

JUN 28 1999

DEPT. OF INSURANCE  
BY Kash

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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In the Matter of the Acquisition of Control of: )  
)  
ARBOR LIFE INSURANCE COMPANY, )  
(NAIC No. 72060), )  
)  
Insurer, )  
)  
by )  
)  
AEGON N.V. AND TONY MERGER CORP. )  
)  
Petitioners. )  
)

Docket No. 99A-076-INS

**ORDER**

On June 21, 1999, the Office of Administrative Hearings, through Administrative Law Judge Lewis D. Kowal, issued a Recommended Decision of Administrative Law Judge ("Recommended Decision"), a copy of which is attached and incorporated by this reference. The Director of the Department of Insurance has reviewed the Recommended Decision 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 Petitioners shall be approved

subject to the express conditions as follows:

- a. If the completed fingerprint cards furnished to the Department reveal that any of Petitioners' 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

1 Petitioners and/or Insurer within 30 days after notice to Petitioners by the Department and shall be  
2 replaced with an officer or director acceptable to the Director.

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

8           4.       The fingerprint cards, biographical affidavits (Exhibit 3, tab D), and the Aegon  
9 N.V. pro forma balance sheet (Exhibit 3, tab H) that Petitioners submitted to the Department shall  
10 remain confidential pursuant to A.R.S. § 20-481.21.

11           5.       The Petitioners shall advise the Director in writing of the effective date of the  
12 change of control.

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

15           7.       Upon consummation of this acquisition, the Insurer shall 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 Petitioners 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 shall 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 Office of Administrative Hearings  
1400 W. Washington, Suite 101  
2 Phoenix, AZ 85007

3 Craig D. Vermie, Esq.  
Aegon USA, Inc.  
4 4333 Edgewood Road, NE  
Cedar Rapids, Iowa 52499

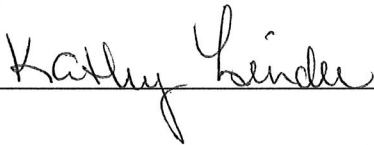
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1                                   **IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

2 In the Matter of the Acquisition of  
3 Control of

No. 99A-076-INS

4 **ARBOR LIFE INSURANCE COMPANY**  
5 **(NAIC No. 72060)**

6               Insurer,

**RECOMMENDED DECISION**  
**OF ADMINISTRATIVE**  
**LAW JUDGE**

7  
8 by

9 **AEGON N.V. AND TONY MERGER**  
10 **CORP.**

11               Petitioners.

12  
13  
14  

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15           **HEARING:** June 18, 1999

16           **APPEARANCES:** Steven R. Henry, Esq. on behalf of Petitioners

17           **ADMINISTRATIVE LAW JUDGE:** Lewis D. Kowal

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18  
19           On June 18, 1999, a hearing took place to consider the application for the  
20 acquisition of control of Arbor Life Insurance Company (the "Insurer"), filed by Aegon  
21 N.V. and Tony Merger Corp. (the "Petitioners"), with the Arizona Department of  
22 Insurance (the "Department"), and for approval of Petitioners as controlling persons of  
23 the Insurer pursuant to the provisions of A.R.S. §§20-481 through 20-481.30, and  
24 A.A.C. R20-6-1402.

25           Based upon the entire record in this matter the following Findings of Fact,  
26 Conclusions of Law and Recommended Order are made:

27                                   **FINDINGS OF FACT**

- 28           1.     The Insurer is a domestic insurer as referred to in A.R.S. §20-481.02.  
29           2.     The Petitioners have filed a statement as referred to in A.R.S. §§20-  
30 481.02 and 20-481.03, in the form required by A.A.C. R20-6-1402.

Office of Administrative Hearings  
1400 West Washington, Suite 101  
Phoenix, Arizona 85007  
(602) 542-9826

1           3.     The Insurer and its security holder(s) waived the ten (10) day advance  
2 notice to be given as required by A.R.S. §20-481.07.

3           4.     Petitioners and Insurer waived the notice requirements set forth in A.R.S.  
4 §41-1092.05(D).

5           5.     The evidence produced at the hearing established that the Petitioners'  
6 acquisition of control of the Insurer:

7                 a.     Is not contrary to law;

8                 b.     Is not inequitable to the shareholders of any domestic insurer  
9 involved;

10                c.     Would not substantially reduce the security of and service to be  
11 rendered to the policyholders of the Insurer in this State or elsewhere;

12                d.     Would not substantially lessen competition in insurance in this state  
13 or tend to create a monopoly; and

14                e.     Is not likely to be hazardous or prejudicial to the insurance-buying  
15 public.

