

STATE OF ARIZONA

MAR 25 1998

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY CB

In the Matter of: )  
 )  
**THE CENTENNIAL LIFE INSURANCE** )  
**COMPANY, (NAIC No. 61654)** )  
 )  
Respondent. )  
 )

Docket No. 98A-037-INS

**SUSPENSION ORDER**

Upon information obtained by the Assistant Director of the Corporate and Financial Affairs Division of the Arizona Department of Insurance, the Director of Insurance ("Director") makes the following findings of fact, conclusions of law, and issues the following order:

1. The Centennial Life Insurance Company ("Respondent") is domiciled in Kansas and presently holds a certificate of authority issued by the Arizona Department of Insurance ("Department") to transact business as a life and disability insurer.

2. On February 4, 1998, in Kathleen Sebelius, In her respective capacity as Commissioner of Insurance, Insurance Department of the State of Kansas v. The Centennial Life Insurance Company, Case No. 98-CV144, In the District Court of Shawnee County, Kansas, Civil Court Department, Commissioner Sebelius filed a Petition for Rehabilitation of a Domestic Insurance Company. On that same date, the parties entered a Consent Order for Rehabilitation of a Domestic Insurance Company.

3. The Kansas Consent Order states that Respondent has experienced or may experience cash flow or liquidity problems in the foreseeable future. This constitutes a hazardous financial condition within the meaning of A.A.C. R20-6-308(A)(5) and (A)(18).

4. The Kansas Consent Order further states that Respondent and its former reinsurer AXA Reassurance ("AXA") are currently in litigation over AXA's withholding of payments under the

1 reinsurance agreement. AXA currently owes Respondent in excess of \$12,000,000. This constitutes a  
2 hazardous financial condition within the meaning of A.A.C. R20-6-308(A)(6) and (A)(13).

3 5. Respondent's operating loss during the nine month period ending September 30, 1997,  
4 was \$11,459,234. This exceeds 50% of Respondent's remaining surplus as regards policyholders that is  
5 in excess of the minimum amount required and represents a hazardous financial condition within the  
6 meaning of A.A.C. R20-6-308(A)(1) and (A)(7).

7 6. Respondent intends to cede all its new business to American Chambers Life Insurance  
8 Company ("ACLIC"), NAIC No. 75914, an Ohio domiciled insurer authorized to transact life and  
9 disability insurance business in Arizona. ACLIC's operating loss during the twelve month period ending  
10 December 31, 1997, exclusive of surplus paid in, was \$9,224,733. This exceeds 50% of ACLIC's  
11 remaining surplus as regards policyholders that is in excess of the minimum amount required within the  
12 meaning of A.A.C. R20-6-308(A)(7). Respondent's proposed reinsurance arrangement does not provide  
13 adequate protection for its remaining surplus within the meaning of A.A.C. R20-6-308(A)(6).

14 7. Respondent no longer meets the requirements of the authority originally granted, on  
15 account of deficiency in assets, within the meaning of A.R.S. §20-219(2).


16 8. Respondent is in an unsound condition or in such condition as to render its further  
17 transaction of insurance in this state hazardous to the policyholders or to the people of this state within  
18 the meaning of A.R.S. §20-220(A)(3) and A.A.C. R20-6-308.

19 9. The public health, safety and welfare imperatively require emergency action, within the  
20 meaning of A.R.S. §41-1064(C).

21 IT IS HEREBY ORDERED that Respondent's certificate of authority to transact insurance in  
22  
23

1 Arizona is suspended effective this date.

2 DATED this 24 day of March, 1998.

3  
4   
5 JOHN A. GREENE  
6 Director of Insurance

7 **NOTICE**

8 The determination set forth in this order is an "appealable agency action" pursuant to A.R.S.  
9 §41-1092. Consequently, you have the right to obtain a hearing on this determination by filing a Notice  
10 of Appeal within thirty (30) days after your receipt of this order. If you Notice of Appeal is received  
11 after that thirty (30) day period, it will not be accepted without a demonstration of good cause for the  
12 late filing. The Notice of Appeal must identify the party appealing, the party's address, the determination  
13 appealed, and must contain a concise statement of the reasons for the appeal. Your hearing will be held  
14 within sixty (60) days after your Notice of Appeal is filed, unless the hearing is advance or delayed by  
15 agreement or a showing of good cause by any party. The Department of Insurance will serve a Notice of  
16 Hearing at least thirty (30) days before the hearing, which will inform you of the date, time and location  
17 of the hearing as well as the issues in controversy.

18 If you file a Notice of Appeal, you may also request an Informal Settlement Conference by filing a  
19 written request no later than twenty (20) days before the scheduled hearing. The conference will be held  
20 within fifteen (15) days of your request. If an Informal Settlement Conference is requested, a person with  
21 the authority to act on behalf of the Department of Insurance will be present. Please note that you waive  
22 any right to object to the participation of the Department's representative in the final administrative  
23 decision of the matter if it is not settled.

1 The Notice of Appeal and request for Informal Settlement Conference described above shall be  
2 addressed to:

3 Deputy Director  
4 Arizona Department of Insurance  
5 2910 North 44th Street, Suite 210  
6 Phoenix, Arizona 85018  
7 Attn: Hearing Administration

8 COPIES of the foregoing mailed/delivered  
9 this 25<sup>th</sup> day of March, 1998, to:

10 Dan Watkins  
11 Special Deputy Rehabilitator  
12 The Centennial Life Insurance Company In Rehabilitation  
13 110 McDonald Drive  
14 Lawrence, KS 66044

15 William W. Fitzgerald, Secretary  
16 The Centennial Life Insurance Company  
17 8735 Rosehill Road  
18 Lenexa, KS 66215

19 Kathleen Sebelius  
20 Commissioner of Insurance  
21 Kansas Insurance Department  
22 420 SW 9th Street  
23 Topeka, KS 66612-1678

Charles R. Cohen, Deputy Director  
Sara M. Begley, Deputy Receiver  
Catherine M. O'Neil, Assistant Director  
Gary A. Torticill, Assistant Director  
Deloris E. Williamson, Assistant Director  
Scott B. Greenberg, Business Administrator  
Erin Haney-Klug, Market Conduct Chief Examiner  
Arizona Department of Insurance  
2910 North 44th Street, Suite 210  
Phoenix, Arizona 85018

22   
23 Curvey Walters Burton