

JUN 16 1997

DEPT. OF INSURANCE
BY ED

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of the Acquisition of Control of:)	Docket No. 97A-092-INS
)	
WELLINGTON LIFE INSURANCE COMPANY)	ORDER
(NAIC No. 85537) and VALUE HEALTH)	
REINSURANCE, INC. (NAIC No. 89518),)	
)	
Insurers,)	
)	
by)	
)	
CVH ACQUISITION CORPORATION,)	
)	
Petitioner.)	
)	

On June 12, 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:

1. The recommended findings of fact and conclusions of law are adopted.
2. The acquisition of control of the Insurers by the Petitioner is 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) 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 the certificate of authority of the Insurers 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 Insurers' certificate of authority.

7 3. Except as provided below, all information, documents, and copies relating to the
8 Insurers 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 Columbia/HCA Health Care Corporation Finance Plan that Petitioner
17 submitted to the Department remain confidential pursuant to A.R.S. §481.21.

18 7. Upon consummation of this acquisition, the Insurers will file their registration
19 statements in the form prescribed by A.R.S. §20-481.10 and within the time period prescribed by A.R.S.
20 §20-481.09 or §20-481.13. If the registration statements would duplicate the information previously
21 submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. §20-481.03 and
22 there have been no material changes since the filing of that statement, then the Insurer will submit a
23


1 statement to that effect incorporating by reference the statement previously filed with the Department in
2 lieu of a 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 16 day of June, 1997

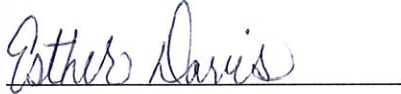
12
13 
14 John A. Greene
Director of Insurance

15 A copy of the foregoing mailed
16 this 16 day of June, 1997

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

21 Office of Administrative Hearings
22 1700 W. Washington, Suite 602
23 Phoenix, AZ 85007

1 Terry Morris Roman
2 Snell & Wilmer, L.L.P.
3 One Arizona Center
4 Phoenix, AZ 85004-0001

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IN THE OFFICE OF ADMINISTRATIVE HEARINGS

In the Matter of the Acquisition of Control of 97A-092-INS

**WELLINGTON LIFE INSURANCE
COMPANY (NAIC NO. 85537)
and VALUE HEALTH REINSURANCE,
INC. (NAIC NO. 89518),
Insurers,**

**RECOMMENDED DECISION
OF ADMINISTRATIVE
LAW JUDGE**

by
**CVH ACQUISITION CORPORATION,
Petitioner.**

HEARING: June 12, 1997

**APPEARANCES: Terry Morris Roman, counsel for the Petitioner and Kurt
Regner for the Arizona Department of Insurance**

ADMINISTRATIVE LAW JUDGE: Lewis D. Kowal

On June 12, 1997, a hearing took place to consider the application for the acquisition of control of Wellington Life Insurance Company and Value Health Reinsurance, Inc. (the "Insurers") filed by CVH Acquisition Corporation (the "Petitioner") with the Arizona Department of Insurance (the "Department"), and for approval of Petitioner as the controlling person of the Insurers pursuant to the provisions of A.R.S. §§20-481 through 20-481.23, and A.A.C. R20-6-1402.

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

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. The Insurers are domestic insurers as referred to in A.R.S. §20-481.02.
2. The Petitioner has filed a statement as referred to in A.R.S. §§20-481.02 and 20-481.03, in the form required by A.A.C. R20-6-1402.
3. The Insurers and their security holders waived the ten (10) day advance notice to be given as required by A.R.S. §20-481.07.
4. No evidence has been produced at the hearing that would indicate or form the basis for a finding that the Petitioner's acquisition of control of the Insurers
 - a. Is contrary to law;

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Phoenix, Arizona 85007
(602) 542-9826

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

19 5. The Petitioner has furnished completed fingerprint cards to the
20 Department to enable the Department to determine if any of Petitioner's officers or
21 directors have been charged with or convicted of a felony or misdemeanor other than
22 minor traffic violations. The Petitioner has made representations to the Department that
23 none of its officers or directors have been charged with or convicted of a felony or
24 misdemeanor other than minor traffic violations.

25 6. The Petitioner requested that the Columbia/HCA Health Care Corporation
26 Finance Plan that Petitioner submitted to the Department remain confidential. The
27 Department had no objection to Petitioner's request for confidentiality of that document.

28 7. Except as provided above, the interests of policyholders, shareholders or
29 the public will be served by the publication of all information, documents and copies,
30 relating to the Insurers 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

1 pursuant to A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

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

4 **RECOMMENDED ORDER**

5 The undersigned Administrative Law Judge recommends that:

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

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

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

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

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

27 4. Until further notice from the Department, the Insurers shall file quarterly
28 financial statements following the effective date of the acquisition.

29 5. The Columbia/HCA Health Care Corporation Finance Plan that Petitioner
30 submitted to the Department remain confidential pursuant to A.R.S. §20-481.21.

6. Upon consummation of this acquisition, the Insurers shall file their
registration statements in the form prescribed by A.R.S. §20-481.10 and within the time
period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statements

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

5
 6 Done this day, June 12, 1997.

7 Lewis D. Kowal
 8 Lewis D. Kowal
 9 Administrative Law Judge

10
 11 Original transmitted by mail this
 12 12 day of June, 1997, to:

13 Mr. John A. Greene, Director
 14 Department of Insurance
 2910 North 44th Street, #210
 15 Phoenix, AZ 85018-7256

16 ATTN: Curvey Burton
 17 By Chris Crawford Thomson
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