16           6.     The evidence at the hearing further demonstrated that :

17                 a.     After the change of control, the Insurer would be able to satisfy the  
18 requirements for the reissuance of a certificate of authority to write the line or lines of  
19 business for which it is presently licensed;

20                 b.     The financial condition of the Petitioners would not jeopardize the  
21 financial stability of the Insurer or prejudice the interest of its policyholders;

22                 c.     The plans or proposals that the Petitioners have to liquidate the  
23 Insurer, sell its assets or consolidate or merge it with any person, or to make any other  
24 material change in its business or corporate structure or management, are fair and  
25 reasonable to policyholders of the Insurer and are in the public interest; and

26                 d.     The competence, experience and integrity of those persons who  
27 would control the operation of the Insurer are such that it would be in the public interest  
28 of policyholders of the Insurer and of the public to permit the merger or other acquisition  
29 of control;

1 7. The Petitioners have furnished completed fingerprint cards and  
2 biographical affidavits to the Department to enable the Department to determine if any  
3 of Petitioners' officers or directors have been charged with or convicted of a felony or  
4 misdemeanor other than minor traffic violations.

5 8. The Petitioners requested that the fingerprint cards, biographical affidavits  
6 (Exhibit 3, tab D), and Aegon N.V. pro forma balance sheet (Exhibit 3, tab H)  
7 Petitioners submitted to the Department remain confidential. The Department had no  
8 objection to Petitioners' request for confidentiality of those records.

9 9. Except as provided above, the interests of policyholders, shareholders or  
10 the public will be served by the publication of all information and documents relating to  
11 the Insurer and Petitioners, and obtained by or disclosed to the Director, or any other  
12 person in the course of a filing, an examination, or investigation made pursuant to  
13 A.R.S. §§20-481.03, 20-481.10 and 20-481.20.

14 10. Based upon its review of the Petitioners' Form A filing, the Department  
15 represented its belief that the Petitioners' Form A filing is complete and in compliance  
16 with Arizona law and recommended approval of this acquisition.

17 **CONCLUSIONS OF LAW**

18 1. The evidence of record established that none of the enumerated grounds  
19 set forth in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or  
20 rejection of Petitioners' acquisition of control of the Insurer.

21 2. Petitioners presented credible evidence for approval of its acquisition of  
22 control of the Insurer and for Petitioners to be controlling persons pursuant to the  
23 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.

24 **RECOMMENDED ORDER**

25 1. The acquisition of control of the Insurer by the Petitioners shall be  
26 approved subject to the express conditions as follows:

27 a. If the completed fingerprint cards furnished to the Department  
28 reveal that any of Petitioners' officers or directors have been charged with or convicted  
29 of a felony or misdemeanor other than minor traffic violations, the individual(s) shall be  
30

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

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

10 3. The fingerprint cards, biographical affidavits (Exhibit 3, tab D), and the  
11 Aegon N.V pro forma balance sheet (Exhibit 3, tab H) that Petitioners submitted to the  
12 Department shall remain confidential pursuant to A.R.S. §20-481.21.

13 4. The Petitioners shall advise the Director in writing of the effective date of  
14 the change of control.

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

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

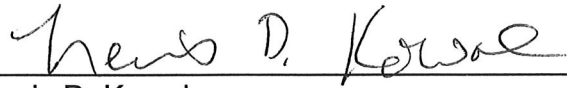
25 7. Within one year from the effective date of the change of control, the  
26 Insurer shall meet the capital and surplus requirements set forth in A.R.S. §20-210(A).

27 8. The failure to adhere to one or more of the above terms and conditions  
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29  
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1 shall result without further proceedings in the suspension or the revocation of the  
2 Insurer's certificate of authority.

3 Done this day, June 21, 1999

4 

5 Lewis D. Kowal  
6 Administrative Law Judge

7  
8 Original transmitted by mail this  
9 22 day of June, 1999, to:

10  
11  
12 Department of Insurance  
13 Mr. Charles R. Cohen  
14 2910 North 44th Street, Ste. 210  
15 Phoenix, AZ 85018

16 ATTN: Curvey Burton

17  
18 By 