



Second Quarter 2005

# Insurance Regulator

State of Arizona  
DEPARTMENT OF  
INSURANCE

Janet Napolitano  
Governor  
Christina Urias  
Director

## GUARANTY FUND ACHIEVES “EXCELLENT” CLAIMS HANDLING RATING

A recent external claims audit of the Arizona Property and Casualty Insurance Guaranty Fund resulted in an “Excellent” rating for ADOI claims handling.

The Guaranty Fund’s Plan of Operation mandates an annual external audit of its claim handling practices. The 2004 audit, performed by NiiS/Apex Group Holdings, Inc., involved an intensive review

of a random sample of open and closed claim files handled by both the Fund claims staff, and two contract claim vendors. The audit evaluated compliance with 16 claims handling standards: verification of coverage; file creation; contact with insured; contact with claimant; investigation; subrogation; reserving; documentation to justify claim payment; litigation management; proper use of experts; settlement; diary maintenance; supervision; file documentation; and excess loss reporting. The Auditors examine claim files to determine whether the claim handler met the specific compliance standards.

Auditors calculate the percentage of compliance for each claim file as an overall compliance rating using the following range: 0-69 percent compliance is *Unsatisfactory* and needs immediate improvement; 70-79 percent is *Marginally Compliant*; 80-89 percent is *Satisfactorily Compliant*; and 90-100 percent demonstrates *Excellent Compliance*.

The Auditors gave Arizona Guaranty Fund Claims Department

employees a 100 percent overall compliance rating and assigned *Arizona All Claims* and *Crawford and Company*, the contract claims handlers, overall compliance ratings of 94 percent and 100 percent, respectively.

ADOI’s Guaranty Fund Claims Department consists of Executive Director, Mike Surguine, Claims Manager Lori Nestor, Senior Adjusters John Draftz and Trudy Hughes, and Administrative Assistant Terry Gainey. The ADOI Guaranty Fund Claims Department staff typically handles complex claims, most of which are in various stages of litigation.

The legislature established the Arizona Property and Casualty Insurance Guaranty Fund (1970) and the Arizona Life and Disability Insurance Guaranty Fund (1977) within the Department of Insurance to provide a safety net for Arizona residents in the event of insurer insolvency. Since their inception, the Guaranty Funds have paid over \$375 million to Arizona residents (excluding loss adjustment expenses and administrative expenses). ■



~ The Guaranty Fund Claims team ~  
From left to right: Mike Surguine, Lori Nestor, John Draftz, Trudy Hughes, and Terry Gainey

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**Mission Statement** “To faithfully execute state insurance laws in a manner that protects insurance consumers and encourages economic development.”

## **Compliance Update: Life Insurance and Annuity Replacements**

The Legislature amended the life insurance and annuity replacement law (A.R.S. §20-1241 et. seq.) on January 1, 2004. Since then, ADOI staff has received the following questions about A.R.S. §20-1241.03 and thought it would be beneficial to provide the following clarifications:

**Q:** When does a producer need to get the applicant's statement about existing policies?

**A:** With every life insurance application, [A.R.S. § 20-1241.03\(A\)](#) requires that:

“An insurance producer who initiates an application shall submit to the insurer, with or as part of the application, a statement signed by both the applicant and the insurance producer as to whether the applicant has an existing policy or contract.”

If the applicant states there is no other existing policy, the insurance producer has no further replacement duties concerning that particular transaction. ([A.R.S. §20-1241.03\(B\)](#)).

**Q:** Does a producer need to give an applicant a “Replacement Notice” even if the applicant indicates that replacement of an existing policy or contract is not involved with the application?

**A:** Yes. Regardless of whether the applicant indicates that replacement of an existing policy or contract is involved with the application, in every instance where there is an existing life policy, the applicant must receive a replacement notice if they have indicated that they have an existing policy or contract. [A.R.S. §1241.03\(C\)](#) states:

“If the answer is “yes” to the question under subsection A of this section regarding existing coverage, the insurance producer shall present and read to the applicant, not later than the time of taking the application, a notice regarding replacements that is in a form that the director has approved or prescribed by rule.”

