

1 2. The Petitioner filed a statement as referred to in A.R.S. §§20-481.02 and
2 20-481.03, in the form required by A.A.C. R20-6-1402.

3 3. The Insurer and its security holders waived the ten (10) day advance filing
4 notice required by A.R.S. §20-481.07.

5 4. No evidence has been produced that would indicate or form the basis for a
6 finding that the Petitioner's acquisition of control of the Insurer:

- 7 a. Is contrary to law;
- 8 b. Is inequitable to the shareholders of any domestic insurer involved;
- 9 c. Would substantially reduce the security of and service to be rendered to
10 the policyholders of the domestic insurer in this State or elsewhere;
- 11 d. After the change of control the domestic insurer, would not be able to
12 satisfy the requirements for the reissuance of a Certificate of Authority to write the line
13 or lines of insurance for which it is presently licensed;
- 14 e. Would have the effect of substantially lessening competition in insurance
15 in this state, or tend to create a monopoly;
- 16 f. Might jeopardize the financial stability of the Insurer or prejudice the
17 interest of its policyholders, based upon the financial condition of any acquiring party;
- 18 g. Is unfair and unreasonable to policyholders of the Insurer and is not in the
19 public interest, based upon the plans or proposals that the acquiring party has to
20 liquidate the insurer, sell its assets or consolidate or merge it with any person, or to
21 make any other material change in its business or corporate structure or management;
- 22 h. Would not be in the public interest of policyholders of the Insurer and of
23 the public to permit the merger or other acquisition of control based upon the
24 competence, experience and integrity of those persons who would control the operation
25 of the Insurer; or

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

2 5. The Petitioner furnished completed fingerprint cards to the Department to
3 enable the Department to determine if Petitioner's officers or directors have been
4 charged with or convicted of a felony or misdemeanor other than minor traffic violations.
5 Although the Department has not yet received the results of the analysis of the
6 fingerprint cards, the Petitioner's officers and directors made representations material to
7 the issuance of the Order in this matter that none of its officers or directors have been
8 charged with or convicted of a felony or misdemeanor other than minor traffic violations.

9 CONCLUSIONS OF LAW

10 1. The application established that none of the enumerated grounds set forth
11 in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or rejection of
12 Petitioner's acquisition of control of the Insurer.

13 2. Petitioner presented credible evidence for approval of its acquisition of
14 control of the Insurer and the Petitioner to be a controlling person pursuant to the
15 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.

16 ORDER

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

21 1. The acquisition of control of the Insurer by the Petitioner is approved,
22 subject to the following express conditions:

23 a. If the completed fingerprint cards furnished to the Department of
24 Insurance reveal that Petitioner's officers or directors have been charged with or
25 convicted of a felony or misdemeanor other than minor traffic violations, the individual(s)

1 shall be removed as an officer and/or director of the Petitioner within 30 days after
2 notice to Petitioner by the Department of Insurance and shall be replaced with an officer
3 or director acceptable to the Director.

4 b. Petitioner shall infuse \$1,000,000 capital into Insurer upon closing
5 of the Stock Purchase Agreement.

6 c. Insurer shall hire a qualified CFO with insurance regulatory
7 experience no later than March 31, 2007.

8 d. Insurer shall comply with additional monthly reporting requirements
9 with the Department, as determined by this Department.

10 If Petitioner fails to take any of the prescribed actions required by paragraph (1) (a), (b),
11 (c) or (d), this failure will constitute an immediate danger to the public and the Director
12 may immediately suspend or revoke Insurer's certificate of authority without further
13 proceedings.

14 2. Subject to A.R.S. §20-481.21, all documents, materials and other
15 information that is in the possession or control of the Department and that was obtained
16 by or disclosed to the Director or any other person in the course of filing the application
17 is confidential and privileged, is not subject to Title 39, Chapter 1, Article 2 and is not
18 subject to subpoena.

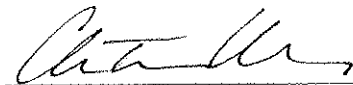
19 3. The Petitioner shall advise the Director in writing of the effective date of
20 the change of control.

21 4. Upon consummation of this acquisition, the Insurer shall file its registration
22 statement in the form prescribed by A.R.S. §20-481.10 and within the time period
23 prescribed by A.R.S. §20-481.13. If the registration statement would duplicate the
24 information previously submitted by the Petitioner in the statement filed with the
25 Department pursuant to A.R.S. §20-481.03 and there have been no material changes

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

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

7 DATED this 11th day of January, 2007.

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11 CHRISTINA URIAS
12 Director Of Insurance

13 COPY of the foregoing mailed
14 this 12th day of January, 2007,

15 Gerrie Marks, Deputy Director
16 Mary Butterfield, Assistant Director
17 Catherine O'Neil, Consumer Legal Affairs Officer
18 Steven Ferguson, Assistant Director
19 Leslie R. Hess, Financial Affairs Legal Analyst
20 Kurt Regner, Chief Financial Analyst
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