

APR 3 2006

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:)
)
CNP INSURANCE COMPANY)
(N.A.I.C. # 27938))
)
Respondent.)

Docket No. 06A-059-INS
**ORDER SUMMARILY SUSPENDING
CERTIFICATE OF AUTHORITY AND
NOTIFICATION OF RIGHTS**

The Arizona Department of Insurance ("Department") received evidence that Respondent violated provisions of Arizona Revised Statutes ("A.R.S."), Title 20. In light of the serious nature of these allegations, the Director finds that the public health, safety and welfare imperatively require emergency action, within the meaning of A.R.S. §41-1092.11(B). Accordingly, the Director of Insurance of the State of Arizona (the "Director") makes the following Findings of Fact and Conclusions of Law and enters the following Order pursuant to A.R.S. §§ 20-220.

FINDINGS OF FACT

1. CNP Insurance Company ("CNP" or "Respondent") is an insurer domiciled in Arizona and presently holds a certificate of authority issued by the Department to transact property and casualty without worker's compensation insurance.
2. Rancho Physicians, Inc. ("Rancho Physicians") is the parent and sole shareholder of CNP.
3. Insurance Ventures ("IVI") is an affiliate of CNP.
4. Insurance Company of the West ("ICW") is a California property and casualty insurer.

1 5. On November 20, 2002, CNP issued a continuing, unconditional, unlimited and
2 irrevocable guaranty (the "Guaranty") to ICW wherein it guaranteed prompt payment and
3 complete performance of all obligations of CNP's affiliate, IVI, as set forth in an agreement
4 between IVI and ICW. The execution of the Guaranty resulted in CNP's potential liability
5 exceeding 3% of its admitted assets as of December 31, 2001 and CNP's contingent liability
6 equaling or exceeding CNP's net worth. CNP failed to give the Director thirty days prior written
7 notice and an opportunity to disapprove the Guaranty transaction.

8 6. On or about August 6, 2004, ICW demanded that IVI perform its obligations
9 pursuant to the agreement by remitting the sum of \$3,049,135.89 to ICW. Based on the
10 Guaranty, ICW filed a Complaint for Breach of Contract against CNP on October 29, 2004
11 (United States District Court, District of Arizona Case No. CIV 04-2354-PHX-EHC, *Insurance*
12 *Company of the West v. CNP Insurance Company, et. al.*). On January 3, 2005, the Court in
13 said action issued a Temporary Protective Order ("TPO") enjoining and restraining CNP from
14 removing or disposing in any manner certain of its assets including United States Treasury
15 Certificate #912827Y55 having a par value of \$550,000. On April 20, 2005, the Court issued
16 an Additional Temporary Protective Order ("ATPO") enjoining and restraining CNP from
17 removing or disposing in any manner its funds in Charles Schwab Account No. 2107-7509
18 (account value \$911,886.39 as of February 28, 2005).

19 7. During calendar year 2004, CNP loaned Rancho Physicians a total of
20 \$1,199,000.00. The loaned amount exceeded 3% of CNP's admitted assets as of December
21 31, 2003. CNP failed to give the Director thirty days prior written notice and an opportunity to
22 disapprove the 2004 transfers to Rancho Physicians.
23

1 8. During calendar year 2005, CNP loaned Rancho Physicians a total of
2 \$330,000.00. The loaned amount exceeded 3% of CNP's admitted assets as of December
3 31, 2004. CNP failed to give the Director thirty days prior written notice and an opportunity to
4 disapprove the 2005 transfers to Rancho Physicians.

5 9. On several occasions, the Department notified CNP that the Director's approval
6 was required before CNP could enter into transactions which exceeded the lesser of 3% of
7 CNP's admitted assets or 25% of surplus as regards policyholders as stated in its financial
8 statements to the Department as of December 31 of the prior year.

9 10. In its September 30, 2005 statutory financial statement submitted to the
10 Department, Respondent reported eligible assets in the amount of \$1,868,265. This amount
11 included the assets described in and subject to the TPO and ATPO.

12 11. On September 7, 2005, Respondent's statutory agent filed a "Corporation
13 Statement of Resignation of Statutory Agent" with the Arizona Corporation Commission
14 ("ACC"). To date, Respondent has not designated a new statutory agent and, as a result, is
15 not in good standing with the ACC.

