

MAY 12 1997

DEPT. OF INSURANCE  
BY Kathy

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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2  
3 In the Matter of the Acquisition of Control of: )  
4 )  
5 TWIN MERCURY LIFE INSURANCE )  
6 COMPANY (NAIC No. 89060) )  
7 Insurer, )  
8 by )  
9 FRONTIER INSURANCE GROUP, INC. )  
10 Petitioner. )

Docket No. 97A-071-INS

**ORDER**

11 On May 1, 1997, the Office of Administrative Hearings, through Administrative Law  
12 Judge Lewis D. Kowal, submitted "Recommended Decision of Administrative Law Judge"  
13 ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The  
14 Director of the Arizona Department of Insurance has reviewed the Recommended Decision and enters  
15 the following order:

- 16 1. The recommended findings of fact and conclusions of law are adopted.  
17 2. The acquisition of control of the Insurer by the Petitioner is approved subject to  
18 the express conditions as follows:

19 a. If the completed fingerprint cards furnished to the Department reveal that any of  
20 Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other  
21 than minor traffic violations, the individual(s) will be removed as an officer and/or director of the  
22 Petitioner within 30 days after notice to Petitioner by the Department and will be replaced with an officer  
23

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

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

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

11           4.       The Petitioner will advise the Director in writing of the effective date of the change  
12 of control.

13           5.       Until further notice from the Department, the Insurer will file quarterly financial  
14 statements following the effective date of the acquisition.

15           6.       The biographical affidavits that Petitioner submitted to the Department remain  
16 confidential pursuant to A.R.S. § 20-481.21.

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

3 NOTIFICATION OF RIGHTS

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

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

11 DATED this 12 day of May, 1997

12   
13 John A. Greene  
14 Director of Insurance

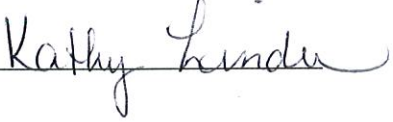
15 A copy of the foregoing mailed  
16 this 12<sup>th</sup> day of May, 1997

17 Charles R. Cohen, Deputy Director  
18 Mary Butterfield, Assistant Director  
19 Catherine O'Neil, Assistant Director  
20 Gary Torticill, Assistant Director  
21 Deloris Williamson, Assistant Director  
22 Scott Greenberg, Business Administrator  
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1           3.     The Insurer and its security holder waived the ten (10) day advance notice  
2 to be given as required by A.R.S. §20-481.07.

3           4.     No evidence has been produced at the hearing that would indicate or form  
4 the basis for a finding that the Petitioner's 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 domestic insurer in this State or elsewhere;
- 9           d.     After the change of control the domestic insurer would not be able to  
10 satisfy the requirements for the reissuance of a certificate of authority to write the line or  
11 lines of 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 fingerprint cards to the Department to enable  
27 the Department to determine if any of Petitioner's officers or directors have been  
28 charged with or convicted of a felony or misdemeanor other than minor traffic violations.  
29 The Petitioner has filed biographical affidavits of its officers and directors to the  
30 Department and made representations material to the issuance of the Order in this  
matter that none of its officers or directors have been charged with or convicted of a  
felony or misdemeanor other than minor traffic violations.

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