

AUG 31 2005

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY CLB

In the Matter of the  
Acquisition of Control of  
Arizona Home Insurance Company  
(NAIC No. 38490),  
Insurer,  
By  
Western Mutual Insurance Company  
(NAIC No. 13625)  
and  
Residence Mutual Insurance Company  
(NAIC No. 15776)  
Petitioners.

) Docket No. 05A-097-INS

ORDER APPROVING  
ACQUISITION

On April 13, 2005, Western Mutual Insurance Company and Residence Mutual Insurance Company, ("Petitioners") submitted an application for the acquisition of control of Arizona Home Insurance Company ("Insurer") with the Arizona Department of Insurance (the "Department") for approval of Petitioners as the controlling persons of the Insurer pursuant to the provisions of A.R.S. §§20-481 through 20-481.30 and A.A.C. R20-6-1402.

Based upon reliable evidence provided to the Director of Insurance ("Director") by the Assistant Director of the Financial Affairs Division of the Department, the Director

1 makes the following Findings of Fact, Conclusions of Law and enters the following  
2 Order:

3  
4 **FINDINGS OF FACT**

- 5
- 6 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.
- 7 2. The Petitioners have filed a statement as referred to in A.R.S. §§20-  
8 481.02 and 20-481.03, in the form required by A.A.C. R20-6-1402.
- 9 3. The Insurer and its security holders waived the ten (10) day advance filing  
10 notice to be given as required by A.R.S. §20-481.07.
- 11 4. No evidence has been produced that would indicate or form the basis for a  
12 finding that the Petitioners' acquisition of control of the Insurer:
- 13 a. Is contrary to law;
- 14 b. Is inequitable to the shareholders of any domestic insurer involved;
- 15 c. Would substantially reduce the security of and service to be rendered to  
16 the policyholders of the domestic insurer in this State or elsewhere;
- 17 d. After the change of control the domestic insurer, would not be able to  
18 satisfy the requirements for the reissuance of a Certificate of Authority to write the line  
19 or lines of insurance for which it is presently licensed;
- 20 e. Would have the effect of substantially lessening competition in insurance  
21 in this state, or tend to create a monopoly;
- 22 f. Might jeopardize the financial stability of the Insurer or prejudice the  
23 interest of its policyholders, based upon the financial condition of any acquiring party;
- 24 g. Is unfair and unreasonable to policyholders of the Insurer and is not in the  
25 public interest, based upon the plans or proposals that the acquiring party has to

1 liquidate the insurer, sell its assets or consolidate or merge it with any person, or to  
2 make any other material change in its business or corporate structure or management;

3 h. Would not be in the public interest of policyholders of the Insurer and of  
4 the public to permit the merger or other acquisition of control based upon the  
5 competence, experience and integrity of those persons who would control the operation  
6 of the Insurer; or

7 i. Would likely be hazardous or prejudicial to the insurance-buying public.

8 5. The Petitioners and Insurer have furnished completed fingerprint cards to  
9 the Department to enable the Department to determine if Petitioners or Insurer's officers  
10 or directors have been charged with or convicted of a felony or misdemeanor other than  
11 minor traffic violations. The results of the analysis of the fingerprint cards submitted by  
12 the Petitioners and Insurer's officers and directors have not been received by the  
13 Department. The Petitioners and Insurer's officers and directors have made  
14 representations material to the issuance of the Order in this matter that none of its  
15 officers or directors have been charged with or convicted of a felony or misdemeanor  
16 other than minor traffic violations.

17 6. The interests of policyholders, shareholders or the public will be served by  
18 the publication of all information, documents and copies, relating to the Insurer and  
19 Petitioners, and obtained by or disclosed to the Director, or any other person in the  
20 course of a filing, an examination, or investigation made pursuant to A.R.S. §§20-  
21 481.03, 20-481.10 and 20-481.20, except the following:

22 a. Biographical affidavits and fingerprint cards; and

23 b. The Milliman report.  
24  
25

1 **CONCLUSIONS OF LAW**

2  
3 1. The application established that none of the enumerated grounds set forth  
4 in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or rejection of  
5 Petitioners' acquisition of control of the Insurer.

6 2. Petitioners presented credible evidence for approval of its acquisition of  
7 control of the Insurer and the Petitioners to be a controlling persons pursuant to the  
8 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.

9 NOW, THEREFORE, I, CHRISTINA URIAS, Director of Insurance of the State of  
10 Arizona, for the purpose of protecting and preserving the public health, safety and  
11 welfare, and by virtue of the authority vested in me by A.R.S. §§20-142 and 20-481  
12 through 20-481.30, and A.A.C. R20-6-1402 order:

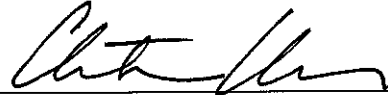
13  
14 **ORDER**

15  
16 1. The acquisition of control of the Insurer by the Petitioners is approved,  
17 subject to the express conditions as follows:

18 a. If the completed fingerprint cards furnished to the Department of  
19 Insurance reveal that Petitioners or Insurer's officers or directors have been charged  
20 with or convicted of a felony or misdemeanor other than minor traffic violations, the  
21 individual(s) shall be removed as an officer and/or director of the Petitioners or Insurer  
22 within 30 days after notice to Petitioners by the Department of Insurance and shall be  
23 replaced with an officer or director acceptable to the Director. If Petitioners fails to take  
24 the prescribed action within 30 days, this failure will constitute an immediate danger to  
25

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

4           DATED this 31<sup>ST</sup> day of August, 2005.

6  
7 

8 CHRISTINA URIAS  
9 Director Of Insurance

10 COPY of the foregoing mailed  
11 this 31<sup>ST</sup> day of August, 2005,

12 Gerrie Marks, Deputy Director  
13 Mary Butterfield, Assistant Director  
14 Catherine O'Neil, Consumer Legal Affairs Officer  
15 Steven Ferguson, Assistant Director  
16 Deloris Williamson, Assistant Director  
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