The producer must use the replacement notice prescribed in [Arizona Administrative Code R20-6-215](#): the Life Insurance and Annuities Replacement Model Regulation, Appendix A – Important Notice: Replacement of Life Insurance or Annuities, Volume III, pp. 613-11 through 613-12, July 2000.

The requirements of A.R.S. §20-1241.03 are not unique to Arizona. Arizona's life insurance and annuity replacement law, including A.R.S. § 20-1241.03, substantially duplicates the NAIC model replacement law. Therefore, the requirements of A.R.S. §20-1241.03 are likely the same as those in other states that have adopted the NAIC model. Life and annuity insurers should make sure that their insurance producers are fully aware of the replacement notice requirement discussed above. ■

**Links to Home Cost Calculators now available on ADOI website to aid policyholder evaluation of homeowner insurance coverage limits:**

[http://www.id.state.az.us/publications/  
Home\\_Replacement\\_Cost\\_Calculators.pdf](http://www.id.state.az.us/publications/Home_Replacement_Cost_Calculators.pdf)

# Legislative Report

The 2005 Arizona Forty-seventh Legislature, First Regular Session, adjourned *sine die* on May 13, 2005. Enacted legislation has a general effective date of **August 12, 2005**, unless the bill contained an emergency clause or a delayed effective date. A summary of newly enacted legislation affecting the Department, its licensees, and insurance consumers is available on-line in the **ADOI Regulatory Bulletin 2005-4**:

<http://www.id.state.az.us/bulletin/2005-04.pdf>

**HB 2189** (Laws 2005, Ch. 126) modifies the insurance producer license application and examination requirements and warrants further attention.

Effective August 12, 2005, a resident individual applying for an insurance producer license must pass the licensing exam within 120 days prior to the date the ADOI Director received the individual's license application. Prior to the bill's enactment, there was no license application

deadline subsequent to passing an insurance examination. Theoretically, an individual who passed an insurance examination ten years ago, if otherwise qualified, would still be eligible for an insurance license ten years later. Although the individual once passed the exam, their knowledge of current practices and statutory requirements would be questionable and they may not possess the ability to best serve consumers.

In the event a person passes an examination, but due to military service, does not have an opportunity to submit a license application prior to active duty, the statute extends the 120-day period by the total number of days the individual was in active military service, not to exceed a total of one year. The applicant must submit documentation from the armed forces confirming the active military service period in order to receive the extension. The legislation also adds a provision affording an extension for applicants placed on *inactive status*

during active military service.

Additionally, HB 2189 prohibits an individual from taking the exam for any line of authority more than four times in a 12-month period and imposes a one-year waiting period for an individual who fails an examination for a line of authority after four attempts. Failure on a multi-line examination (such as the property and casualty exam) is considered failure of each individual line of authority. Previously the law allowed unlimited testing, regardless of the number of failures, providing the opportunity to memorize examination questions and enabling others to cheat using stolen exam questions. The new limits and waiting period minimize this possibility for abuse.

If you have questions about the bill's provisions, please call **Steven Fromholtz** in the ADOI Licensing Section at 602/912-8470. ■

## Regulator Profile: **MARY KOSINSKI**

The ADOI is delighted to introduce its new *Executive Assistant for Regulatory Affairs*, Mary Kosinski.

Mary comes from the Attorney General's Office where she represented the ADOI well as the State Banking Department and Department of Real Estate. Prior to her work with the AG, Mary lived in the Chicago area for fifteen years. She is a member of the Bar in both Illinois and Arizona. She also had a career in data processing for nine years prior to attending law school.



Mary has her J.D. from Chicago Kent College of Law, a Masters in Philosophy from the University of Detroit and a Bachelors Degree with a double major in Art and Philosophy from Siena Heights College, a small liberal arts college in Michigan.

