

DEC 24 1997

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY ED

1 In the Matter of the Acquisition of Control of:)
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 3)
 4 ADVANCE INSURANCE COMPANY,)
 5 (NAIC No. 83445),)
 6)
 7 Insurer,)
 8)
 9 by)
 10)
 11 MII LIFE, INCORPORATED,)
 12 (NAIC No. 61522),)
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Docket No. 97A-227-INS

ORDER

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 12 On December 23, 1997, the Office of Administrative Hearings, through Administrative
 13 Law Judge Lewis D. Kowal submitted Recommended Decision of Administrative Law Judge
 14 ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The
 15 Director of the Arizona Department of Insurance has reviewed the Recommended Decision and enters
 16 the following order:

- 17 1. The recommended findings of fact and conclusions of law are adopted.
- 18 2. The acquisition of control of the Insurer by the Petitioner is approved subject to
- 19 the express conditions as follows:
 - 20 a. If the completed fingerprint cards furnished to the Department reveal that any of
 - 21 Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other
 - 22 than minor traffic violations, the individual(s) will be removed as an officer and/or director of the
 - 23

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

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

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

14 5. The fingerprint cards and biographical affidavits that Petitioner submitted to the
15 Department remain confidential pursuant to A.R.S. § 20-481.21.

16 6. The Petitioner and/or Insurer promptly remit payment of all expenses incurred as a
17 result of the proposed acquisition to the Insurance Examiners' Revolving Fund.

18 7. Upon consummation of this acquisition, the Insurer will file its registration
19 statement 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 statement would duplicate the information previously
21 submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. § 481.03 and
22 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 8. The failure to adhere to one or more of the above terms and conditions will result
4 without further proceedings in the suspension or the revocation of the Insurer's certificate of authority.

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 24 day of December, 1997

14
15 
16 John A. Greene
Director of Insurance

17 A copy of the foregoing mailed
18 this 24th day of December, 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
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 Robert J. Milis, Secretary
MII Life, Inc.
4 3535 Blue Cross Road
St. Paul, MN 55122

5 David L. Thornburg, Treasurer
6 Advance Insurance Company
2930 Southwest Woodside Dr.
7 Topeka, KS 66614

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9 *Esther Davis*

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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 Insurer and its 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 Insurer:

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

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

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;

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

g. The plans or proposals that the acquiring party has to liquidate the Insurer, sell its assets or consolidate or merge it with any person, or to make any other 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;

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

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

5. The Petitioner has furnished completed fingerprint cards to the Department to enable the Department to determine if any of Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other than minor traffic violations. The results of the analysis of the fingerprint cards submitted by the Petitioner have not been received by the Department. The Petitioner has made representations that none of its 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 fingerprint cards and biographical affidavits Petitioner submitted to the Department remain confidential. The Department had no objection to Petitioner's request for confidentiality of those records.

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.

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.

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

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

