

FEB 12 1999

DEPT. OF INSURANCE  
BY Kath

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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4 In the Matter of the Acquisition of Control of: )  
5 ARCADIA NATIONAL LIFE INSURANCE )  
6 COMPANY (NAIC No. 72613) )  
7 Insurer, )  
8 by )  
9 RELIANCE INSURANCE COMPANY )  
10 (NAIC No. 24457), )  
11 Petitioner. )

Docket No. 99A-005-INS

**ORDER**

12  
13 On February 10, 1999, the Office of Administrative Hearings, through Administrative  
14 Law Judge Lewis D. Kowal, issued a Recommended Decision of Administrative Law Judge  
15 ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The  
16 Director of the Department of Insurance has reviewed the Recommended Decision and enters the  
17 following Order:

- 18 1. The recommended Findings of Fact and Conclusions of Law are adopted.
- 19 2. The acquisition of control of the Insurer by the Petitioner shall be approved  
20 subject to the express conditions as follows:
- 21 a. If the completed fingerprint cards furnished to the Department reveal that any of  
22 Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other  
23 than minor traffic violations, the individual(s) shall be removed as an officer and/or director of the

1 Petitioner and/or Insurer within 30 days after notice to Petitioner by the Department and shall be  
2 replaced with an officer or director acceptable to the Director.

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

8           4.       The fingerprint cards, biographical affidavits and Business Plan that Petitioner  
9 submitted to the Department shall remain confidential pursuant to A.R.S. § 20-481.21.

10           5.       The Petitioner shall advise the Director in writing of the effective date of the  
11 acquisition.

12           6.       Until further notice from the Department, the Insurer shall file quarterly financial  
13 statements following the effective date of the acquisition.

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

21           8.       The failure to adhere to one or more of the above terms and conditions shall result  
22 without further proceedings in the suspension or the revocation of the Insurer's certificate of authority.  
23

1 NOTIFICATION OF RIGHTS

2 Pursuant to A.R.S. § 41-1092.09, the aggrieved party may request a rehearing with  
3 respect to this Order by filing a written motion with the Director of the Department of Insurance within  
4 30 days of the date of this Order, setting forth the basis for relief under A.A.C. R20-6-114(B).

5 The final decision of the Director may be appealed to the Superior Court of Maricopa  
6 County for judicial review pursuant to A.R.S. §§ 12-904 and 20-166. A party filing an appeal must  
7 notify the Office of Administrative Hearings of the appeal within ten days after filing the complaint  
8 commencing the appeal, pursuant to A.R.S. § 12-904(B).

9 DATED this 12<sup>th</sup> of February, 1999

10  
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12 \_\_\_\_\_  
13 Charles R. Cohen  
14 Director of Insurance

15 A copy of the foregoing mailed  
16 this 12 day of February, 1999

17 Sara Begley, Deputy Director  
18 Mary Butterfield, Assistant Director  
19 Catherine O'Neil, Legal Affairs Officer  
20 Gary Torticill, Assistant Director  
21 Kurt Regner, Examiner  
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

1 Richard M. Shaw  
2 Reliance Insurance Company  
3 Three Parkway  
4 Philadelphia, PA 19102

5 Philip T. Paris  
6 2929 N. 44th Street, Suite 120  
7 Phoenix, AZ 85018

8 Kathy Linder  
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2 3. The Insurer and its security holder(s) waived the ten (10) day advance notice  
3 to be given as required by A.R.S. §20-481.07.

4 4. Petitioner and Insurer waived the notice requirements set forth in A.R.S. §41-  
5 1092.05(D).

6 5. The evidence produced at the hearing established that the Petitioner's  
7 acquisition of control of the Insurer:

8 a. Is not contrary to law;

9 b. Is not inequitable to the shareholders of any domestic insurer  
10 involved;

11 c. Would not substantially reduce the security of and service to be  
12 rendered to the policyholders of the Insurer in this State or elsewhere;

13 d. Would not substantially lessen competition in insurance in this state  
14 or tend to create a monopoly; and

15 e. Is not likely to be hazardous or prejudicial to the insurance-buying  
16 public.

