, sell its assets or consolidate or merge it with any person, or to make any other
18 material change in its business or corporate structure or management, are unfair and
19 unreasonable to policyholders of the Insurer and are not in the public interest;
- 20 h. The competence, experience and integrity of those persons who would
21 control the operation of the Insurer are such that it would not be in the public interest of
22 policyholders of the Insurer and of the public to permit the merger or other acquisition of
23 control; or
- 24 i. The acquisition is likely to be hazardous or prejudicial to the insurance-
25 buying public.

26 5. The Petitioner has furnished completed fingerprint cards to the
27 Department to enable the Department to determine if any of Petitioner's officers or
28 directors have been charged with or convicted of a felony or misdemeanor other than
29 minor traffic violations. The Petitioner has made representations that none of its
30 officers or directors have been charged with or convicted of a felony or misdemeanor
other than minor traffic violations.

 6. The interests of policyholders, shareholders or the public will be served by
the publication of all information, documents and copies, relating to the Insurer and
Petitioner, and obtained by or disclosed to the Director of the Department ("Director"),

1 or any other person in the course of a filing, an examination, or investigation made
2 pursuant to A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

3 7. Based upon its review of the Petitioner's Form A filing, the Department
4 represented its belief that the Petitioner's Form A filing is complete and in compliance
5 with Arizona law and recommended approval of this acquisition.

6 **RECOMMENDED ORDER**

7 The undersigned Administrative Law Judge recommends that:

8 1. The acquisition of control of the Insurer by the Petitioner be approved
9 subject to the express conditions as follows:

10 a. If the completed fingerprint cards furnished to the Department reveal that
11 any of Petitioner's officers or directors have been charged with or convicted of a felony
12 or misdemeanor other than minor traffic violations, the individual(s) shall be removed as
13 an officer and/or director of the Petitioner within 30 days after notice to Petitioner by the
14 Department and shall be replaced with an officer or director acceptable to the Director.
15 If Petitioner fails to take the prescribed action within 30 days, this failure will constitute
16 an immediate danger to the public and the Director immediately may suspend or revoke
17 Insurer's certificate of authority without further proceedings.

18 2. All information, documents, and copies relating to the Insurer and
19 Petitioner obtained by or disclosed to the Director, or any other person in the course of
20 a filing, an examination or investigation made pursuant to A.R.S. §§20-481.03 and 20-
21 481.20, not be given confidential treatment, be subject to subpoena and shall be made
22 public documents, subject to inspection, examination or copying by any person.

23 3. The Petitioner advise the Director in writing of the effective date of the
24 change of control.

25 4. Upon consummation of this acquisition, the Insurer file its registration
26 statement in the form prescribed by A.R.S. §20-481.10 and within the time period
27 prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statement would
28 duplicate the information previously submitted by the Petitioner in the statement filed
29 with the Department pursuant to A.R.S. §20-481.03 and there have been no material
30 changes since the filing of that statement, then the Insurer submit a statement to that
effect incorporating by reference the statement previously filed with the Department in
lieu of the registration statement.

5. The failure to adhere to one or more of the above terms and conditions

1 shall result without further proceedings in the suspension or the revocation of the
2 Insurer's certificate of authority.

3 Done this day, December 29, 1997.

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5 _____
6 LEWIS D. KOWAL
7 Administrative Law Judge

8 Original transmitted by mail this
9 27 day of December, 1997, to:

10 Mr. John A. Greene, Director
11 Department of Insurance
12 ATTN: Curvey Burton
13 2910 North 44th Street, #210
14 Phoenix, AZ 85018-7256

15 By 
16 _____