When asked how she feels about her move to the ADOI, Mary said, "I'm thrilled to be joining the Department and look forward to becoming a contributing member of our team." ■

### **ATTENTION PROPERTY AND CASUALTY PREMIUM TAX PREPARERS**

Effective July 1, 2005, the City of Scottsdale, Arizona has a municipal fire department. Therefore, the premium tax rate applicable to all fire risks for property located in Scottsdale, Arizona, including the fire portions of all commercial and homeowners policies, is now 2.2%. Prior to July 1, 2005, when Scottsdale procured the services of a private fire company, the tax rate applicable to fire insurance premiums received for Scottsdale risks was 0.66%.

**Excerpt from ARS 20-224(B):**

*...the tax on fire insurance premiums on property located in an incorporated city or town which procures the services of a private fire company is .66 per cent, the tax on all other fire insurance premiums is 2.2 per cent.*

Please contact the **Premium Tax Unit** of the Arizona Department of Insurance at (602) 912-8429 if you have any questions regarding this notice.

#### **Did you know, September is...**

National Preparedness Month, Life Insurance Awareness Month and National Hispanic Heritage Month (9/15-10/15).

## *Fraud Unit Report*

### **NEW optional fraud reporting form!**

The NAIC has a new On-Line Fraud Reporting System (OFRS). There are now three ways insurers (and the public!) can refer suspected insurance fraud to the ADOI:

1. Utilize the referral form on the ADOI website ([www.id.state.az.us/fraud.html](http://www.id.state.az.us/fraud.html)) which can be printed and faxed or mailed to the ADOI.
2. Insurers members of the NICB (National Insurance Crime Bureau) can submit referrals using the NICB on-line referral system ([www.nicb.org](http://www.nicb.org)) because NICB shares these referrals with the ADOI.
3. And, now, the NAIC has an on-line Fraud Referral System (OFRS) at <https://external-apps.naic.org/ofrs/>. The NAIC refers all OFRS referrals to the designated state insurance departments involved.

It is now easier than ever for insurers and the public to submit information about

suspected fraud to the ADOI and other insurance departments.

A continuing reminder, the law requires insurers to refer cases to the Fraud Unit when they **suspect** "...a fraudulent claim has been or is being made". The referral must include "the victim company NAIC number, a brief synopsis of the incident, the dollar amount of the claim and if it has been paid or not". The Fraud Unit uses this information to determine the propriety of further investigation.

### **Fraud Unit is Hiring**

Two Special Investigator positions remain open for qualified applicants. Information about these position can be found at [www.azstatejobs.gov](http://www.azstatejobs.gov).

The ADOI welcomes Special Investigator **Dean Erb** to the Fraud Unit. Dean is a 24 year veteran of the Phoenix Police Department.

## **Complaints Can Be Avoided!**

Insurance customers typically do not complain to the ADOI until they have tried repeatedly to resolve the problem directly with the insurer(s) involved. In many instances, once ADOI becomes involved, insurers promptly identify and correct errors raised in the ADOI complaints, which leads us to ask why the insurer did not correct the problem earlier.

There are certain types of complaint issues that perhaps the insurer could have quickly resolved initially, such as: billing problems, free look refund requests, address or coverage changes, appeals packet requests, claim status, etc. ADOI encourages insurers to keep tabs on the number and nature of ADOI complaints so as to evaluate whether they could have avoided any of them, or whether modification or reinforcement of customer service procedures is warranted.

