

STATE OF WASHINGTON

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

Phone: (360) 725-7000



OFFICE OF
INSURANCE COMMISSIONER

FILED

2012 FEB -3 P 2:18

HEARINGS UNIT
Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Kelly A. Cairns
Paralegal
(360) 725-7002
KellyC@oic.wa.gov

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Redomestication of:)	
)	Docket No. 11-0290
Industrial Alliance Pacific Insurance)	
and Financial Services Inc.,)	FINAL ORDER APPROVING
)	APPLICATION OF INDUSTRIAL
)	ALLIANCE PACIFIC INSURANCE
)	AND FINANCIAL SERVICES INC.
)	FOR APPROVAL TO CHANGE ITS
)	PORT OF ENTRY FROM THE STATE
Authorized Domestic Insurer.)	OF WASHINGTON TO THE STATE
)	OF TEXAS

TO: Gregory D. Morris, Assistant Secretary
Industrial Alliance Pacific Insurance and
Financial Services Inc.
P.O. Box 26900
Scottsdale, AZ 85255-0131

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Robin Aronson, Staff Attorney, Legal Affairs Division
James Odiorne, Deputy Commissioner, Company Supervision
Gayle Pasero, Company Licensing Manager, Company Supervision
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Pursuant to Chapter 48.04 RCW, Chapter 35.05 RCW, RCW 48.07.210, and specifically RCW 48.07.210(2), and after notice to interested parties and persons (see facts found concerning notice, below), the above-entitled matter came on regularly for hearing before the Insurance Commissioner of the state of Washington commencing at 1:00 p.m. on Wednesday, February 1, 2012. All persons to be affected by the above-entitled matter were given the right to be present at such hearing, during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses and present oral and written statements. The Insurance Commissioner was represented by Robin Aronson, Esq., Staff Attorney in his Legal Affairs Division. The Applicant, Industrial Alliance Pacific Insurance and Financial Services Inc., was represented by Gregory D. Morris, Esq., Assistant Secretary for Industrial Alliance Pacific Insurance and Financial Services Inc.

NATURE OF PROCEEDING

On October 28, 2011, the Washington State Insurance Commissioner (“Insurance Commissioner”) received an Application for Change of Port of Entry from Industrial Alliance Pacific Insurance and Financial Services Inc. (hereinafter “the Applicant”), requesting his approval for the Applicant to change its port of entry from the state of Washington to the state of Texas. The Applicant proposes to then become an alien insurer in the state of Washington.

For the reasons set forth below, applications for change of port of entry are treated as applications for redomestication (i.e., change of state of incorporation) and therefore are controlled by Title 48 RCW and specifically RCW 48.07.210(2). Pursuant to RCW 48.07.210(2), *[t]he commissioner shall approve any proposed transfer of domicile unless the commissioner determines after a hearing, pursuant to such notice as the commissioner may require, that the transfer is not in the best interests of the public or the insurer’s policyholders in this state.* On December 6, 2011, the

undersigned received and filed a request for hearing from the Insurance Commissioner relative to this Application for Change of Port of Entry, which commenced the administrative hearing process. Should this Application be approved, the Applicant would cease to have Washington State as its state of port of entry, would have the state of Texas as its state of port of entry, and proposes to become an alien insurer in the state of Washington.

FINDINGS OF FACTS

Having considered the written and oral evidence presented at the hearing, and the documents on file herein, the undersigned presiding officer designated to hear and determine this matter finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.
2. On October 28, 2011, pursuant to RCW 48.07.210, the Applicant filed an Application for Change of Port of Entry, with detailed attachments concerning the Applicant's history, personnel, and financial status. The proposed effective date is to be scheduled, should approval be granted herein, to occur as of the effective date of the Texas Department of Insurance's approval of the Applicant's Application to have Texas as its state of port of entry. The Applicant has, therefore, provided the Insurance Commissioner with at least thirty days advance written notice of their proposed plans to change their port of entry. [Ex. 1.] The Application filed on October 28 with all of the information, exhibits and attachments thereto; all questions from the Insurance Commissioner and responsive documents and information received from the Applicant at the time of or since the date of the Application; and all documents entered by the undersigned herein through the date of the hearing are published on the Insurance Commissioner's website at:

http://www.insurance.wa.gov/orders/hearings_proceedings3.shtml.

