

STATE OF ARIZONA

DEC 24 1997

DEPARTMENT OF INSURANCE DEPT. OF INSURANCE
BY ED

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3 In the Matter of Acquisition of) Docket No.97A-195-INS
4 Control of)
5 WM LIFE INSURANCE COMPANY) ORDER
6 (NAIC No. 85952),)
7 by Insurer,)
8 SAFECO LIFE INSURANCE COMPANY,)
9 Petitioner.)
_____)

10
11 On December 15, 1997, the Office of Administrative
12 Hearings, through Administrative Law Judge Lewis D. Kowal,
13 submitted "Recommended Decision of Administrative Law Judge"
14 ("Recommended Decision"), a copy of which is attached and
15 incorporated by this reference. The Director of the Arizona
16 Department of Insurance has reviewed the Recommended Decision and
17 enters the following order:

18 1. The recommended findings of fact and conclusions of
19 law are adopted.

20 2. The acquisition of control of the Insurer by the
21 Petitioner will be approved subject to the express conditions as
22 follows:

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

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

6 Except as provided below, all information, documents,
7 and copies relating to the Insurer and Petitioner obtained by or
8 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.
10 §§20-481.03 and 20-481.20 will not be given confidential
11 treatment, will be subject to subpoena and will be made public
12 documents, subject to inspection, examination or copying by any
13 person.

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

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

19 5. The documents identified in paragraph 6 above which
20 Petitioner submitted to the Department will remain confidential
21 pursuant to A.R.S. §20-481.21.

22 6. Upon consummation of this acquisition, the
23 Petitioner will file its registration statement in the form
24 prescribed by A.R.S. §20-481.10 and within the time period
25 prescribed by A.R.S. §20-481.09 or §20-481.13. If the
26 registration statement would duplicate the information previously
27 submitted by the Petitioner in the statement filed with the
28 Department pursuant to A.R.S. §20-481.03 and there have been no

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

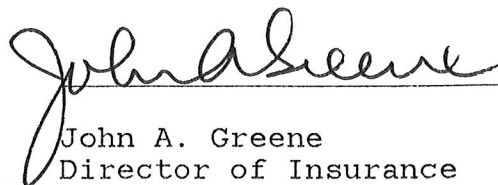
6 7. The failure to adhere to one or more of the above
7 terms and conditions will result without further proceedings in
8 the suspension or the revocation of the Insurer's certificate of
9 authority.

10 NOTIFICATION OF RIGHTS

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

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

22 DATED this 24 day of December, 1997

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25 
26 John A. Greene
27 Director of Insurance
28

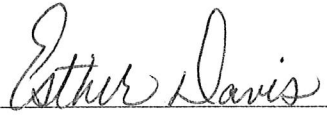
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COPY of the foregoing mailed
this 24th day of December, 1997 to:

Charles R. Cohen, Deputy Director
Gregory Y. Harris, Executive Assistant Director
Mary Butterfield, Assistant Director
Catherine O'Neil, Assistant Director
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

Office of Administrative Hearings
1700 West Washington, Suite 602
Phoenix, AZ 85007

Edward H. Southon
Assistant General Counsel
SAFECO Corporation
SAFECO Plaza
Seattle, WA 98185



1 **IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

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

No. 97A-195-INS

5 **WM LIFE INSURANCE COMPANY**
6 (NAIC No. 85952),

7 Insurer,

**RECOMMENDED DECISION
OF ADMINISTRATIVE
LAW JUDGE**

8 by

9 **SAFECO LIFE INSURANCE COMPANY,**

10 Petitioner.

11
12 **HEARING:** December 9, 1997

13 **APPEARANCES:** George C. Pagos on behalf of the Petitioner; Kurt Regner on
14 behalf of the Arizona Department of Insurance

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

16
17 On December 9, 1997, a hearing took place to consider the application for the
18 acquisition of control of WM Life Insurance Company (the "Insurer"), filed by SAFECO
19 Life Insurance Company (the "Petitioner"), with the Arizona Department of Insurance
20 (the "Department"), and for approval of Petitioner as the controlling person of the
21 Insurer pursuant to the provisions of A.R.S. §§20-481 through 20-481.23, and A.A.C.
22 R20-6-1402.

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

25 **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

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

- 1 a. Is contrary to law;
- 2 b. Is inequitable to the shareholders of any domestic insurer involved;
- 3 c. Would substantially reduce the security of and service to be rendered to
the policyholders of the Insurer in this State or elsewhere;
- 4 d. After the change of control the Insurer would not be able to satisfy the
5 requirements for the reissuance of a certificate of authority to write the line or lines of
6 insurance for which it is presently licensed;
- 7 e. The effect of the acquisition of control would be to substantially lessen
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 Insurer or prejudice the interest of its policyholders;
- 10 g. The plans or proposals that the acquiring party has to liquidate the
11 Insurer, sell its assets or consolidate or merge it with any person, or to make any other
12 material change in its business or corporate structure or management, are unfair and
unreasonable to policyholders of the Insurer and are not in the public interest;
- 13 h. The competence, experience and integrity of those persons who would
14 control the operation of the Insurer are such that it would not be in the public interest of
15 policyholders of the Insurer and of the public to permit the merger or other acquisition of
16 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 that none of its
23 officers or directors have been charged with or convicted of a felony or misdemeanor
other than minor traffic violations.

24 6. The Petitioner requested that the biographical affidavits (Exhibit C),
25 fingerprint cards and Disclosure Memorandum (exhibit 3.1, to the stock purchase
26 agreement between SAFECO corporation, Washington Mutual Inc., WM Life Insurance
27 Company and Empire Life Insurance Company dated September 2, 1997) that
28 Petitioner submitted to the Department remain confidential. The Department had no
objection to Petitioner's request for confidentiality of those records.

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

1 relating to the Insurer and Petitioner, and obtained by or disclosed to the Director of the
2 Department ("Director"), or any other person in the course of a filing, an examination, or
3 investigation made pursuant to A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

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

7 **RECOMMENDED ORDER**

8 The undersigned Administrative Law Judge recommends that:

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

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

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

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

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

29 4. The documents identified in paragraph 6 above which Petitioner submitted
30 to the Department shall remain confidential pursuant to A.R.S. §20-481.21.

5. Upon consummation of this acquisition, the shall file its registration
statement 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 statement would
duplicate the information previously submitted by the Petitioner in the statement filed
with the Department pursuant to A.R.S. §20-481.03 and there have been no material

1 changes since the filing of that statement, then the Insurer shall submit a statement to
2 that effect incorporating by reference the statement previously filed with the Department
in lieu of the registration statement.

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

6 Done this day, December 15, 1997.

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8 

9 LEWIS D. KOWAL
10 Administrative Law Judge

11 Original transmitted by mail this
12 16 day of December, 1997, to:

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

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18 By 