

DEC 2 2004

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY CB

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In the Matter of)
)
CANYON STATE LIFE)
INSURANCE COMPANY)
(NAIC No. 72958))
)
Respondent.)
_____)

Docket No. 04A-199-INS

CONSENT ORDER

The State of Arizona, Department of Insurance (the "Department"), received evidence that Canyon State Life Insurance Company ("Respondent") violated provisions of Title 20, Arizona Revised Statutes ("A.R.S."). Respondent wishes to resolve this matter without the commencement of formal proceedings. Without admitting or denying the allegations, Respondent does not contest that the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Canyon State Life Insurance Company ("Respondent"), an Arizona domiciled insurance company, presently holds a certificate of authority issued by the Arizona Department of Insurance to transact life and disability insurance.

2. As identified in Exhibit A, Respondent has repeatedly failed to timely file its Annual and Quarterly Statements as required by A.R.S. §§ 20-223 and 20-235(C). This pattern began in calendar year 2001 and continues to date. The repeated late filings by Respondent constitute intentional violations of A.R.S. § 20-220(A)(1).

1 B. \$1,550.00 as a penalty for the late filing of its First Quarter Statement pursuant
2 to A.R.S. § 20-235(D).

3 C. \$575.00 as a late fee for the late filing of its Second Quarter Statement pursuant
4 to A.R.S. § 20-235(D).

5 D. \$1,000.00 as a civil penalty for the late filing of its First Quarter Statement and
6 Second Quarter Statement as intentional violations of A.R.S. § 20-220(B)(2).

7 2. Respondent institute and maintain an arrangement with an alternate actuary or
8 Certified Public Accountant to prepare and timely file future Annual and Quarterly
9 Statements in the event Respondent's actuary or Certified Public Accountant is
10 unable to do so. A copy of correspondence evidencing Respondent's compliance
11 with this requirement is attached hereto as Exhibit B.

12
13 DATED this 1st day of December 2004.

14 
15 _____
16 CHRISTINA URIAS
17 Director of Insurance

18 **CONSENT TO ORDER**

19 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law
20 and Order.

21 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona.
22 Without admitting or denying the same, Respondent does not contest that the foregoing
23 Findings of Fact are true and consents to the entry of the foregoing Conclusions of Law and
24 Order.

1 9700 Indianapolis Boulevard
Highland, IN 46322

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3 David M. Nelson
Agent for Service of Process
312 East Alvarado Road
4 Phoenix, AZ 85004

5 Gerrie Marks, Deputy Director
Steve Ferguson, Assistant Director
6 Kurt Regner, Chief Financial Analyst
Leslie Hess, Legal Analyst
7 Herb Swafford, Legal Analyst
Arizona Department of Insurance
8 2910 North 44th Street, Suite 210
Phoenix, AZ 85018

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10 Curvey Walters Burton

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EXHIBIT B

Letter of Understanding
October 25, 2004

This letter of understanding (Letter) between David M. Nelson, Consulting Actuary, herein called DMN, and GPWA and Associates, Inc., a Consulting Actuarial Firm, herein called GPWA, shall become effective immediately upon signature of the parties hereto. The Letter shall remain in effect as written, until it is canceled by either party but not earlier than 30 days from the date of written notice of the cancellation and not until the cancellation notice has been reported to the Financial Affairs Division of the Arizona Department of Insurance.

The purpose of the Letter is to provide assurance that there is a system of back up in the area of timely financial reporting to the Arizona Department of Insurance of the affairs of certain clients of DMN, namely Canyon State Life Insurance Company and Coast Life Insurance Company, in the event of the inability of DMN to meet the future filing date requirements as to such clients for whatever reason.

These insurers have long ago been given the recommendation of DMN that GPWA be given the highest consideration to replace DMN as Appointed Actuary in the event of the inability of DMN to continue to render services and this Letter will build a bridge for that purpose.

GPWA has agreed to undertake to give such assurance in exchange for a fee to be determined in future predicated upon the services that may actually be rendered by GPWA in performing such services.

DMN has agreed to provide GPWA with information as to the system currently used to prepare the financial statements of the clients involved and as to substantial changes in that system as may occur from time to time. DMN has further agreed to make GPWA aware of the status of the work in preparing each such financial statement in future during the continuation of this Letter such that there will be sufficient time for GPWA to complete the financial statement in a timely manner if any occurrence will prevent DMN from doing so.

Initially, DMN has agreed with GPWA that DMN will notify GPWA as follows of any problem that will prevent DMN from the timely filing of a financial statement:

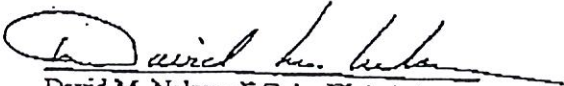
Type of Financial Statement	Days Before Due Date Notice Given
Quarterly	15
Annual	25

At any time, the Letter may be amended in writing by the parties.

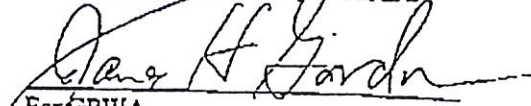
DMN represents to GPWA that Milford P. Christenson, the president of the two insurance companies, is aware that such an agreement will be entered into and that certain general references to such an agreement were made in the presence of officials of the Arizona Department of Insurance on October 6, 2004, in the presence of Milford P. Christenson and with his permission.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures on the dates set out herein below:

10-25-04
Date


David M. Nelson, F.C.A., M.A.A.A.

10/25/04
Date


For GPWA
By: James H. Gordon, F.S.A.