3. The Applicant is a portion of a larger Canadian corporation, but maintains a separate NAIC insurer number, separate tax identification number, separate assets in trust, and files its own annual statement, and as such – although not a separate corporation – this entity has been authorized as an insurer in Washington State and is treated as a separate entity by the Insurance Commissioner. Because of this fairly uncommon entity structure, it is the Applicant’s “state of port of entry” which is requested to be changed from Washington State to Texas rather than the Applicant’s “state of incorporation.” As such, the Applicant’s Application herein, which is a request for approval of its proposed change of state of port of entry, is considered to be a request for approval of a proposed redomestication just as a request for approval of change of state of incorporation is considered to be a request for approval of a proposed redomestication. [Application for Change of Port of Entry filed October 28, 2011, Ex. 1.] In addition, also due to the Applicant’s entity structure, language below references the Applicant’s intention to become qualified as an “alien insurer” although most commonly this type of entity (i.e., an insurer which is incorporated in a state other than Washington State) is termed a “foreign insurer.”

4. The Applicant is part of a holding company structure and is 99.9% owned by the ultimate controlling person in that structure, Industrial Alliance Insurance and Financial Services Inc. (“IA”), a Canadian corporation. IA is publicly traded and has been listed on the Toronto Stock Exchange since 2000. As of June 30, 2011 it had \$71.5 billion in assets under management and administration. It is the fourth largest life and health insurance company in Canada. It is rated A (Excellent) by A.M. Best Company and A+ (Strong) by Standard & Poors. IA has subsidiaries in a number of financial services sectors including life and health insurance, auto and homeowners insurance, mutual fund management, investment advisory services, trust services and mutual fund and securities brokerage. Its U.S. operations consist of the Applicant (a branch of the parent), and IA

American Life Insurance Company, Pioneer Security Life Insurance Company, American-Amicable Life Insurance Company of Texas, Pioneer American Life Insurance Company and Occidental Life Insurance company of North Carolina. [Testimony and Written Pre-Filed Testimony of Karen R. Davies, Vice President, Operations, of Applicant; Ex. 1.]

5. The Applicant is licensed to conduct business in 46 states, excluding Connecticut, Florida, Minnesota, New York and North Carolina. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.] Up until 2011, the Applicant wrote individual life insurance products and annuities. The products included universal life insurance, term insurance, tax-sheltered annuities and non-qualified annuities. Over the past years, the mix of products sold has changed as a result of changes to IRS 403(b) regulations. Because of that, the changes eliminated the Applicant's sales of tax-qualified life insurance but not the annuities. The Applicant currently writes annuity business, consisting of fixed annuities and fixed indexed annuities, the sale of which are focused primarily in the niche market of 403(b) and 457 qualified plans. The Applicant recruits and contracts with non-exclusive Managing General Agents and General Agents who have agents under them. This business plan for the Applicant will not change as a result of the change of its state of port of entry to Texas.

6. The Applicant wishes to change its port of entry state to Texas in order to have one domiciliary state (as opposed to Washington as its domiciliary state and also being considered commercially domiciled in Texas and California due to its high premium volume in those states). In filing its Application herein, and also applications for change of states of ports of entry in other states where others of its U.S. subsidiary companies are domiciled, it is IA's and the Applicant's goal to have just one domiciliary state for ease of regulation, in order to improve the speed with which the Applicant can react to regulatory requirements, and to reduce the number of regulatory requirements and the costs associated with them. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.]

The Applicant specifically acknowledges, however, that, relative to the Applicant's insurance contracts held by Washington residents, the contract language and Washington policyholders' rights and privileges under those contracts are generally subject to Washington laws. There will be no impact on the contractual or statutory rights of the Applicants' Washington policyholders: the rights and privileges of Washington policyholders will not change. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.] Further, there are no known pending lawsuits against the Applicant in Washington State, and following change of state of port of entry the Applicant will remain subject to process in Washington State as an authorized alien insurer. [Testimony and Written Pre-Filed Testimony of Gayle D. Pasero, Company Licensing Manager in the Insurance Commissioner's Company Supervision Division.]

