



FROM THE DIRECTOR...

Most readers of this newsletter are already aware that Arizona, like many other states, is suffering from a significant and persistent decline in revenues. Revenues already lag Fiscal Year 2003 expectations, and despite prior budget reductions a final deficit around \$500 million is currently projected. The prospects for Fiscal Year 2004 are no better, with a \$1 billion deficit being projected based on the current budget.

“The on-going energetic effort to modernize and improve state regulation is for naught if the system is undernourished.”

Initially, the ADOI was appropriated nearly \$7 million for FY03. That amount has been reduced to just over \$6 million, a more than 12.5% reduction from the original amount. Measures taken to achieve that reduction include elimination of needed new positions in our producer licensing, consumer assistance and fraud investigations areas, reduction in the number of fraud prosecutor positions funded, and enforced vacancies throughout the agency.

In light of the looming revenue deficit for this fiscal year, state agencies in Arizona are facing the possibility of having to further reduce general fund expenditures. However, even without additional budget reductions for this fiscal year, the situation at the ADOI is serious. We are doing all we can to increase our efficiency and preserve the degree and quality of our core activities and services: consumer assistance, licensing, solvency oversight and market oversight. However, the budget crisis is

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ADOI Issues First Captive Insurer License

On August 20, 2002, less than two months after the law took effect, Arizona issued its first captive insurer license to Triad Commercial Captive Insurance Company, owned by Phoenix businessman, Grant Goodman. Triad will write Commercial Automobile, General Liability and Inland Marine Coverages for Rockland Materials and Stirling Bridge Cement, in which Mr. Goodman has a controlling interest. Rockland Materials, located in Phoenix, is a supplier of premium quality aggregates and ready mix materials. Stirling Bridge Cement, a

Rockland affiliate, was recently established in Drake, Arizona, to serve Northern Arizona.

“I am confident Triad Commercial will be the kind of safe, sound, high quality captive insurance program that will typify Arizona captives,” said Director Cohen. “I believe the fact that we have our first Arizona captive less than two months after the law took effect, and the seriousness of the other inquiries we have had, demonstrates that Arizona is well positioned to develop into a significant captive domicile.”

As of this publication, there are two additional captive insurer applications pending.

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Mission Statement

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

Credit Property Insurance Update

On December 31, 2002, H.B. 2135 (Laws 2002) becomes effective. Among other things, this bill creates a new regulatory scheme for credit property insurance and requires the Director to establish prima facie rates and a loss ratio standard based upon consideration of various rating components for this line of credit insurance. In preparation, the ADOI issued a *data call* on July 10, 2002 for credit property loss experience and expenses from insurers transacting credit property insurance in Arizona. The data call seeks Arizona-specific and national data for calendar years 1999, 2000 and 2001.

Upon completion of this analysis, the ADOI will begin developing the prima facie rates and make a recommendation for a loss ratio standard. The ADOI is also evaluating whether to propose rules on credit property insurance. ☐

Insurance Regulator

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Small Employer Reinsurance Program

The Small Employer Reinsurance Program (SERP) was established in 1993. Under the law, each insurer in the small group health insurance market elected to be either a reinsuring carrier or a risk-assuming carrier. Reinsuring carriers could reinsure their small group lives in SERP and were assessed for the losses and expenses of the Program.

Since its inception, participation in SERP was low. As of December 31, 2001 only eleven insurers elected to be reinsuring carriers and only seventeen lives were ceded to the Program.

House Bill 2075 enacted in the 2002 legislative session provides that SERP shall not accept any new insurance risks on or after August 22,

2002, and requires the SERP Board of Directors to take necessary actions to terminate SERP.

Pursuant to the termination plan adopted by the Board, the Board will assess SERP participants to cover current and anticipated losses and expenses and will pay final claim obligations and expenses. Any funds remaining will be refunded to SERP's reinsuring carriers. The Board anticipates completing termination of SERP on or about June 30, 2003.

A comprehensive analysis of SERP and the small group health insurance market is included in the ADOI's [Triennial Report Regarding the Accountable Health Laws](#) available on the ADOI's web site: www.state.az.us/id. ☐

(Budget Issues...

Continued from page 1)

forcing hard choices to prioritize programs that are all important to sound insurance regulation. The situation is especially frustrating and unfortunate in light of the fact that, as required by law, the ADOI reimburses the general fund for its appropriation with fee and assessment revenue. Additionally, the ADOI collects over \$200 million per year in premium tax revenue.

