STATE OF ARIZONA FILED

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DEPA	ARTMENT	OF INS	URANCE
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DEP	T OF YNSURANCE
BY	CE

In the Matter of) Docket No. 04A- <u>199</u> -INS
CANYON STATE LIFE INSURANCE COMPANY (NAIC No. 72958)))) CONSENT ORDER
Respondent.))

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

- 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).

- 3. Respondent filed its Annual Statement for the period ended December 31, 2003 on June 11, 2004. The Annual Statement was due to be filed with the Department no later than March 31, 2004.
- 4. Respondent filed its Quarterly Statement for the period ended March 31, 2004 ("First Quarter Statement") on July 16, 2004. The First Quarter Statement was due no later than May 15, 2004.
- 5. Respondent filed its Quarterly Statement for the period ended June 30, 2004 ("Second Quarter Statement") on Septamber 7, 2004. The Second Quarter Statement was due no later than August 15, 2004.

CONCLUSIONS OF LAW

- 1. The Director has jurisdiction over this matter.
- 2. Grounds exist for the Director to impose monetary penalties against the Respondent pursuant to A.R.S. §§ 20-220(B)(2), 20-223(D) and 20-235(D).

ORDER

THEREFORE, IT IS ORDERED that:

- 1. Respondent pay a total penalty of \$6,725.00 (six thousand seven hundred twenty five dollars and no cents) to the Director payable not later than 30 days from the date of entry of this Order for remission to the State Treasurer for deposit in the State General Fund.

 The penalty is comprised of the following components:
 - A. \$1,800.00 as a penalty for the late filing of its 2003 Annual Statement pursuant to A.R.S. § 20-223(D) and \$1,800.00 as a penalty for an intentional violation of A.R.S. § 20-220(B)(2).

- B. \$1,550.00 as a penalty for the late filing of its First Quarter Statement pursuant to A.R.S. § 20-235(D).
- C. \$575.00 as a late fee for the late filing of its Second Quarter Statement pursuant to A.R.S. § 20-235(D).
- D. \$1,000.00 as a civil penalty for the late filing of its First Quarter Statement and Second Quarter Statement as intentional violations of A.R.S. § 20-220(B)(2).
- 2. Respondent institute and maintain an arrangement with an alternate actuary or Certified Public Accountant to prepare and timely file future Annual and Quarterly Statements in the event Respondent's actuary or Certified Public Accountant is unable to do so. A copy of correspondence evidencing Respondent's compliance with this requirement is attached hereto as Exhibit B.

DATED this _____ day of December 2004.

CHRISTINA URIAS
Director of Insurance

CONSENT TO ORDER

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

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- Respondent is aware of its right to notice and a hearing at which it may be 3. represented by counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives its right to such notice and hearing and to any court appeals relating to this Consent Order.
- Respondent states that no promise of any kind or nature whatsoever, except as 4. expressly contained in this Consent Order was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
- Respondent acknowledges that the acceptance of this Consent Order by the 5. Director is solely to settle this matter. Respondent understands that this Consent Order does not preclude any other agency, officer or subdivision of this State from instituting civil or criminal proceedings as may be appropriate now or in the future.

CANYON STATE LIFE INSURANCE COMPANY

DATE MOV 23, 2004	MILFORD P CHRISTENSQN
	By: Make P Christenson
	Title President
COPY of the foregoing mailed this <u>2nd</u> day of <u>Dec.</u> , 2004 t	
James E. Prophy	

James E. Brophy Ryley Carlock & Applewhite

One North Central Avenue, Suite 1200

Phoenix, AZ 85004-4417

Milford Christenson President Canyon State Life Insurance Company

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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 44 th Street, Suite 210 Phoenix, AZ 85018
9	M. Ruff
10	Curvey Walters Burton
11	
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CANYON STATE LIFE INSURANCE COMPANY (NAIC# 72958) Consent Order Exhibit A

	ATEMENTS			g	VARTERLY	QUARTERLY STATEMENTS	S	
		PENALTY	1ST	1ST QTR	2NE	2ND QTR		3RD QTR
2003 3/31/04 2002 3/31/03	RECEIVED	AMOUNT	DNE	RECEIVED	DNE	RECEIVED	DNE	RECEIVED
	6/11/04	\$1800*	5/15/04	7/16/04	8/15/04	9/7/04	11/15/04	
	5/29/03	\$1,475	5/15/03	7/7/03	8/15/03	10/27/03	11/15/03	12/9/03
3/31/02	6/14/02	\$550	5/15/02	7/17/02	8/15/02	9/7/02	11/15/02	11/15/2002*
2000 3/31/01	5/12/01	\$1,000	5/15/01	6/4/01	8/15/01	8/14/01	11/15/01	11/15/2001*
TOTAL PENALTIES	TIES	\$3,025						
		*ASSESS				*TIMELY		
			Penalties for	Penalties for late Quarterly Statements	Statements			
			YEAR	QTR	AMOUNT	STATUS		
			2004	2ND	\$575	ASSESS		
			2004	1ST	\$1,550	ASSESS		
			2003	1ST	\$1,325	PAID		
			2003	2ND	\$1,825	PAID		
			2003	3RD	\$550	PAID		
			2002	1ST	\$550	PAID		
			2002	2ND	\$425	PAID		
			2001	1ST	\$200	WAIVED		
			TOTAL P	TOTAL PENALTIES	\$7,300			

RyleyCarlock&Applewhite EXHIBIT B

Ø 003

Letter of Understanding October 25, 2004

This letter of understanding (Letter) between David M. Nelson, Consulting Actuary, herein called DMN, and GPW 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 <u>Notice Given</u>
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

Date

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

For GPWA

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