7. If the proposed change of state of port of entry is approved, the result will be that the Applicant will have Texas as its state of port of entry and will no longer have its state of port of entry in the state of Washington. The state of Texas has advised the Applicant that its application to have Texas as its state of port of entry will be approved conditioned upon approval of the Applicant's Application herein. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.] Further, the Applicant is qualified to do business as an alien insurer in Washington State, and will be admitted by the Washington State Insurance Commissioner to do business in Washington State as an alien insurer as of the effective date Texas approves its Application to have Texas as its state of port of entry. [Testimony of Pasero.]

8. The operations of the Applicant are currently directed from the office in Scottsdale, Arizona with the permission of the Washington State Insurance Commissioner who has permitted the records of the Applicant to be held and maintained there. Part of the administration of the Applicant's business is also handled by IBM Business Transformation Outsourcing Insurance Services

Corporation, a TPA, in Greenville, South Carolina. The Applicant intends to continue having its operations directed, and records held, in Scottsdale with the permission of Texas. The Applicant anticipates the use of the administrative services currently handled by IBM may change over time, the change of port of entry will not affect the overall operations of the Applicant or the manner in which services are provided to its policyholders, and the change is intended to be seamless to them. As a result, the change of port of entry will have no impact on the Applicant or its policyholders. As of December 2010, the Applicant's total gross annual written premium was \$142,383,475 with \$2,715,402 written in Washington State. [Testimony and Pre-Filed Written Testimony of Pasero; Ex. 1.] As of December 6, 2010, the Applicant's business in Washington State included 782 life and annuity policies in force, which accounted for its \$2,715,402 premium as of December 2010. At the end of 3rd quarter 2011, .4416% of the Applicant's insurance business was written in Washington, 32.2033% in California and 60.105% in Texas. [Testimony and Pre-Filed Written Testimony of Davies; Testimony and Pre-Filed Written Testimony of Pasero; Ex. 1.] There will be no impact on these policyholders although they may notice mention of the state of Texas rather than Washington State on occasion. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.]

9. The Applicant conducts no administrative activity, and has no employees, in the state of Washington so there will be no jobs lost nor any negative economic impact of that nature. [Testimony and Pre-Filed Written Testimony of Davies; Ex. 1.]

10. The Notice of Hearing on the Applicant's Application for Change of Port of Entry, entered by the undersigned on December 20, 2011 which contains detailed information concerning this proposed Application for Change of Port of Entry and the administrative hearing to decide this matter, and which references and links the reader to all of the documents which were filed in this proceeding prior to December 20 (and since December 20 as they have been received and filed,

including Written Pre-Filed Testimony of Pasero and Davies), were all published in their entirety on the Insurance Commissioner's website since at least December 23, 2011 and remained there continuously through the date of the hearing on February 1, 2012. [Testimony and Written Pre-Filed Testimony of Pasero.] In addition, since December 24, 2011, the Notice of Hearing has been published and available to the public on the Insurance Commissioner's official blog and also through the Insurance Commissioner's twitter feed to which 1500 entities subscribe. [Testimony and Written Pre-Filed Testimony of Pasero; Ex. 1.] Therefore, reasonable and adequate notice of the hearing concerning the Applicant's Application for Change of Port of Entry was provided. [OIC Exhibit A, Notice of Hearing; Testimony of Pasero.] In addition, in the Notice of Hearing as published, all interested individuals and entities were advised of their right to submit either support for, or objections to, the proposed change of port of entry by letter, email, fax or telephone to the undersigned on or before 1:00 p.m. on February 1, 2012, and of their right to participate in the hearing either in person or by telephone. [Notice of Hearing, Ex. 1.] The undersigned received no objections in any form, and no requests to participate in the hearing either in person or by telephone. Further, neither the Insurance Commissioner or his staff, nor the Applicant or any of its affiliates received any objections to this Application. [Testimony and Written Pre-Filed Testimony of Pasero; Testimony and Written Pre-Filed Testimony of Davies; Ex. 1.]

11. It cannot be found that the Applicant's proposed transfer of state of port of entry from Washington State to the state of Texas is not in the best interests of the public or not in the best interests of the Applicant's Washington policyholders. [Testimony and Written Pre-Filed Testimony of Pasero; Testimony and Written Pre-Filed Testimony of Davies; Ex. 1.]