I believe the budget crisis has unique implications for the ADOI due to our unique position of being a part of a network of state regulators overseeing a national, and even global, industry. Obviously, the fiscal difficulty facing many states is a significant point in the current national debate concerning the future of insurance regulation and the continued viability of a purely state-based scheme. The on-going energetic effort to modernize and improve state regulation is for naught if the system is undernourished. It is more important than ever for stakeholders in the state insurance regulation system to educate policymakers about the importance of state insurance regulation and its cost-benefit to the state, and to actively support adequate funding of the system. ☐

Legislative Report

Primary Elections

Arizona held its primary elections in early September, narrowing the field of candidates for numerous statewide and legislative seats. The Forty-sixth Arizona legislature will have new leadership in both chambers, and many new faces, particularly in the area of insurance policy. Sen. Edward J. Cirillo, who has served as chair of the Senate Banking and Insurance Committee for the last four years, was defeated. Of the five remaining Senate committee members, one did not seek reelection, one ran for a different office, one was defeated in the primary, and one faces no general election opponent and will return (Sen. Ramon Valadez). The remaining member, Sen. Dean Martin, faces a Democratic challenger in the general election.

On the House side, Rep. Ted Carpenter, Chairman of Financial Institutions and Insurance Committee, is running against a Democrat and a Republican for one of two House seats in District 6. Of the committee's five other Republican members, Rep. Marian McClure, Rep. Bob Robson, and Rep. Ed. Pohlstra are all seeking reelection in their respective districts. One Republican member lost in the primary

and one ran for a different office. Of the four Democratic members, two are seeking Senate seats: Rep. Bill Brotherton (who has no general election opponent) and Rep. Gabrielle Giffords (who faces a Libertarian opponent). As a result of redistricting, the remaining two Democratic members were pitted against other incumbents, and both suffered primary defeats. Rep. Debra Brimhall and Rep. Wes Marsh, both former chairs of the House insurance committee, were also defeated in the primary. Overall, there will be at least 30 new House members (half the body).

Budget

The new Legislature will face the challenge of continued shortfalls in state revenues. Budget analysts are predicting that state revenues for the current fiscal year will be over \$400 million less than the amount budgeted, and more than \$1 billion dollars short for the following fiscal year. As a result, the Governor has called on nearly all state agencies to plan for 10% cuts to their current fiscal year expenditures. If effectuated, these cuts would come on top of significant reductions to the Fiscal Year 2003 budget already made during the past year.

ADOI Legislative Agenda

The ADOI will not finalize its legislative agenda until after conferring with the new Governor who will be chosen in the November general election. Some of the bills the ADOI is considering are: (1) a bill to mirror the NAIC model regulation "Standards for Safeguarding Customer Information"; (2) minor technical changes related to ADOI's accreditation; (3) a bill to bring Arizona's long-term care statutes into conformity with the current NAIC model; and (4) a bill to enhance Arizona's captive insurance program.

Following the general election, the ADOI will schedule its regular meeting to discuss its legislative agenda with interested stakeholders. The ADOI strongly encourages those intending to offer insurance related legislation to afford ADOI an opportunity for technical review and an analysis of resource impacts. Any legislative matters or proposals should be directed to Vista Thompson Brown, Executive Assistant for Policy Affairs, vbrown@id.state.az.us. ☐

Insurance Regulator,
ADOI's quarterly
newsletter,
is available on our
website:
www.state.az.us/id

Regulator Profile



Doug Ullrich is an Insurance Analyst III in ADOI's Life & Health Division. He has been with ADOI for ten years, including three years as an Investigator in the Consumer Affairs Division. In his present position, Doug determines the compliance of contracts, policies and advertising submitted by Medicare Supplement insurers, Long Term Care insurers and health care service organizations. He has been an active participant in developing and implementing ADOI's "Speed to Market" and other progressive national regulatory initiatives. Doug also plays a lead role in producing ADOI's Medicare Supplement Insurance Premium Comparison, published for the first time in December 2001.

Doug speaks about Medicare Supplement insurance, Long Term Care insurance, and related health insurance issues, to numerous groups. He serves as the ADOI's representative on the Governor's Advisory Council on Aging and the Arizona Beneficiary Coalition. He assists both State and Federal agencies and elected officials on matters that impact senior citizens. He also participates in CMS Health Fairs.

Doug is an eight year member of Toastmasters International. He consistently receives high praise from the groups he speaks to and is frequently asked to make return appearances.

Doug is a great team player inside the ADOI. He works on newsletters and answers many questions from other Divisions about Medicare Supplement insurance and long term care insurance. 

ADOI Identifies Strategic Issues

In September 2002, the ADOI submitted its updated Strategic Plan (now known as its Operational Plan), in conjunction with its Budget Request for Fiscal Years 2004 and 2005. The ADOI identified the following Strategic Issues:

Preservation of state-based insurance regulation through modernization of state insurance laws, rules and regulatory practices. The ADOI points out the necessity to continuously modernize and adequately fund the state insurance regulatory system in order to preserve its related local consumer benefits and state revenues.