**Mary Butterfield**, Assistant Director, Consumer Affairs Division (602-912-8446) is available to discuss these issues and possibly assist you in reducing your policyholders' complaints to the ADOI. ■

## Arizona Workers' Comp Assigned Risk Plan NCCI Policy Count Report

One indication of the health of a workers compensation market is the size of its Assigned Risk Plan (ARP). Arizona has some of the lowest workers compensation premium rates in the country and relatively few risks in the ARP, but the numbers are growing. In January 2000, the ARP only wrote \$239,000 in premiums (29 policies) and as of April 2005, it wrote over \$7.5 million in premiums (over 350 policies). The National Council on Compensation Insurance (NCCI) is the Arizona WC ARP administrator. With the NCCI's permission, the ADOI is reproducing the chart below to illustrate the policy growth in the ARP in the last 4 1/2 years. For more information and statistics about the Arizona ARP, please visit [www.ncci.com](http://www.ncci.com) and click on Residual Markets.



**PLAN POLICY COUNTS**

	2000	2001	2002	2003	2004	2005
JANUARY	29	41	69	133	219	375
FEBRUARY	27	45	67	135	266	386
MARCH	30	49	75	145	285	391
APRIL	31	50	89	161	299	375
MAY	30	52	99	155	316	
JUNE	30	51	103	165	330	
JULY	30	56	106	176	329	
AUGUST	31	58	109	189	342	
SEPTEMBER	31	57	111	198	357	
OCTOBER	36	59	106	194	356	
NOVEMBER	38	68	114	202	365	
DECEMBER	41	69	124	206	379	

The Plan Assignment figures above represent the number of policies in the Arizona residual market as of the month stated. They include assignments less than 120 days old that have not yet been reported as policies and a percentage of recently expired policies that NCCI expects to be renewed.

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# Around ADOI

## Producer Licensing

### ***FY 2006 Fee Schedule***

The new fee schedule is available on the ADOI website at:

[http://www.id.state.az.us/forms/fee\\_schedule.pdf](http://www.id.state.az.us/forms/fee_schedule.pdf)

## Consumer Affairs

### ***Publications***

The ADOI has recently updated the following lists (available on our website, [www.id.state.az.us](http://www.id.state.az.us)):

- List of Individual Health Insurers
- List of Long Term Care Insurance Companies
- List of Medicare Supplement Insurers
- List of Accountable Health Plans (Group Health Insurers)

Also available on-line is our 2004 Personal Lines Complaint Ratio.

## Property & Casualty

### ***Workers Compensation Deviations***

Annually, on or before October 1, the workers' compensation ("WC") rating organization, currently the National Council on Compensation Insurance, Inc. ("NCCI") files rates with the Department. All insurers licensed to write WC must adhere to the filed NCCI manual rates unless they file deviations per A.R.S. § 20-359. Deviations end no later than one year after the effective date of the deviation or upon termination of the manual

rates to which they pertain, whichever occurs first.

Arizona law requires that filings be on file at least 30 days prior to their effective dates. Therefore, if an insurer wants its deviation to be effective October 1, 2005 to coincide with the NCCI's filing it needs to have its deviation filing in the ADOI's possession on or before **September 1, 2005**.

If an insurer currently has a deviation in effect, but does not plan to deviate from NCCI rates after September 30, 2005, the insurer should notify Dean Ehler prior to September 30, 2005 via email at [Dehler@id.state.az.us](mailto:Dehler@id.state.az.us). A list of insurers with current deviations can be found on the ADOI's website, [www.id.state.az.us](http://www.id.state.az.us).

### ***Private Passenger Automobile Premium Comparison Survey***

The second editions of the Private Passenger Automobile Premium Comparison Survey was mailed to participating insurers on June 15, 2005. The Department conducts the survey twice annually to provide Arizona consumers with premium comparisons based on various hypothetical exposures. ■

## ***Insurance Regulator***

*Published by*

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**Janet Napolitano, Governor**

