

STATE OF ARIZONA

SEP 29 1997

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY Kath

1  
2  
3  
4 In the Matter of the Acquisition of Control of: )  
5 CITIZEN'S ACCIDENT AND HEALTH )  
6 INSURANCE COMPANY (NAIC No. 85960), )  
7 Insurer, )  
8 by )  
9 PROTECTIVE LIFE INSURANCE COMPANY )  
10 (NAIC No. 68136), )  
11 Petitioner. )

Docket No. 97A-153-INS

**ORDER**

12  
13 On September 26, 1997, the Office of Administrative Hearings, through Administrative  
14 Law Judge Lewis D. Kowal, submitted "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 Arizona Department of Insurance has reviewed the Recommended Decision and enters  
17 the 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 is approved subject to  
20 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) will be removed as an officer and/or director of the

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

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

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

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

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

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

18 7. The Disclosure Statement that Petitioner submitted to the Department will remain  
19 confidential pursuant to A.R.S. § 20-481.21.

20 8. Upon consummation of this acquisition, the Insurer will file its registration  
21 statement in the form prescribed by A.R.S. § 20-481.10 and within the time period prescribed by A.R.S.  
22 § 20-481.09 or § 20-481.13. If the registration statement would duplicate the information previously  
23


1 submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. § 20-481.03  
2 and there have been no material changes since the filing of that statement, then the Insurer will submit a  
3 statement to that effect incorporating by reference the statement previously filed with the Department in  
4 lieu of the registration statement.

5 NOTIFICATION OF RIGHTS

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

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

13 DATED this 29 day of September, 1997

14  
15   
16 John A. Greene  
Director of Insurance

17 A cop of the foregoing mailed  
18 this 29 day of September, 1997

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

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

3 Philip T. Paris  
2929 N. 44th Street, Suite 120  
4 Phoenix, AZ 85018

5   
6

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

11:25 ADMIN HEARINGS → 602 912 8452 NO. 369 007

1 **IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

2  
3 In the Matter of the Acquisition  
of Control of:

97A-153-INS

4 **CITIZEN'S ACCIDENT AND HEALTH**  
5 **INSURANCE COMPANY (NAIC No.**  
6 **85960),**

7 Insurer,

**RECOMMENDED DECISION  
OF ADMINISTRATIVE  
LAW JUDGE**

8 by

9 **PROTECTIVE LIFE INSURANCE**  
10 **COMPANY (NAIC No. 68136),**

11 Petitioner

12  
13  
14 **HEARING:** September 25, 1997

15 **APPEARANCE:** Philip T. Paris, Esq. for the Petitioner; Kurt Regner for the  
16 Arizona Department of Insurance

17 **ADMINISTRATIVE LAW JUDGE:** Lewis D. Kowal

18  
19 On September 25, 1997, a hearing took place to consider the application for the  
20 acquisition of control of Citizen's Accident and Health Insurance Company (the  
21 "Insurer"), filed by Protective Life Insurance Company (the "Petitioner) with the Arizona  
22 Department of Insurance (the "Department"), and for approval of Petitioner as the  
23 controlling person of the Insurer pursuant to the provisions of A.R.S. §§20-481 through  
24 20-481.23, and A.A.C. R20-6-1402.

25 Based upon the record in this matter, the following recommended Findings of  
26 Fact, Conclusions of Law and Recommended Order are made:

27 **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

- 28 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.02.  
29 2. The Petitioner has filed a statement as referred to in A.R.S. §§20-481.02  
30 and 20-481.03, in the form required by A.A.C. R20-6-1402.  
3. The Insurer and its security holders waived the ten (10) day advance  
notice to be given as required by A.R.S. §20-481.07.

1           4.     No evidence has been produced at the hearing that would indicate or form  
2 the basis for a finding that the Petitioner's acquisition of control of the Insurer:

3           a.     Is contrary to law;  
4           b.     Is inequitable to the shareholders of any domestic insurer involved;  
5           c.     Would substantially reduce the security of and service to be rendered to  
6 the policyholders of the Insurer in this State or elsewhere;

7           d.     After the change of control the Insurer would not be able to satisfy the  
8 requirements for the reissuance of a certificate of authority to write the line or lines of  
9 insurance for which it is presently licensed;

10          e.     The effect of the acquisition of control would be to substantially lessen  
11 competition in insurance in this state or tend to create a monopoly;

12          f.     The financial condition of any acquiring party might jeopardize the  
13 financial stability of the Insurer or prejudice the interest of its policyholders;

14          g.     The plans or proposals that the acquiring party has to liquidate the  
15 Insurer, sell its assets or consolidate or merge it with any person, or to make any other  
16 material change in its business or corporate structure or management, are unfair and  
17 unreasonable to policyholders of the Insurer and are not in the public interest;

18          h.     The competence, experience and integrity of those persons who would  
19 control the operation of the Insurer are such that it would not be in the public interest of  
20 policyholders of the Insurer and of the public to permit the merger or other acquisition of  
21 control; or

22          i.     The acquisition is likely to be hazardous or prejudicial to the insurance-  
23 buying public.

24           5.     The Petitioner has furnished completed fingerprint cards to the  
25 Department to enable the Department to determine if any of Petitioner's officers or  
26 directors have been charged with or convicted of a felony or misdemeanor other than  
27 minor traffic violations. The results of the analysis of the fingerprint cards submitted by  
28 the Petitioner have not been received by the Department. The Petitioner has made  
29 representations material to the issuance of the Order in this matter 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 Petitioner requested that the Disclosure Statement Petitioner  
submitted to the Department remain confidential indefinitely. The Department had no

objection to Petitioner's request for confidentiality of that document.

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

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

**RECOMMENDED ORDER**

The undersigned Administrative Law Judge recommends that:

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

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) shall be removed as an officer and/or director of the Petitioner within 30 days after notice to Petitioner by the Department and shall be replaced with an officer or director acceptable to the Director. If Petitioner fails to take the prescribed action within 30 days, this failure will constitute an immediate danger to the public and the Director immediately may suspend or revoke Insurer's certificate of authority without further proceedings.

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

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

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

4. Until further notice from the Department, the Insurer file quarterly financial statements following the effective date of the acquisition.

1 5. The failure to adhere to one or more of the above terms and conditions shall  
2 result without further proceedings in the suspension or the revocation of the Insurer's  
3 certificate of authority.

4 6. The Disclosure Statement that Petitioner submitted to the Department shall  
5 remain confidential pursuant to A.R.S. §20-481.21.

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

14 Done this day, September 26, 1997.

15   
16 Lewis D. Kowal  
17 Administrative Law Judge

18 Original transmitted by mail this  
19 26 day of September, 1997, to:

20 Mr. John A. Greene, Director  
21 Department of Insurance  
22 2910 North 44th Street, #210  
23 ATTN: Curvey Burton  
24 Phoenix, AZ 85018-7256

25  
26  
27 By   
28  
29  
30