

STATE OF ARIZONA

DEC 29 1997

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY ED

1 In the Matter of the Acquisition of Control of:)
 2 SEVEN-ROD LIFE INSURANCE COMPANY,)
 3 (NAIC No. 60191),)
 4 Insurer,)
 5 by)
 6 REPUBLIC INDUSTRIES, INC.,)
 7 Petitioner.)

Docket No. 97A-231-INS

ORDER

11 On December 24, 1997, the Office of Administrative Hearings, through Administrative
 12 Law Judge Lewis D. Kowal submitted Recommended Decision of Administrative Law Judge
 13 ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The
 14 Director of the Arizona Department of Insurance has reviewed the Recommended Decision and enters
 15 the following order:

- 16 1. The recommended findings of fact and conclusions of law are adopted.
- 17 2. The acquisition of control of the Insurer by the Petitioner is approved subject to

18 the express conditions as follows:

- 19 a. If the completed fingerprint cards furnished to the Department reveal that any of
- 20 Petitioner's officers or directors have been charged with or convicted of a felony or misdemeanor other
- 21 than minor traffic violations, the individual(s) will be removed as an officer and/or director of the
- 22 Petitioner within 30 days after notice to Petitioner by the Department and will be replaced with an officer
- 23

1 or director acceptable to the Director. If Petitioner fails to take the prescribed action within 30 days, this
2 failure will constitute an immediate danger to the public and the Director immediately will suspend or
3 revoke Insurer's certificate of authority without further proceedings.

4 3. Except as provided below, all information, documents, and copies relating to the
5 Insurer and Petitioner obtained by or disclosed to the Director, or any other person in the course of a
6 filing, an examination or investigation made pursuant to A.R.S. §§ 20-481.03 and 20-481.20, will not be
7 given confidential treatment, will be subject to subpoena and will be made public documents, subject to
8 inspection, examination or copying by any person.

9 4. The Petitioner will advise the Director in writing of the effective date of the change
10 of control.

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

13 6. The fingerprint cards and biographical affidavits that Petitioner submitted to the
14 Department will remain confidential pursuant to A.R.S. § 20-481.21.

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

1 A copy of the foregoing mailed
this 29th day of December, 1997

2 Charles R. Cohen, Deputy Director
3 Gregory Y. Harris, Executive Assistant Director
Mary Butterfield, Assistant Director
4 Catherine O'Neil, Assistant Director
Gary Torticill, Assistant Director
5 Deloris Williamson, Assistant Director
Scott Greenberg, Business Administrator
6 Department of Insurance
2910 N. 44th Street, Suite 210
7 Phoenix, AZ 85018

8 Office of Administrative Hearings
1700 W. Washington, Suite 602
9 Phoenix, AZ 85007

10 Philip T. Paris
2929 N. 44th Street, Suite 120
11 Phoenix, AZ 85018

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13 Esther Davis

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- 1 a. Is contrary to law;
- 2 b. Is inequitable to the shareholders of any domestic insurer involved;
- 3 c. Would substantially reduce the security of and service to be rendered to
the policyholders of the Insurer in this state or elsewhere;
- 4 d. After the change of control the Insurer would not be able to satisfy the
5 requirements for the reissuance of a certificate of authority to write the line or lines of
6 insurance for which it is presently licensed;
- 7 e. The effect of the acquisition of control would be to substantially lessen
competition in insurance in this state or tend to create a monopoly;
- 8 f. The financial condition of any acquiring party might jeopardize the
9 financial stability of the Insurer or prejudice the interest of its policyholders;
- 10 g. The plans or proposals that the acquiring party has to liquidate the
11 Insurer, sell its assets or consolidate or merge it with any person, or to make any other
12 material change in its business or corporate structure or management, are unfair and
unreasonable to policyholders of the Insurer and are not in the public interest;
- 13 h. The competence, experience and integrity of those persons who would
14 control the operation of the Insurer are such that it would not be in the public interest of
15 policyholders of the Insurer and of the public to permit the merger or other acquisition of
16 control; or
- 17 i. The acquisition is likely to be hazardous or prejudicial to the insurance-
18 buying public.

19 5. The Petitioner has furnished completed fingerprint cards to the
20 Department to enable the Department to determine if any of Petitioner's officers or
21 directors have been charged with or convicted of a felony or misdemeanor other than
22 minor traffic violations. The results of the analysis of the fingerprint cards submitted by
23 the Petitioner have not been received by the Department. The Petitioner has made
24 representations that none of its officers or directors have been charged with or
convicted of a felony or misdemeanor other than minor traffic violations.

25 6. The Petitioner requested that the fingerprint cards and biographical
26 affidavits Petitioner submitted to the Department remain confidential. The Department
had no objection to Petitioner's request for confidentiality of those records.

27 7. Except as provided above, the interests of policyholders, shareholders or
28 the public will be served by the publication of all information, documents and copies,
29 relating to the Insurer and Petitioner, and obtained by or disclosed to the Director, or
30

1 any other person in the course of a filing, an examination, or investigation made
2 pursuant to A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

3 8. The Articles of Merger submitted by Petitioner are deficient in that the
4 address of the statutory agent is incorrect and the minimum value of the common stock
5 of the Insurer after the merger of RI/SRLI Merger Corp. into Insurer is not in accordance
6 with the insurance laws of the State of Arizona.

7 9. Based upon its review of the Petitioner's Form A filing, the Department
8 represented its belief that the Petitioner's Form A filing is complete subject to
9 Petitioner's representation that the Articles of Merger will be modified to be in
10 compliance with Arizona law and recommended approval of this acquisition.

11 **RECOMMENDED ORDER**

12 The undersigned Administrative Law Judge recommends that:

13 1. The acquisition of control of the Insurer by the Petitioner be approved
14 subject to the express conditions as follows:

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

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

29 3. The Petitioner advise the Director in writing of the effective date of the
30 change of control.

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

5. The fingerprint cards and biographical affidavits that Petitioner submitted
to the Department remain confidential pursuant to A.R.S. §20-481.21.