**Christina Urias, Director**

**Erin H. Klug,**

**Public Information Officer**

# Regulatory Activity

## COMPANY ACTIONS

### NEW LICENSES ISSUED

#### Domestic Companies

Company Name	NAIC #	Effective Date	Type
1. ELITE TRANSPORTATION RISK RETENTION GROUP, INC.	10125	5/10/05	Risk Retention Group
2. EMBASSY CAPTIVE INSURANCE CORPORATION	N/A	6/1/05	Pure Captive Insurer
3. FSG REINSURANCE COMPANY	N/A	4/16/05	Unaffiliated Credit Life & Disability Reinsurer
4. HITCHCO REINSURANCE COMPANY	N/A	4/16/05	Unaffiliated Credit Life & Disability Reinsurer
5. INDEPENDENT INNOVATIVE CAPTIVE INSURANCE COMPANY, INC.	N/A	4/6/05	Pure Captive Insurer
6. INVERNESS INSURANCE COMPANY	12176	4/13/05	Property & Casualty Insurer
7. PHARMACARE CAPTIVE RE, LTD.	N/A	6/28/05	Pure Captive Insurer
8. SOCIAL SERVICES PROVIDERS CAPTIVE INSURANCE COMPANY	N/A	5/16/05	Pure Captive Insurer

#### Foreign Companies

Company Name	State of Domicile	NAIC #	Effective Date	Type
1. CENSTAR TITLE INSURANCE COMPANY	TX	50636	4/16/05	Title Insurer
2. ROCHE SURETY AND CASUALTY COMPANY, INC.	FL	42706	6/24/05	Casualty Insurer
3. WESTERN INSURANCE COMPANY	NV	10008	4/28/05	Casualty Insurer
4. WESTERN MUTUAL INSURANCE COMPANY	UT	68420	6/6/05	Life & Disability Insurer
5. YOUNG AMERICA INSURANCE COMPANY	TX	27090	5/25/05	Property & Casualty Insurer

#### Risk Retention Groups Registered

Company Name	State of Domicile	NAIC #	Effective Date
1. SPECIALIZED LOCAL DELIVERY RISK RETENTION GROUP, INC.	DC	10128	5/25/05
2. UNITED CONTRACTORS INSURANCE COMPANY, INC., A RISK RETENTION GROUP	DC	12280	6/1/05



# Regulatory Activity

## Service Company Permits (A.R.S. 20-1095, et seq.)

Company Name	State of Domicile	Effective Date
1. ALL – STAR FURNITURE SERVICES, LLC	AZ	4/1/05
2. BFS OF ARIZONA, INC.	FL	4/12/05
3. CENTURY AUTOMOTIVE SERVICE CORPORATION	CA	5/26/05
4. CNA NATIONAL WARRANTY CORPORATION	AZ	4/1/05
5. DEALER PERFORMANCE, INC.	TX	6/28/05
6. ENTERPRISE FINANCIAL GROUP, INC.	TX	5/26/05
7. ROYAL ADMINISTRATION SERVICES, INC.	FL	4/15/05

## Third Party Administrators (TPA)

Company Name	State of Domicile	Effective Date
1. AMERICAN SPECIALTY INSURANCE & RISK SERVICES, INC.	IN	4/8/05
2. DENTAL BENEFIT PROVIDERS, INC.	DE	6/3/05
3. ENDURANCE MEDICAL SERVICES, LLC	AZ	5/5/05
4. NATIONAL EMPLOYEE BENEFIT COMPANIES, INC	RI	5/23/05
5. PEROT SYSTEMS BUSINESS PROCESS SOLUTIONS, INC.	TX	5/19/05
6. PIONEER MANAGEMENT SYSTEMS, INC.	MA	6/14/05
7. ZENITH ADMINISTRATORS, INC.	MD	6/1/05

## Utilization Review Agents

Company Name	State of Domicile	Effective Date
1. MEDCO HEALTH L.L.C.	DE	3/04/05
2. SCHALLER ANDERSON BEHAVIORAL HEALTH INCORPORATED (SABH OF ARIZONA, INC.) D/B/A CONTACT BEHAVIORAL HEALTH SERVICES	AZ	3/30/05