Technology in the insurance market and in insurance regulation. The ADOI discusses the challenge of effectively regulating, without improperly impeding, electronically based insurance transactions. We also discuss the challenges of developing and maintaining an adequate IT infrastructure to enable efficient regulation and provision of web-based services, of attracting and retaining staff with adequate technological skills, and of leveraging technological capabilities to coordinate with other state insurance regulators.

Delivery of assistance to Arizona insurance consumers. The ADOI describes the importance and value of its role in providing information and various forms of assistance to insurance consumers, and the challenges of continuing to be effective in this area in an environment characterized by demographic growth and diminishing resources.

New responsibilities for overseeing health care delivery by HMOs and administering new timely pay and grievance law. The ADOI discusses significant new and different responsibilities assigned to it by 2000 legislation that consolidated all managed health care regulation into the ADOI and established regulatory standards for payment of managed health care provider claims. In particular, the ADOI points out the strong need for appropriate rules to guide these areas of regulation, and the difficulty and complexity of developing and promulgating such rules. The ADOI also points out the need for resources to adequately administer the new provider timely payment laws.

New economic development responsibilities. The ADOI discusses Arizona's new captive insurance law, and the desirability of a mechanism to dedicate a portion of the revenue generated by the new industry to the ADOI to support the regulatory infrastructure needed to encourage further development and maintain proper oversight.

Fight against insurance fraud. The ADOI discusses the negative impacts of fraud on insurance markets and costs, the value of basing the fight against insurance fraud at the state insurance department, and the resource issues constraining the ADOI's effectiveness in this area. 

Fraud Unit Report

The following are some examples of Fraud Unit referrals that resulted in successful insurance fraud prosecutions during the 3rd quarter of 2002.

Roy Androes totaled his 1998 Jeep in a rollover accident in Puerto Peñasco, Mexico. When he realized that State Farm would not pay for an accident occurring outside the United States, Mr. Androes submitted a claim stating the accident took place in Arizona. State Farm paid for the loss of the car as well as for injuries sustained by Mr. Androes' two passengers. In checking hospital records, State Farm learned the accident took place in Mexico. Ultimately Mr. Androes pled guilty to theft and was sentenced to three years' probation, 100 hours community service and restitution in the amount of \$17,086.17.

Joseph C. Haldiman III, made a claim with American Family Mutual when his vehicle was stolen from a Phoenix shopping mall. The car was recovered, but Haldiman falsely claimed there had been \$45,000 worth of personal property in the vehicle. The insurer subsequently learned that a month earlier Haldiman had been paid a \$45,000 settlement by another insurance company for a prior loss. American Family also learned that Haldiman falsely answered 'no' to questions concerning his prior losses, felony convictions, liens and bankruptcies on his insurance application, for which he used his father's Social Security Number. Mr. Haldiman pled guilty to a class 2 felony charge of fraudulent schemes and artifices and a class 4 felony charge of forgery. He was sentenced to 2 and a half years in jail, seven years probation and restitution in the amount of \$34,752.

Hector Acosta notified North American Company, with whom he had his wife's life insurance, of his wife's death and requested a settlement of

\$250,000. He submitted a death certificate indicating she had died in Mexico. Since Mrs. Acosta's death occurred during the contestability period, the insurer automatically investigated the claim. The investigation turned up a fraudulent death certificate and a living Mrs. Acosta. The case resulted in Mr. Acosta pleading guilty to attempted theft and being sentenced to two years' probation and ordered to make restitution to North American Company in the amount of \$4,531.93.

Brian Erikson reported his 1993 Subaru stolen from his workplace. He claimed that the evening before he locked his keys inside the Subaru and received a ride home from a co-worker. The next morning he called the police to report the car as stolen. He submitted a claim to GEICO and they issued Erikson a \$3,866 check for the loss. However, his co-worker notified GEICO that Erikson had in fact driven his car to Nogales, Mexico and parked it with the keys in the car and the windows open. When Mr. Erikson learned that GEICO would investigate his claim, he returned their check. Untimely, Mr. Erikson pled guilty to attempted theft and was sentenced to three years' probation and ordered to make restitution in the amount of \$657.59.

Kathy Williams, a bookkeeper with a Phoenix dental group, diverted sixty insurance checks paid to the group from 15 separate insurers for her personal use. In one instance Williams filed a false insurance claim using a patient's name who had not visited the dental group for five months. In the nine months she was employed, she diverted at least \$24,491 from the dental group. She pled guilty to class 3 felony theft and was sentenced to four months in the county jail, five years' probation and restitution in the amount of \$25,491. ■

The Fraud Unit Annual Report for Fiscal Year 2002 was published in the ADOI Annual Report. This report is available on the ADOI website in accordance with A.R.S. § 41-4153.

