

MAY 6 1996

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY Kathy Burdick

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In the Matter of the Acquisition of Control of	)	Docket No. 96A-035-INS
	)	
OMEGA REINSURANCE	)	
CORPORATION (NAIC No. 85774)	)	ORDER
	)	
Insurer,	)	
	)	
by	)	
	)	
METROPOLITAN LIFE INSURANCE	)	
COMPANY (NAIC No. 65978)	)	
	)	
Petitioner.	)	
	)	
	)	

On April 30, 1996, the Office of Administrative Hearings, through Administrative Law Judge Lewis D. Kowal submitted "Recommended Order Approving Acquisition", a copy of which is attached and incorporated by this reference. The Director of the Arizona Department of Insurance has reviewed the recommendation, and enters the following order:

1. The recommended findings of fact and conclusions of law are adopted.
2. The acquisition of control of the Insurer by the Petitioner is 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 and/or

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

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

16 c. The draft proxy statement concerning this matter  
17 shall remain confidential for a period of 180 days from April 10,  
18 1996.

19 d. The resolutions and minutes of the Board of  
20 Directors of Petitioner and New England that were filed with the  
21 Department shall remain confidential.

22 e. The Petitioner shall advise the Director in writing  
23 of the effective date of the change of control.

24 f. Until further notice from the Department, the  
25 Insurer shall file quarterly financial statements following the  
26 effective date of the acquisition.

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1           g. The Petitioner and/or Insurer shall promptly remit  
2 payment of all expenses incurred as a result of the proposed  
3 acquisition to the Insurance Examiners' Revolving Fund ("IERF")

4           h. Upon consummation of this acquisition, the Insurer  
5 shall file its registration statement in the form prescribed by  
6 A.R.S. §481.10 and within the time period prescribed by A.R.S.  
7 §20-481.09 or §20-481.13. If the registration statement filed  
8 with the Department pursuant to A.R.S. §20-481.03 and there have  
9 been no material changes since the filing of that statement, then  
10 the Insurer shall submit a statement to that effect incorporating  
11 by reference the statement previously filed with the Department  
12 in lieu of the registration statement.

13           i. Upon the Department's receipt of Secretary  
14 certifications from Petitioner and New England disclosing  
15 policyholder'/members' approval of the merger between Petitioner  
16 and New England.


17           j. The failure to adhere to one or more of the above  
18 terms and conditions shall result without further proceedings in  
19 the suspension or the revocation of the Insurer's certificate of  
20 authority.

#### 21                                   NOTIFICATION OF RIGHTS

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

1 The final decision of the Director may be appealed to  
2 the Superior Court of Maricopa County for judicial review  
3 pursuant to A.R.S. §20-166.

4 EFFECTIVE this 3rd day of May, 1996

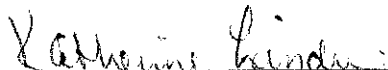
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6   
7 Chris Herstam  
8 Director of Insurance

9 A copy of the foregoing  
10 mailed this 6th day of  
11 May, 1996

12 Charles R. Cohen, Deputy Director  
13 Gregory Y. Harris, Executive Assistant Director  
14 Mary Butterfield, Assistant Director  
15 Catherine O'Neil, Assistant Director  
16 Gary Torticill, Assistant Director  
17 Deloris Williamson, Assistant Director  
18 Nancy Howse, Deputy Chief Examiner  
19 Scott Greenberg, Business Administrator  
20 Cary Cook, Solvency Support Unit Supervisor  
21 Kurt Regner, Examiner  
22 Department of Insurance  
23 2910 N. 44th St., Suite 210  
24 Phoenix, AZ 85018

25 Office of Administrative Hearings  
26 1700 West Washington, Suite 244  
27 Phoenix, AZ 85007

28 J. Michael Low  
Low & Childers, P.C.  
2999 North 44th Street  
Suite 250  
Phoenix, AZ 85018

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3 **IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

4 In the Matter of the Acquisition of  
5 Control of

No. 96A-035-INS

6 **OMEGA REINSURANCE**  
7 **CORPORATION (NAIC No. 85774),**

8 Insurer,

**RECOMMENDED ORDER**  
**APPROVING ACQUISITION**

9 by

10 **METROPOLITAN LIFE INSURANCE**  
11 **COMPANY (NAIC No. 65978),**

12  
13 Petitioner.  
14

15 On April 10, 1996, a hearing took place at the Arizona Department of  
16 Insurance, 2910 North 44th Street, Suite 210, Phoenix, Arizona, to consider the  
17 application for the acquisition of control of Omega Reinsurance Corporation (the  
18 "Insurer"), NAIC No. 85774, filed by Metropolitan Life Insurance Company (the  
19 "Petitioner"), NAIC No. 65978, with the Arizona Department of Insurance (the  
20 "Department"), and for approval of Petitioner as the controlling person of the Insurer  
21 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, including all pleadings, motions,  
24 testimony and exhibits admitted during the hearing of this matter, Administrative Law  
25 Judge Lewis D. Kowal has prepared the following Recommended Findings of Fact,  
26 Conclusions of Law and Proposed Order for consideration by the Director of the  
27 Department ("Director"):

28 **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

- 29 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.02.  
30 2. The Petitioner has filed a statement as referred to in A.R.S. §§20-  
31 481.02 and 20-481.03, in the form required by A.A.C. R20-6-1402.  
32 3. The Insurer and its security holders waived the ten (10) day advance  
33 notice to be given as required by A.R.S. §20-481.07.  
34