## CHANGE OF AUTHORITY

Company Name	State of Domicile	NAIC #	Effective Date	Change
1. BEACON LIFE INSURANCE COMPANY	AZ	69080	6/7/05	Converted from an Unaffiliated Credit Life Reinsurer to Life & Disability Reinsurer

# Regulatory Activity

## NAME CHANGES

Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1. GEORGIA COMMUNITY LIFE INSURANCE COMPANY (to) SOUTHERN RISK LIFE INSURANCE COMPANY	AZ	N/A	4/28/05

## ACQUISITIONS/MERGERS/WITHDRAWALS

### Acquisitions of Arizona Companies

Company Name	NAIC #	Date Order Filed	Acquired By
1. CITICORP LIFE INSURANCE COMPANY	80322	6/23/05	METLIFE, INC.

### Mergers involving Arizona Companies

Company Name Merged Into	State of Domicile	NAIC #	Date Order Filed
1. CITY HOLDINGS REINSURANCE LIFE COMPANY (Into) AMERICAN HEALTH AND LIFE INSURANCE COMPANY	AZ TX	73555 60518	5/3/05
2. OLD UNITED REINSURANCE COMPANY (Into) OLD UNITED LIFE INSURANCE COMPANY	AZ AZ	85600 76007	4/29/05

### Withdrawals from Arizona

Company Name	State of Domicile	NAIC #	Date Order Filed
1. BEE LIFE INSURANCE COMPANY	AZ	N/A	6/2/05
2. MELLO LIFE INSURANCE COMPANY, THE	AZ	N/A	4/7/05
3. NATIONAL FRATERNAL SOCIETY OF THE DEAF	IL	57576	6/10/05
4. SUN STATES LIFE INSURANCE COMPANY	DE	77437	4/28/05

## SUPERVISIONS/RECEIVERSHIPS

Company Name	State of Domicile	NAIC #	Effective Date	Action Taken
REPUBLIC WESTERN INSURANCE COMPANY	AZ	31089	6/9/05	Supervision Abated
SUPERIOR NATIONAL INSURANCE COMPANY	CA	37753	6/13/05	Ancillary Receivership Terminated
SUPERIOR PACIFIC CASUALTY COMPANY	CA	30570	6/13/05	Ancillary Receivership Terminated

# Regulatory Activity

## FINANCIAL EXAM REPORTS

	<b>Company Name</b>	<b>NAIC #</b>	<b>Date Report Filed</b>
1.	ADVANCE INSURANCE COMPANY	83445	6/01/05
2.	AMERICAN PARTNERS LIFE INSURANCE COMPANY	93653	4/15/05
3.	AMERICAN RELIABLE INSURANCE COMPANY	19615	5/13/05
4.	ARKANSAS LIFE INSURANCE COMPANY	97551	5/10/05
5.	BUCKTAIL LIFE INSURANCE COMPANY	94633	6/22/05
6.	CITIZEN'S ACCIDENT & HEALTH INSURANCE COMPANY	85960	6/07/05
7.	FARMERS INSURANCE COMPANY OF ARIZONA	21598	5/26/05
8.	FIRST COMMONWEALTH REINSURANCE COMPANY	60000	6/21/05
9.	FIRST MIDWEST INSURANCE COMPANY	79995	5/02/05
10.	GREAT PLAINS REINSURANCE COMPANY	60025	6/27/05
11.	GREENPOINT INSURANCE CORP.	60155	6/28/05
12.	MARMID LIFE INSURANCE COMPANY	92851	6/22/05
13.	NATIONAL HEALTHCARE REINSURANCE COMPANY	60080	6/22/05
14.	OXFORD LIFE INSURANCE COMPANY	76112	6/07/05
15.	PROSELECT NATIONAL INSURANCE COMPANY	20400	5/25/05
16.	REPUBLIC-VANGUARD INSURANCE COMPANY	40479	4/15/05
17.	STANFORD LIFE INSSURANCE COMPANY	77372	6/09/05
18.	SUN HEALTH MEDISUN, INC.	95982	5/16/05
19.	VALUE HEALTH REINSURANCE, INC.	89518	4/04/05
20.	VENTURE LIFE INSURANCE COMPANY	99104	6/07/05
21.	WELLINGTON LIFE INSURANCE COMPANY	85537	4/04/05