ADOI Reports Available on Web

Enacted in 2002, H.B. 2414 prohibits state agencies from distributing printed copies of annual reports except to the Governor, Senate President, House Speaker and Library and Archives and, to the extent available, pursuant to Public Records requests. Agencies can send notification to interested parties that reports are available on their websites. While the ADOI has been posting our annual reports on

our website for several years, this will be the first time we have not also had hard copies available. The following is a list of the ADOI reports that can be found on our website:

- ADOI 2001/2002 Annual Report
- Motor Vehicle Liability Annual Report
- Fraud Unit Annual Report
- Health Care Appeals Annual Report
- Accountable Health Plan Laws Triennial Report.

SNAPSHOT OF ARIZONA'S WORKERS' COMPENSATION MARKET

As part of Arizona's "open competition" system of property and casualty rate regulation, the ADOI actively monitors the condition of the markets. The following information about the Arizona workers' compensation (WC) market is based on insurer annual statement information for the year ending December 31, 2001.

Top 10 Workers' Compensation Insurers (2001)

	Company Name	Domi- ciliary State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Incurred Loss Ratio	Market Share
1	ARIZONA STATE COMPENSATION FUND	AZ	\$203,658,155	\$203,658,155	\$116,102,270	\$186,409,472	91.53%	44.41%
2	LIBERTY MUTUAL FIRE IC	MA	\$14,067,867	\$15,165,513	\$9,337,855	\$12,029,313	79.32%	3.07%
3	TRANSPORTATION IC	IL	\$11,984,748	\$10,078,875	\$5,496,702	\$8,466,555	84.00%	2.61%
4	VIRGINIA SURETY CO., INC.	IL	\$11,108,604	\$11,857,849	\$6,753,656	\$8,774,292	74.00%	2.42%
5	TRAVELERS INDEMNITY CO. OF ILL. THE	IL	\$10,116,465	\$10,963,801	\$6,255,050	\$11,864,141	108.21%	2.21%
6	ZURICH AMERICAN IC	NY	\$9,695,774	\$10,230,565	\$2,932,555	\$5,096,550	49.82%	2.11%
7	SECURITY IC OF HARTFORD	CT	\$8,322,453	\$7,622,683	\$3,280,332	\$5,629,213	73.85%	1.81%
8	REPUBLIC INDEMNITY CO. OF AMERICA	CA	\$7,842,185	\$7,974,911	\$3,553,580	\$12,011,866	150.62%	1.71%
9	PAULA IC *	CA	\$7,768,075	\$8,112,420	\$5,561,087	\$6,700,758	82.60%	1.69%
10	AMERICAN HOME ASSURANCE CO.	NY	\$7,660,895	\$8,625,773	\$3,984,936	\$366,501	4.25%	1.67%
	Total		\$292,225,221	\$294,290,545	\$163,258,023	\$257,348,661	87.45%	63.72%

*Paula IC was placed in receivership in 2002.

- The Top 25 insurers wrote 79.7% of the market.
- Although 223 insurers wrote some WC premium, only 61 insurers wrote \$1,000,000 or more in premium. 15 groups controlled 47 of those 61 insurers.
- Company groups having the most affiliates writing WC in Arizona were: Zurich (16 insurers); CitiGroup (16 insurers); and CNA Insurance Group (12 insurers).
- The WC incurred loss ratio improved to 88.5% in 2001 as compared to 97.1% in 2000.
- The written premium increased approximately 6.7%. It is probable that this premium increase is due, in part, as shown in the following chart, to the NCCI reducing its overall rate decreases and to insurers decreasing their deviations.

The 2002 deviations are subject to change. Some insurers have taken upward deviations in 2002 thereby reducing the overall downward average. The most current deviation list is on the Department's website: www.state.az.us/id.

Year	# of Insurers Deviating	Average Deviation	NCCI Overall Rate Decrease
1999	62	-27.7%	-15.40%
2000	55	-22.0%	-7.80%
2001	44	-15.7%	-7.00%
2002	29	-10.2%	-4.30%

- A number of insurers involuntarily exited the market due to financial impairment. Others voluntarily exited for reasons that include: reunderwriting, corporate philosophy changes, loss history, consolidations, and/or downsizing. Ten insurers on the 2000 WC Top 25 List are not on the 2001 List.
- The market share of the State Compensation Fund of Arizona increased to 44.41% (from 38.2% in 2000).

