

STATE OF ARIZONA

STATE OF ARIZONA  
FILED

DEPARTMENT OF INSURANCE

OCT 29 1996

DEPT. OF INSURANCE  
BY R.H.

In the Matter of the Acquisition of Control of: )  
 )  
 J.C. PENNEY REINSURANCE COMPANY )  
 (NAIC No. 85766), )  
 )  
 Insurer, )  
 )  
 by )  
 )  
 UNITED CONCORDIA LIFE & HEALTH )  
 INSURANCE COMPANY (NAIC No. 62294), )  
 )  
 Petitioner. )  
 )  
 )

Docket No. 96A-154-INS

**ORDER**

On October 23, 1996, the Office of Administrative Hearings, through Administrative Law Judge Lewis D. Kowal submitted "Recommended Decision of Administrative Law Judge", 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

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

6           b.       The failure to adhere to one or more of the above terms and conditions will result  
7 without further proceedings in the suspension or the revocation of the Insurer's certificate of authority.

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

13           4.       The Petitioner will advise the Director of the Department in writing of the effective  
14 date of the change of control.

15           5.       Until further notice from the Department, the Insurer will file quarterly financial  
16 statements with the Department following the effective date of the acquisition.

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

19           7.       Upon consummation of the acquisition, the Insurer will file its registration  
20 statement in the form prescribed by A.R.S. § 20-481.10 and within the time period prescribed by A.R.S.  
21 § 20-481.09 and §20-481.13. If the registration statement would duplicate the information previously  
22 submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. § 20-481.03  
23

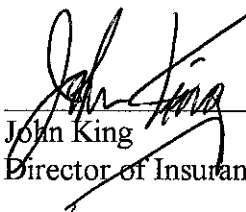
1 and there have been no material changes since the filing of that statement, then the Insurer will submit a  
2 statement to that effect incorporating by reference the statement previously filed with the Department in  
3 lieu of the registration statement.

4 NOTIFICATION OF RIGHTS

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

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

10 EFFECTIVE this 29<sup>th</sup> day of October, 1996

11  
12   
13 John King  
Director of Insurance

14 A copy of the foregoing mailed  
15 this 29 day of October, 1996

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

1 Office of Administrative Hearings  
1700 West Washington, Suite 602  
2 Phoenix, AZ 85007

3 J. Michael Low  
Low & Childers, P.C.  
4 2999 North 44th Street, Suite 250  
Phoenix, AZ 85018

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*Kathy Childers*

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1           4.     No evidence has been produced at the hearing that would indicate or form  
2 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 to  
6 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 line  
9 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 other  
16 material change in its business or corporate structure or management, are unfair and  
17 unreasonable to policyholders of the Insurer and are not in the public interest;

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

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

24           5.     The Petitioner has furnished completed fingerprint cards to the  
25 Department to enable the Department to determine if any of Petitioner's officers or  
26 directors have been charged with or convicted of a felony or misdemeanor other than  
27 minor traffic violations. The Petitioner has made representations material to the  
28 issuance of the Order in this matter that none of its officers or directors have been  
29 charged with or convicted of a felony or misdemeanor other than minor traffic violations.  
30



1 481.20, not be given confidential treatment, be subject to subpoena and shall be made  
2 public documents, subject to inspection, examination or copying by any person.


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

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

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

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

18 Done this day, October 23, 1996.

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22 \_\_\_\_\_  
23 LEWIS D. KOWAL  
24 Administrative Law Judge  
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1 Original transmitted by mail this  
2 24 day of October, 1996, to:

3 John King, Director  
4 ATTN: Curvey Burton  
5 Department of Insurance  
6 2910 North 44th Street, #210  
7 Phoenix, AZ 85018-7256

8 By Chris Crawford  
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