- 1           4.     No evidence has been produced at the hearing that would indicate or  
2 form the basis for a finding that the Petitioner's acquisition of control of the Insurer:  
3           a.     Is contrary to law;  
4           b.     Is inequitable to the shareholders of any domestic insurer involved;  
5           c.     Would substantially reduce the security of and service to be rendered  
6 to the policyholders of the domestic insurer in this State or elsewhere;  
7           d.     After the change of control the domestic insurer would not be able to  
8 satisfy the requirements for the reissuance of a Certificate of Authority to write the  
9 line or lines of insurance for which it is presently licensed;  
10          e.     The effect of the acquisition of control would be to substantially lessen  
11 competition in insurance in this state or tend to create a monopoly;  
12          f.     The financial condition of any acquiring party might jeopardize the  
13 financial stability of the Insurer or prejudice the interest of its policyholders;  
14          g.     The plans or proposals that the acquiring party has to liquidate the  
15 insurer, sell its assets or consolidate or merge it with any person, or to make any  
16 other material change in its business or corporate structure or management, are  
17 unfair and unreasonable to policyholders of the Insurer and are not in the public  
18 interest;  
19          h.     The competence, experience and integrity of those persons who would  
20 control the operation of the Insurer are such that it would not be in the public interest  
21 of policyholders of the Insurer and of the public to permit the merger or other  
22 acquisition of control; or  
23          i.     The acquisition is likely to be hazardous or prejudicial to the insurance-  
24 buying public.

25           5.     The Petitioner has furnished completed fingerprint cards to the  
26 Department to enable the Department to determine if any of Petitioner's officers or  
27 directors have been charged with or convicted of a felony or misdemeanor other  
28 than minor traffic violations. The results of the analysis of the fingerprint cards  
29 submitted by the Petitioner have not been received by the Department.

30           6.     The Petitioner requested that the draft proxy statement concerning this  
31 matter which was filed with the Department be provided confidential treatment  
32 pursuant to A.R.S. §20-481.21. The Petitioner further requested that pursuant to  
33 A.R.S. §20-481.21, the resolutions and minutes of the Board of Directors of  
34 Petitioner and New England filed with the Department regarding this matter be

1 provided confidential treatment. The Department had no objection to Petitioner's  
2 request for confidentiality of those records.

3 7. Except as provided above, the interests of policyholders, shareholders  
4 or the public will be served by the publication of all information, documents and  
5 copies, relating to the Insurer and Petitioner, and obtained by or disclosed to the  
6 Director, or any other person in the course of a filing, an examination, or  
7 investigation made pursuant to A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

8 8. The Department has incurred examination expenses pursuant to  
9 A.R.S. §20-481.02(C).

10 9. Based upon its review of the Petitioner's Form A filing, the Department  
11 represented its belief that the Petitioner's Form A filing is complete and in  
12 compliance with Arizona law and recommended approval of this acquisition.

### 13 **RECOMMENDED ORDER**

14 The undersigned Administrative Law Judge recommends that the acquisition  
15 of control of the Insurer by the Petitioner be approved subject to the express  
16 conditions as follows:

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

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

32 3. The draft proxy statement concerning this matter shall remain  
33 confidential for a period of 180 days from April 10, 1996.

1 4. The resolutions and minutes of the Board of Directors of Petitioner and  
2 New England that were filed with the Department shall remain confidential.

3 5. The Petitioner shall advise the Director in writing of the effective date  
4 of the change of control.

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

7 7. The Petitioner and/or Insurer shall promptly remit payment of all  
8 expenses incurred as a result of the proposed acquisition to the Insurance  
9 Examiners' Revolving Fund ("IERF").

10 8. Upon consummation of this acquisition, the Insurer shall file its  
11 registration statement in the form prescribed by A.R.S. §20-481.10 and within the  
12 time period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration  
13 statement would duplicate the information previously submitted by the Petitioner in  
14 the statement filed with the Department pursuant to A.R.S. §20-481.03 and there  
15 have been no material changes since the filing of that statement, then the Insurer  
16 shall submit a statement to that effect incorporating by reference the statement  
17 previously filed with the Department in lieu of the registration statement.

18 9. Upon the Department's receipt of Secretary certifications from  
19 Petitioner and New England disclosing policyholders'/members' approval of the  
20 merger between Petitioner and New England.

21 10. The failure to adhere to one or more of the above terms and  
22 conditions shall result without further proceedings in the suspension or the  
23 revocation of the Insurer's certificate of authority.

24 DATED this *30<sup>th</sup>* day of April, 1996.

25 OFFICE OF ADMINISTRATIVE HEARINGS

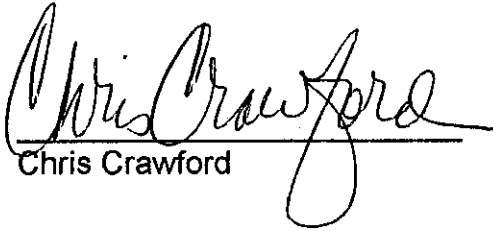
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27  
28 *Lewis D. Kowal*  
29 \_\_\_\_\_  
30 LEWIS D. KOWAL  
31 Administrative Law Judge  
32  
33  
34

Office of Administrative Hearings  
1700 West Washington, Suite 244  
Phoenix, Arizona 85007  
(602)-542-9826



1 COPY of the foregoing mailed/delivered  
2 this 30th day of April, 1996, to:

3 Chris Herstam, Director  
4 Arizona Department of Insurance  
5 2910 North 44th Street, Suite 210  
6 Phoenix, AZ 85018

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9 Chris Crawford

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