## MARKET CONDUCT EXAMINATIONS

	<b>Company Name Findings</b>	<b>State of Domicile</b>	<b>NAIC #</b>	<b>Date Filed</b>	<b>Civil Penalty</b>	<b>Restitution + Interest</b>
1.	AMERICAN COMMUNITY MUTAL INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	MI	60305	5/16/05	0	0
2.	AMERICAN MEDICAL SECURITY LIFE IN. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	WI	97179	5/2/05	0	0
3.	AMERICAN REPUBLIC INSURANCE CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	IO	60836	6/28/05	0	0
4.	BLUE CROSS AND BLUE SHIELD OF AZ Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	AZ	53589	5/2/05	0	0

# Regulatory Activity

## Market Conduct con't...

5.	CENTRAL RESERVE LIFE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	OH	61727	5/2/05	0	0
6.	FORTIS BENEFITS INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	MN	70408	5/2/05	0	0
7.	FORTIS INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	WI	69477	5/2/05	0	0
8.	GOLDEN RULE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	IL	62286	6/20/05	0	0
9.	GREAT-WEST LIFE & ANNUITY INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	CO	68322	5/3/05	0	0
10.	HUMANA INS. CO. INC. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	WI	73288	5/9/05	0	0
11.	JOHN ALDEN LIFE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	WI	65080	5/2/05	0	0
12.	MEGA LIFE & HEALTH INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	OK	97055	5/10/05	0	0
13.	MID WEST NATIONAL LIFE INS.CO. OF TN Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	TN	66087	5/10/05	0	0
14.	MUTUAL OF OMAHA INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	NE	71412	5/23/05	0	0
15.	NEW YORK LIFE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	NY	66915	5/26/05	0	0
16.	PACIFIC LIFE & ANNUITY CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	AZ	97268	5/9/05	0	0
17.	PRINCIPAL LIFE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	IA	61271	6/1/05	0	0
18.	PROVIDENT LIFE & ACCIDENT INS. CO. Reviewed claims handling practices for both individual disability income and group long-term disability insurance policies. Joined multi-state settlement on 12/30/04.	TN	68195	4/15/05	0	0
19.	TRANSAMERICA LIFE INS. & ANNUITY CO. Reviewed Company business practices as they relate to policyholder service, claim resolution and agent conduct.	NC	69507	5/17/05	0	\$11,279.96
20.	UNITED OF OMAHA LIFE INS. CO. Examination to test for compliance with A.R.S. §20-461(A)(17) and (B).	NE	69868	5/23/05	0	0
21.	UNITRIN DIRECT INS. CO. Failure to send a notice of cancellation when the policy cancels for non-payment of premium. Failure to pay appropriate amount of ACV, tax and license fees to total loss claimants.	IL	10226	6/30/05	\$31,000	\$2,243.60
22.	UNUM LIFE INS. CO. OF AMERICA Reviewed claims handling practices for both individual disability income and group long-term disability insurance policies. Joined multi-state settlement on 12/30/04.	ME	62235	4/15/05	0	0

# Regulatory Activity

## SUSPENSIONS/REINSTATEMENTS

Company Name	State of Domicile	NAIC #	Effective Date	Action
1. INSURANCE CORPORATION OF NEW YORK, THE	NY	18341	4/12/05	Suspended
2. SOUTH CAROLINA INSURANCE COMPANY	SC	24953	4/11/05	Suspended
3. STATES GENERAL LIFE INSURANCE COMPANY	TX	69175	4/8/05	Suspended