16 CONCLUSIONS OF LAW

17 1. The Director has jurisdiction over this matter.

18 2. Respondent is the subsidiary of a specified person within the meaning of A.R.S.
19 § 20-481(8).

20 3. Respondent is subject to the Insurance Holding Company Systems Act, A.R.S.
21 §§ 20-481 through 481.30.
22
23

4. Respondent's conduct, as alleged above, constitutes entering into transactions with a person who is an affiliate which exceed the amount permitted by law (lesser of 3% of the insurer's admitted assets or 25% of surplus as regards policyholders as stated in its financial statements to the Department as of December 31 of the prior year) without thirty days prior written notice to the Director, a violation of A.R.S. § 20-481.12(B).

5. Respondent's conduct, as alleged above, constitutes violation of any provision of Title 20 within the meaning of A.R.S. § 20-220(A)(1).

6. Respondent's conduct as alleged above, results in Respondent being in unsound condition or in such condition as to render its further transaction of insurance in this state hazardous to the policyholders or to the people of this state, within the meaning of A.R.S. §20-220(A)(3).

7. Respondent's conduct, as alleged above, constitutes failing to have and continuously maintain in Arizona a statutory agent, a violation of A.R.S. §20-218.01(B).

8. Grounds exist, pursuant to A.R.S. §§ 20-218.01(B), 20-220(A)(1) and (A)(3) to suspend or revoke Respondent's Certificate of Authority.

ORDER

IT IS THEREFORE ORDERED summarily suspending the Arizona certificate of authority held by Respondent and prohibiting the issuance of new and renewal insurance, effective immediately.

DATED this 3rd day of April, 2006.



 CHRISTINA URIAS
 Director

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NOTIFICATION OF RIGHTS

You have the right to request a hearing on this determination by filing a notice of appeal after your receipt of this notice. The notice of appeal must identify the party appealing, the party's address, the matter being appealed and must contain a detailed statement of the reason for the appeal. Your hearing will be treated as a "contested case" and promptly instituted and determined as prescribed by A.R.S. §§41-1001(4), 41-1092.11(B) and 41-1092.05(E) to the extent the Office of Administrative Hearings calendar permits. In any event, your hearing will be held within sixty (60) days of your notice of appeal is filed, unless the hearing is advanced or delayed by agreement or a showing of good cause by any party. The Department of Insurance will promptly serve a "Notice of Hearing" in accordance with A.R.S. §41-1092.05(E) that will inform you of the date, time and location of the hearing as well as the issues.

If you file an appeal, you may also request an "informal settlement conference" pursuant to A.R.S. §41-1092.06 by filing a written request **no more than twenty (20) days before the scheduled hearing.** The conference will be held within fifteen (15) days after our receipt of your request. If an informal settlement conference is requested, a person with the authority to act on behalf of the Department of Insurance will be present. Please note that you waive any right to object to the participation of the Department's representative in the final administrative decision of the matter if it is not settled.

Your notice of appeal and/or request for an informal settlement conference may be addressed to the attention of:

Hearing Administration
Arizona Department of Insurance
Notice of Appeal
2910 North 44th Street, 2nd Floor
Phoenix, Arizona 85018-7256

1 COPY of the forgoing mailed/delivered
this 3rd day of April, 2006 to:

2 CNP Insurance Company
3 c/o Ronnie Lee Howard, President
14555 N. Scottsdale Rd., Suite 320
4 Scottsdale, Arizona 85254
Respondent

5 Moira M. McCarthy
6 Office of the Arizona Attorney General
Consumer Protection & Advocacy Section
7 1275 West Washington
Phoenix, AZ 85007

8 Gerrie Marks, Deputy Director
9 Mary E. Kosinski, Executive Asst. for Regulatory Affairs
Steve Ferguson, Assistant Director
10 Alan Griffith, Chief Financial Examiner
Kurt Regner, Chief Financial Analyst
11 Herb Swafford, Financial Affairs Legal Analyst
Arizona Department of Insurance
12 2910 N. 44th Street, Suite 210
Phoenix, AZ 85018

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14 
15 Curvey Walters Burton