Around ADOI

Consumer Affairs

Health Care Appeals

The Consumer Services Section and the Health Care Appeals Section continue to receive telephone calls and written complaints from individuals with health insurance who are unable to enter the health care appeals process after their insurer has denied a claim or request for service. All types of health care insurers are reminded of their obligations under this important Arizona law (A.R.S. § 20-2530) and are encouraged to review the law and related Regulatory Bulletins on ADOI's website (www.state.az.us/id). In addition, health insurers may call the Health Care Appeals Section at 602-912-8443 if they have any questions.

Financial Affairs

Unnecessary Quarterly Statement Filings Continue

As previously noted, the ADOI continues to receive hundreds of Quarterly Financial Statements from insurers that are no longer required to file them.

Effective in 2002, foreign and alien property, casualty, life and health insurers authorized in Arizona and required by their state of domicile to file Quarterly Statements with the NAIC are not required to file Quarterly Statements with Arizona, unless specifically instructed in writing. Foreign mortgage guaranty insurers, title insurers and fraternal benefit societies must continue to file paper and electronic copies of their Quarterly Statement filings with the ADOI and the NAIC in accordance with prior policy.

This policy change does not affect Arizona Domestic insurers with direct writing authority. Arizona domestic insurers *are still required to* file paper and electronic copies of their Quarterly Statements with the ADOI and the NAIC. The due date for each filing is no later than forty-five days after the quarter-end date.

Paper and electronic copies of Annual Statements must continue

to be filed by all authorized insurers with the ADOI and the NAIC.

Please direct any questions to Rose McNabb, Solvency Support Unit Supervisor at (602) 912-8420 or rmcnabb@id.state.az.us.

Director's Office

ADOI Issues 2001/2002 Annual Report

The ADOI 2001/2002 Annual Report will be published by mid-October. Encompassed in the report are also the statutory Annual Reports for the ADOI Health Care Appeals and Fraud Unit programs. The ADOI Annual Report contains information about the Arizona insurance industry for calendar year 2001, and about the activities and accomplishments of the ADOI for state fiscal year 2002 (ending June 30, 2002). Printed copies of the report are restricted in accordance with A.R.S. § 41-4153 (H.B. 2414, Laws 2002). The report can be accessed on the ADOI website: www.state.az.us/id.

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ADOI to Issue Examiner RFP

The ADOI utilizes contract examiners to perform financial, market conduct and managed care organization examinations on regulated entities. The Arizona State Procurement Office ("SPO") procures contract services for the ADOI through the issuance of a Request for Proposals ("RFP"). In the final quarter of 2002, SPO will be issuing two RFPs: one for Financial Condition Examination Services and one for Market Conduct/Managed Care Organization Examination Services. The RFPs will request competitive sealed proposals from independent contract professionals and firms to provide services beginning in January 2003.

Information regarding these RFPs may be obtained from SPO by phone (602-542-5511), by fax (602-542-5508) or by mail (Arizona State Procurement Office, 100 N. 15th Ave., Suite 104, Phoenix, Arizona 85007).

Rates and Regulations

Surplus Lines List

The Rates & Regulations Division (R&R) has finished its listing of surplus lines insurers

qualified to transact insurance in Arizona for the period July 1, 2002 through June 30, 2003. The list may be found on the ADOI's website (www.state.az.us/id).

Motor Vehicle Liability Annual Report

A.R.S. § 20-154.01 requires the Director to report on private passenger automobile liability profit and loss information in Arizona and to provide an analysis of the level of competition among private passenger automobile liability insurers, including relevant information regarding rate filings and rating categories. This information can be found in the 2002 Motor Vehicle Liability Annual Report which will be available on the ADOI's website under Publications in mid-October.

Commercial Lines Markets Task Force

The Task Force is currently considering the reports of its medical malpractice, nursing home liability, and construction defects subcommittees and is in the process of finalizing its full report. It is projected that the Task Force's report will be completed and available on the ADOI's website before the end of 2002.

Producer Licensing

Renewal Extension for Active Military

Effective August 22, 2002, with the passage of H.B. 2026, an Arizona licensed insurance producer who is called into active military service is eligible to apply for and be provided an "inactive status" for their license. [A.R.S. § 20-289.01]. Producers requesting "inactive status" must submit a written statement that includes: the producer's name, the license number or social security number, and proof of the date that active military service begins. The time period for submission of renewal fees, completing continued education requirements, and other licensing requirements are extended by the number of days the licensee is on active military duty.