## OTHER DISCIPLINARY ACTIONS

Company Name	State of Domicile	NAIC #	Effective Date	Action
NO ACTIVITY				

## PRODUCERS AND OTHER LICENSEES DISCIPLINED

Cause No. Name City - State	Allegation	Disposition
1. 04A-067 Contractors Bonding Limited, NJC Francken, National Program Management, Inc., John Marshall Griffin and Robert Edward Schantz	Failure to pursue a course of action with respect to licensing and regulatory matters, in this or any other state, that supports the continued stay of the April 26, 2004 Cease and Desist Order; failure to pay premium tax due to this state.	4/19/05 Order Vacating Stay of Cease and Desist Order 5/2/05 Order Amending Cease and Desist Order Robert Schantz shall immediately cease and desist from aiding or assisting any person in the unauthorized transaction of insurance business.
2. 04A-201 Daryl Arthur Bester Phoenix, AZ	Provided incorrect and materially untrue information in the license application; obtained a license through misrepresentation.	4/21/05 Order License Revoked
3. 05A-044 Erica Leigh Trujillo Phoenix, AZ	Repeatedly tested for lines of authority already held.	4/4/05 Consent Order \$500.00 Civil Penalty

# Regulatory Activity

## Other Discipline con't...

4. 05A-059 Robyn Renee Setter Chandler, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this State; improperly withheld, misappropriated or converted any monies or properties received in the course of doing insurance business.	5/20/05 Consent Order License Revoked
5. 05A-068 Robert J. Stearns New York, NY	Prior felony conviction in New York; used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere; had an insurance producer license revoked in any other state.	6/10/05 Consent Order License Revoked
6. 05A-052 Calvin Lowell Sheline Camp Verde, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business.	6/29/05 Order License suspended for 6 months.
7. 05A-078 William Henry Pluchel Phoenix, AZ	Failure to report to the director, within 30 days after the initial pretrial hearing date, any criminal prosecution of the producer taken in any jurisdiction; provided incorrect, misleading, incomplete or materially untrue information in the license application.	6/29/05 Consent Order \$1,000 Civil Penalty

## RULES, BULLETINS, PRESS RELEASES

### Rules

Citation	Title	Action	Status
R20-6-1101	Medicare Supplement Insurance	Rulemaking to conform AZ Medicare supplement insurance rules with the recently adopted federal regulations and NAIC model regulation.	Notice of Final rulemaking filed with GRRC 7/18/05 for 9/13/05 GRRC meeting.
20 A.A.C. 19	Health Care Service Organizations Oversight	The Department filed a Notice of Proposed Rulemaking with the Office of the Secretary of State on 3/31/056	Oral proceedings were held and the comment period closed on June 3, 2005. ADOI expects to file a Notice of Final Rulemaking with GRRC by August 255.
R20-6-2002	(Captive Insures) Fees; Examination Costs	The Department terminated the previously proposed rulemaking and proposed a new Notice of Proposed rulemaking on 2/17/05. ADOI held an oral proceeding on the proposed rule on 4/11/05. No comment was received on the rulemaking.	The rule was approved at the 7/12/05 GRRC meeting and will become effective in late August.

# Regulatory Activity

## Rules Con't...

R20-6-1702	Authority, Scopes, and Scheduling Examinations	Notice of Final Rulemaking filed with GRRC May 2005	The rule was approved at the 7/12/05 GRRC meeting and will become effective in late August
Articles 4, 5, 6 & 19		Five-Year Review	ADOI is conducting the statutorily required review of these Articles. The review report should be heard at the 12/6/05 GRRC meeting.

## Regulatory Bulletins

Number	Title	Date Issued
2005-3	Regulation of Medicare Supplement Insurance	5/27/05
2005-4	2005 Arizona Insurance Laws	6/6/05

## Press Releases

Title	Date Issued
Insurance Company Ex-Employee Sentenced in \$142,000.00 Insurance Scam	April 26, 2005