17 6. The evidence at the hearing further demonstrated that :

18 a. After the change of control, the Insurer would be able to satisfy the  
19 requirements for the reissuance of a certificate of authority to write the line or lines of  
20 business for which it is presently licensed;

21 b. The financial condition of the Petitioner would not jeopardize the  
22 financial stability of the Insurer or prejudice the interest of its policyholders;

23 c. The plans or proposals that the Petitioner has to liquidate the  
24 Insurer, sell its assets or consolidate or merge it with any person, or to make any other  
25 material change in its business or corporate structure or management, are fair and  
26 reasonable to policyholders of the Insurer and are in the public interest; and

27 d. The competence, experience and integrity of those persons who  
28 would control the operation of the Insurer are such that it would be in the public interest  
29

1 of policyholders of the Insurer and of the public to permit the merger or other acquisition  
2 of control;

3 7. The Petitioner has furnished completed fingerprint cards and biographical  
4 affidavits to the Department to enable the Department to determine if any of Petitioner's  
5 officers or directors have been charged with or convicted of a felony or misdemeanor  
6 other than minor traffic violations.

7 8. The Petitioner requested that the fingerprint cards and biographical  
8 affidavits and Business Plan (Exhibit 1, pages 10 and 11) Petitioner submitted to the  
9 Department remain confidential. The Department had no objection to Petitioner's  
10 request for confidentiality of those records.

11 9. Except as provided above, the interests of policyholders, shareholders or  
12 the public will be served by the publication of all information and documents relating to  
13 the Insurer and Petitioner, and obtained by or disclosed to the Director, or any other  
14 person in the course of a filing, an examination, or investigation made pursuant to  
15 A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

16 10. Based upon its review of the Petitioner's Form A filing, the Department  
17 represented its belief that the Petitioner's Form A filing is complete and in compliance  
18 with Arizona law and recommended approval of this acquisition.

### 19 CONCLUSIONS OF LAW

20 1. The evidence of record established that none of the enumerated grounds  
21 set forth in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or  
22 rejection of Petitioner's acquisition of control of the Insurer.

23 2. Petitioner presented credible evidence for approval of its acquisition of  
24 control of the Insurer and for Petitioner to be a controlling person pursuant to the  
25 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.

### 26 RECOMMENDED ORDER

27 1. The acquisition of control of the Insurer by the Petitioner shall be  
28 approved subject to the express conditions as follows:  
29

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

7 2. Except as provided below, all information and documents relating to the  
8 Insurer and Petitioner obtained by or disclosed to the Director, or any other person in  
9 the course of a filing, an examination or investigation made pursuant to A.R.S. §§20-  
10 481.03 and 20-481.20, shall not be given confidential treatment, shall be subject to  
11 subpoena and shall be made public documents, subject to inspection, examination or  
12 copying by any person.

13 3. The fingerprint cards, biographical affidavits and Business Plan that  
14 Petitioner submitted to the Department shall remain confidential pursuant to A.R.S.  
15 §20-481.21.

16 4. The Petitioner shall advise the Director in writing of the effective date of  
17 the acquisition.

18 5. Until further notice from the Department, the Insurer shall file quarterly  
19 financial statements following the effective date of the acquisition

20 6. Upon consummation of this acquisition, the Insurer shall file its  
21 registration statement in the form prescribed by A.R.S. §20-481.10 and within the time  
22 period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statement  
23 would duplicate the information previously submitted by the Petitioner in the statement  
24 filed with the Department pursuant to A.R.S. §20-481.03 and there have been no  
25 material changes since the filing of that statement, then the Insurer shall submit a  
26 statement to that effect incorporating by reference the statement previously filed with  
27 the Department in lieu of the registration statement.  
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1  
2 7. The failure to adhere to one or more of the above terms and conditions  
3 shall result without further proceedings in the suspension or the revocation of the  
4 Insurer's certificate of authority.  
5

6 Done this day, February 10, 1999.

7   
8 Lewis D. Kowal  
9 Administrative Law Judge  
10

11 Original transmitted by mail this  
12 10th day of February, 1999, to:  
13 

14 Department of Insurance  
15 Mr. Charles R. Cohen  
16 2910 North 44th Street, Ste. 210  
17 Phoenix, AZ 85018

18 ATTN: Curvey Burton  
19

20  
21 By 