The producer is allowed to receive renewal or deferred commissions on transactions made during active license time periods. However, the license is on "inactive status" only while the licensee is on active military service, and the producer is prohibited from selling, soliciting or negotiating insurance during the inactive time period. ■

COMPANY ACTIONS

NEW LICENSES ISSUED

Domestic Insurers

Company Name	NAIC #	Effective Date	Type
1. TRIAD COMMERCIAL CAPTIVE INSURANCE COMPANY	N/A	8/20/02	Pure Captive

Foreign Insurers

Company Name	State of Domicile	NAIC #	Effective Date	Type
1. COLONIAL SURETY COMPANY	PA	10758	9/3/02	Casualty Insurer
2. FIDELITY NATIONAL INSURANCE COMPANY	CA	25180	7/29/02	Property & Casualty Insurer
3. FORTRESS INSURANCE COMPANY	IL	10801	8/14/02	Casualty Insurer
4. WESTERN UNITED INSURANCE COMPANY	CA	37770	7/9/02	Property & Casualty Insurer

Risk Retention Groups Registered

Company Name	State of Domicile	NAIC #	Effective Date
1. STEEL TANK INSURANCE COMPANY, A RISK RETENTION GROUP	VT	10476	9/19/02

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

Company Name	State of Domicile	Effective Date
1. SERVICE NET SOLUTIONS, LLC	DE	7/19/02

Third Party Administrators (TPA)

Company Name	State of Domicile	Effective Date
1. GILSBAR, INC.	LA	07/11/02
2. VANGUARD GROUP, INC. (THE)	PA	7/30/02

Utilization Review Agents

Company Name	State of Domicile	Effective Date
NO ACTIVITY THIS QUARTER		

CHANGE OF AUTHORITY

Company Name	State of Domicile	NAIC #	Effective Date	Change
1. FIRST REINSURANCE, INC.	AZ	60241	7/30/02	Converted To Life and Disability Reinsurer
2. UNIMERICA INSURANCE COMPANY	MD	91529	9/3/02	Granted Life

NAME CHANGES

Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1. COLONIAL PENN FRANKLIN INSURANCE COMPANY (to) GE CASUALTY INSURANCE COMPANY	PA	20796	7/1/02
2. COLONIAL PENN INSURANCE COMPANY (to) GE PROPERTY & CASUALTY COMPANY	PA	34789	7/1/02
3. COLONIAL PENN MADISON INSURANCE COMPANY (to) GE INDEMNITY INSURANCE COMPANY	PA	43974	7/1/02
4. CONSECO DIRECT LIFE INSURANCE COMPANY (to) COLONIAL PENN LIFE INSURANCE COMPANY	PA	62065	9/16/02
5. YASUDA FIRE & MARINE INSURANCE COMPANY OF AMERICA, THE (to) SOMPO JAPAN INSURANCE COMPANY OF AMERICA	NY	11126	7/1/02

ARIZONA REDOMESTICATIONS

Company Name	NAIC #	Effective Date	State of Domicile From	To
NO ACTIVITY THIS QUARTER				

ACQUISITIONS/MERGERS/WITHDRAWALS

Acquisitions of Arizona Companies

Company Name	NAIC #	Date Order Filed	Acquired By
NO ACTIVITY THIS QUARTER			

Mergers involving Arizona Companies

Company Name Merged Into	State of Domicile	NAIC #	Date Order Filed
NO ACTIVITY THIS QUARTER			

Withdrawals from Arizona

Company Name	State of Domicile	NAIC #	Date Order Filed
1. ALLIED PRODUCERS LIFE INSURANCE COMPANY	AZ	N/A	7/22/02
2. AMERICAN CONTINENTAL INSURANCE COMPANY	MO	12246	8/12/02
3. ASSURED INVESTORS LIFE COMPANY	CA	71447	8/12/02

4.	FREMONT COMPENSATION INSURANCE COMPANY	CA	37761	7/22/02
5.	FREMONT PACIFIC INSURANCE COMPANY	CA	38725	7/22/02
6.	GENERAL LIFE INSURANCE COMPANY	TX	86045	9/20/02
7.	GREAT PLAINS INSURANCE COMPANY, INC	NE	11363	7/29/02
8.	GROSVENOR LIFE INSURANCE COMPANY	AZ	90751	8/8/02
9.	HORIZON LIFE INSURANCE COMPANY	AZ	83488	9/25/02
10.	INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB	CA	15598	9/9/02
11.	INTER-STATE ASSURANCE COMPANY	IA	64807	7/3/02
12.	INVESTORS LIFE INSURANCE COMPANY OF INDIANA	IN	64734	7/3/02
13.	LEGETT LIFE INSURANCE COMPANY	AZ	60146	6/28/02
14.	PIKES PEAK LIFE INSURANCE COMPANY, INC.	AZ	N/A	7/26/02
15.	PREFERRED ACCESS INSURANCE COMPANY	AZ	60079	7/29/02
16.	RIVERSIDE LIFE INSURANCE COMPANY	AZ	N/A	8/23/02
17.	SAFECARE INSURANCE COMPANY	AZ	10104	9/26/02