12. Gayle D. Pasero, Company Licensing Manager in the Company Supervision Division of the Office of the Insurance Commissioner, appeared as the sole witness for the Insurance

Commissioner. Ms. Pasero presented her testimony in a detailed and credible manner and exhibited no apparent biases. Ms. Pasero also filed her testimony in written form prior to the hearing, as required; said written pre-filed testimony, with attachments, is included in the hearing file in Ex. 1.

13. Karen R. Davies, Vice President, Operations, of the Applicant, appeared as the sole witness for the Applicants. Ms. Davies presented her testimony in a detailed and credible manner and exhibited no apparent biases. Ms. Davies also filed her testimony in written form prior to the hearing as required; said written pre-filed testimony is included in the hearing file in Ex. 1.

14. Based upon the above Findings of Fact, it is here found that the Application for Change of Port of Entry filed herein by Industrial Alliance Pacific Insurance and Financial Services Inc., which proposes to transfer its state of port of entry from Washington State to the state of Texas, becoming an alien insurer in Washington State as of the effective date of transfer, and as detailed in its Application, with attachments, and in documents submitted subsequent thereto, is reasonable under the circumstances and should be approved.

CONCLUSIONS OF LAW

1. Pursuant to Title 48 RCW, and specifically RCW 48.07.210, the Washington State Insurance Commissioner has jurisdiction over Industrial Alliance Pacific Insurance and Financial Services Inc.

2. Based upon the Findings of Facts, the Applicant filed its Application for Change of State of Port of Entry with the Insurance Commissioner on October 28, 2011, with a proposed effective date after said Application was reviewed and approved by the Insurance Commissioner, and after it received approval from the state of Texas to have Texas as its new state of port of entry. Therefore, the Applicants have provided at least thirty days advance written notice of their plan to the Washington Commissioner as required by RCW 48.07.210(2).

3. Based upon the above Findings of Fact, adequate notice of the hearing was given, as required by the Insurance Commissioner and in compliance with RCW 48.07.210(2), and no reasonable objection exists.

4. Based upon the above Findings of Fact, after the hearing herein, it cannot be concluded that the proposed transfer of state of port of entry of the Applicant from the state of Washington to the state of Texas is not in the interests of the public or the Applicant's Washington policyholders. Therefore, because no such determination has been made, as required by RCW 48.07.210(2), the Insurance Commissioner must approve this Application for Change of State of Port of Entry.

ORDER

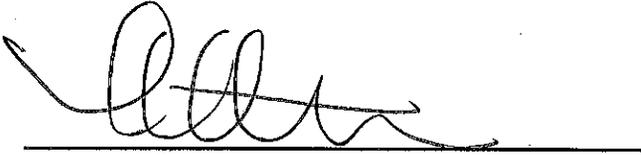
On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of this Application has been met,

IT IS HEREBY ORDERED that the Application for Change of State of Port of Entry of Industrial Alliance Pacific Insurance and Financial Services Inc., which seeks approval of the Washington State Insurance Commissioner to transfer its state of port of entry from the state of Washington to the state of Texas, thereby having Texas as its state of port of entry and becoming an alien insurer in the state of Washington, is GRANTED. The effective date of transfer of state of port of entry from Washington State to Texas is at the discretion of Industrial Alliance Pacific Insurance and Financial Services Inc. Likewise, that same date shall be the effective date on which Industrial Alliance Pacific Insurance and Financial Services Inc. shall become admitted as an alien insurer in the state of Washington. Thus, these transactions shall become effective on the

same date in order to allow no gap in clear state of port of entry as between the state of Washington and the state of Texas.

IT IS FURTHER ORDERED that on February 1, 2012, at the end of the hearing herein, the undersigned issued her oral order in this matter, which was the same as this written order. That oral order, entered and effective February 1, 2012, is simply confirmed by this written order.

ENTERED at Tumwater, Washington, this 3rd day of February, 2012, pursuant to Title 48 RCW and specifically RCW 48.04 and 48.07.210, Title 34 RCW, and regulations applicable thereto.



PATRICIA D. PETERSEN
Chief Hearing Officer
Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Gregory D. Morris, Esq., Mike Kreidler, Michael G. Watson, Carol Sureau, Esq., Robin Aronson, Esq., Gayle Pasero and James Odiome.

DATED this 6th day of February, 2012.


KELLY A. CAIRNS