SUSPENSIONS/REINSTATEMENTS

	Company Name	State of Domicile	NAIC #	Effective Date	Action
1.	CONSOLIDATED AMERICAN INSURANCE COMPANY	SC	24945	8/26/02	Suspended
2.	FIRST CONTINENTAL LIFE & ACCIDENT INSURANCE CO	UT	64696	8/6/02	Suspended
3.	FREMONT INDEMNITY COMPANY	CA	21040	8/6/02	Suspended
4.	IGF INSURANCE COMPANY	IN	26891	8/23/02	Suspended
5.	LONDON PACIFIC LIFE & ANNUITY COMPANY	NC	68934	8/23/02	Suspended

SUPERVISIONS/RECEIVERSHIPS

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

FINANCIAL EXAM REPORTS

	Company Name	NAIC #	Date Report Filed
1.	AIG SUNAMERICA LIFE ASSURANCE COMPANY	60941	7/30/02
2.	HEALTHNET OF ARIZONA, INC.	95206	8/16/02
3.	NATIONAL PENN LIFE INSURANCE COMPANY	70556	7/25/02

4.	ONE HEALTH PLAN OF ARIZONA, INC.	95797	8/26/02
5.	PACIFIC CENTURY LIFE INSURANCE CORPORATION	93815	7/30/02
6.	SUNAMERICA LIFE INSURANCE COMPANY	69256	7/30/02
7.	VALLEY SHCOOLS INSURANCE TRUST	7004	9/4/02
8.	VALLEY SCHOOLS WORKERS' COMPENSATION POOL	7009	9/4/02

MARKET CONDUCT EXAM REPORTS/ORDERS

Company Name	State of Domicile	NAIC #	Date Filed	Civil Penalty	Restitution + Interest
1. Allmerica Financial Life Insurance and Annuity Company Use of non-compliant forms. Performed HIV-related test without prior written consent.	DE	84824	8/26/02	\$26,000	\$2,935.94 Interest
2. American Summit Insurance Company Use of unfiled rates and rules. Improper cancellation procedures. Failure to adhere to policy language.	MN	19623	9/10/02	\$9,200	\$579.00 restitution, plus interest to be determined
3. Arizona Home Insurance Company Use of unfiled rates and rules. Non-compliant claim forms. Failure to provide Summary of Rights.	AZ	38490	7/18/02	\$7,175	\$321.00 restitution, plus \$70.00 interest
4. GEICO General Insurance Company Improper claims processing procedures. Use of unfiled rates and rules.	MD	35882	9/25/02	\$0	\$2,192.77 restitution, plus \$267.48 interest
5. GEICO Indemnity Company Improper claims processing procedures. Use of unfiled rates and rules.	MD	22055	9/25/02	\$0	\$888.64 restitution, plus \$76.27 interest
6. Humana Health Plan, Inc. Non-compliant appeal and grievance procedures. Use of unfiled and/or non-compliant forms. Failure to comply with its own evidence of coverage.	KY	95885	8/12/02	\$39,000	Restitution and interest to be determined.
7. Life USA Insurance Company Improper claims processing procedures.	MN	92509	9/26/02	\$0	\$0
8. Old Line Life Insurance Company of America Use of unfiled and/or non-compliant forms. Failure to send Summary of Rights. Improper replacement procedures. Performed HIV-related test without prior written consent.	WI	67245	7/16/02	\$23,650	\$0
9. OneBeacon Insurance Company, f.k.a., CGU Insurance Company, f.k.a., General Accident Insurance Company of America. Use of unfiled rates and rules. Paid commissions to unlicensed agents.	PA	21970	7/10/02	\$20,000	\$2,480, restitution, plus interest to be determined.
10. Transnation Title Insurance Company Use of unfiled rates and rules.	AZ	50012	8/15/02	\$15,089.20	\$4,225.90 restitution
11. Workmen's Auto Insurance Company Improper non-renewal practices. Failure to provide Summary of Rights. Use of non-compliant claim forms. Improper claim processing procedures.	CA	13250	7/23/02	\$23,150	\$2,102.98, restitution, plus interest to be determined

OTHER DISCIPLINARY ACTIONS

Company Name NAIC #	Allegation	Disposition
United Insurance Company of America (NAIC # 69930) and The Reliable Life Insurance Company (NAIC # 68357)	Racially discriminatory practices relating to the sale of industrial life and small face amount life insurance policies. This order adopts a national Regulatory Settlement Agreement.	7/10/02 Consent Order \$1,219 Civil Penalty

PRODUCERS AND OTHER LICENSEES DISCIPLINED

Cause No. Name City – State	Allegation	Disposition
1. 02A-038 Carl Arnal; Adan Marin Allen; Saguaro Public Adjusters, Inc.; The Consortium of Public Adjusters Tucson, AZ	Forging another's name to any document related to an insurance transaction; using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business.	7/1/02 Order Summarily Suspending Licenses and Notice of Hearing
2. 02A-120 Lawrence Allan Jones dba Ace's Arizona Western Bail Bonds, Phoenix Bail Bonds, Arizona-Phoenix Bail Bonds, 24 Hour Bail Bonds, Jones Ace Bail Bonds Phoenix, AZ	Improperly withholding, misappropriating or converting any monies or properties received in the course of doing insurance business; using fraudulent coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business; failure to maintain a \$10,000 surety bond.	7/29/02 Order Summarily Suspending License and Notice of Hearing 9/16/02 Order Bail Bond Agent's License Revoked \$10,000 Civil Penalty
3. 01A-236 Daniel Ray Faught aka Daniel Ray Yost aka Larry Ray Faught Goodyear, AZ	Obtaining or attempting to obtain a license through misrepresentation or fraud; improperly withholding, misappropriating or converting any monies or properties received in the course of doing insurance business; conviction of theft.	8/6/02 Order Licenses Revoked
4. 02A-134 William Christopher Horton Phoenix, AZ	Transacting insurance under an assumed name or under any designation other than the real name of the individual transacting such insurance without filing a certificate with the director; failure to identify the insurer.	9/4/02 Consent Order \$1,000 Civil Penalty
5. 02A-154 Robert Scalzi Scottsdale, AZ	Obtaining or attempting to obtain a license through misrepresentation or fraud.	9/4/02 Consent Order \$1,000 Civil Penalty Surrender of License Accepted
6. 02A-038 Adan Marin Allen Tucson, AZ	Conduct demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	9/27/02 Consent Order Allen's adjusters license suspended for 60 days \$10,000 restitution

RULES ACTIVITY

Citation	Title	Action	Status
1. R20-6-604 – R20-6-604.10	Credit Life and Disability Insurance	Notice of Proposed Rulemaking published by Secretary of State 10/5/01; Oral proceedings held 11/27/01; record closed 11/28/01; final rulemaking approved by GRRC 6/4/02	Effective 6/7/02.
2. R20-6-1101 – R20-6-1105, R20-6-1111, R20-6-1112, Appendix B	Medicare Supplemental Insurance	Notice of Proposed Rulemaking filed with Secretary of State 12/14/01; no oral proceeding; record closed 2/8/02; final rule- making approved by GRRC 5/7/02	Effective 5/13/02
3. R20-6-2001 and R20-6-2002	Captive Insurers	Notice of Rulemaking Docket Opening filed with Secretary of State 11/1/01; Notice of Proposed Rulemaking filed with Secretary of State on 12/20/01; no oral proceeding; record closed 2/15/02; final rulemaking approved by GRRC 5/7/02.	Filed with Secretary of State 5/13/02. Will become effective July 1, 2002 at the time authorizing statute becomes effective.
4. 20 A.A.C. 6, Art. 19 Sections to be determined	Health Care Service Organizations Oversight	Notice of Docket Opening filed 6/7/2001; published 6/29/2001; renewal of Notice of Docket Opening filed 6/7/02	Published 6/28/02
5. 20 A.A.C. 6, Art. 19 Sections to be determined	Health Care Service Organizations Oversight	Notice of Formal Rulemaking Advisory Committee	Published 5/10/02
6. R20-6-401	Proxies, Consents and Authorizations of Domestic Stock Insurers	Notice of Rulemaking Docket Opening filed 8/30/02	Published 9/20/02
7. R20-6-604 - R20-6-604.11	Credit Unemployment Insurance	Notice of Rulemaking Docket Opening filed 8/30/02	Published 9/20/02
8. 20 A.A.C. 6, Art. 19 Sections to be determined	Insurance Product Review	Notice of Rulemaking Docket Opening filed 8/30/02	Published 9/20/02

NOTICE

To comply with the requirements of A.R.S. § 41.1021.02, by December 1, 2002, and by December 1st of each subsequent year, the ADOI will post on its website the regulatory agenda it expects to follow during the next calendar year. A copy of the regulatory agenda will also be on file at the ADOI. While the statutorily mandated regulatory agenda will not change over the course of the year, the ADOI's actual rulemaking activities are subject to change as the Director determines necessary to enforce and effectuate the provisions of the Arizona Revised Statutes, Title 20, and might differ from those listed in the agenda. Current rulemaking activity can be found in this section of the ADOI Insurance Regulator.

REGULATORY BULLETINS ISSUED

Number	Title	Date Issued
NO ACTIVITY THIS QUARTER		

Coming soon...

The ADOI will be implementing a self-subscribing electronic mailing list to distribute our newsletter, regulatory bulletins and press releases. Please keep an eye our website for future announcements:

www.state.az.us/id



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