



Director Establishes Commercial Lines Markets Task Force

Director Cohen has established a Commercial Lines Markets Task Force to study and make recommendations to him concerning the Arizona commercial lines (CL) market. Based on the ADOI's monitoring of the Arizona markets, consumer inquiries, local and national trade reporting, and comments received at the ADOI's recent public hearing concerning the availability and affordability of liability coverages for nursing homes and similar facilities, it is apparent that hard market conditions permeate Arizona CL markets and involve many different lines. In addition to factors that commonly affect the CL insurance cycle's hard market stage, special

circumstances appear to have contributed to a crisis in the market for nursing home liability coverages, and an impending crisis in the market for medical malpractice liability coverages. In his charge to the Task Force, the Director said, "I believe it is important that the stakeholders in these markets work together to understand the current environment and develop strategies to attempt to mitigate its deleterious effects."

The charge of the Task Force is to ascertain the prevailing condition of the Arizona markets, to identify the market and regulatory problems, to identify possible solutions, and to make recommendations to the Director for action. The

Task Force will consider medical malpractice and nursing home liability markets in particular. However, the markets for other affected CL will also be considered. The Task Force will consider the suitability of Assigned Risk Plan and/or Joint Underwriting Association mechanisms, and identify other approaches that could create needed markets, attract insurers to the Arizona marketplace, stimulate competition, and enhance the availability and affordability of problematic CL coverages.

The Task Force will meet a number of times commencing

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ADOI Hears About Nursing Home Coverage Problems

The ADOI held a public hearing January 28, 2002 for the purpose of gathering information on nursing home insurance market conditions in Arizona. From testimony given at the hearing, the ADOI learned that nursing homes are commonly having difficulty finding any insurer, whether in the admitted or surplus lines market to provide coverage; and, if coverage is found, nursing homes are experiencing rate increases of 50% or more. Insurers that are providing coverage are requiring substantially

higher deductibles than previously, offering a claims-made form, excluding punitive damages, limiting offers of excess coverage, writing only larger facilities that generate higher premiums, requiring increased staffing and occupancy

standards, and/or offering only mono-line coverage (e.g., property only).

Out of concern about the market conditions for nursing home and other commercial lines in Arizona, including medical malpractice, commercial auto, surety, businessowners', other liability and crop hail, the Director has established a Commercial Lines Markets Task Force to recommend options for improving these markets. (See related article on this page.) □

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Mission Statement

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

*(Commercial Lines Task Force
Continued from page 1)*

April 16th. It is comprised of nursing home and medical malpractice liability insurers, insurer trade associations, producers, including surplus lines brokers, and other interested parties.

At the culmination of its work, the Task Force will provide the Director with a report discussing the issues and making recommendations for action, including recommendations for any proposed legislation.

Commercial Lines Market
Task Force Members

Curtis Anderson,
SKANCO International, Ltd.

Tommy Gee,
Mueller & Associates

Peter Gorman,
Alliance of American Insurers

Lanny Hair,
Independent Insurance Agents
& Brokers

Bill Jones,
Jones, Skelton & Hochuli

Ronald Malpiedi,
Mutual Insurance Company of
Arizona

Chuck Colburn,
CNA HealthPro

Mark Webb,
American Insurance Association

Representative to be named,
National Association of
Independent Insurers

ADOI MODERNIZING MARKET CONDUCT

The ADOI has been actively modernizing its market conduct examination program. Commencing in 2000, the ADOI adopted a purely targeted approach. That is, there are no regularly scheduled exams. All examinations and their scope are based upon an analysis of various data from internal and external sources to determine areas of regulatory risk and need. The ADOI has also adopted a standard of completing the examination/enforcement process within one year of the examiners' exit from the company premises. Those activities include report preparation, examination follow-up, development of corrective plans, discussions and negotiations with the insurer, and finalization of a consensual resolution of any issues or initiation of any necessary contested proceedings.

In calendar year 2001, the Market Conduct Section of the Consumer Affairs Division filed 93 market conduct examination reports representing market conduct reviews of 131 companies. Twenty-five companies' examinations were filed with no further administrative action. Thirteen companies were offered and complied with the provisions of Letter

Agreements. Ninety-three companies entered into Consent Orders, involving \$1,563,800 in civil penalties and \$1,637,851.59 in restitution and interest. Also, in 2001, the Section initiated 42 on-site examinations.

This year, the ADOI is undertaking a total review of the market conduct program to re-focus and improve performance. We are reviewing all priorities, policies and processes for opportunities to improve efficiency, effectiveness, fairness, and customer service.

In addition, the ADOI is a member of the NAIC Market Regulation "D" committee and task force. These groups and related working and subgroups, are working diligently to modernize and improve both market conduct examination and market regulation functions. The ADOI is committed to working to improve standardization of process and coordination in multi-state market conduct scenarios.

For further information on the ADOI's market conduct program, contact *Paul J. Hogan*, Chief Market Conduct Examiner at (602) 912-8442 or phogan@id.state.az.us.

□

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Legislative Report

The 2002 session of the Arizona legislature continues to be dominated by the State's budget problems. In March, the Legislature suspended the business of the regular session for three weeks to permit members to focus on further reductions to the budget for the current fiscal year. The Legislature is now attempting to address a projected shortfall from initial revenue estimates of almost \$1 billion for Fiscal Year 2003 beginning July 1, 2002. The Governor recently released her proposed budget for Fiscal Year 2003, which would reduce ADOL's budget by an additional 2.5%, beyond the 4.5% in reductions from the originally appropriated amount already made in the current fiscal year.

The week of March 25th was the last week to hear bills in the house of origin. The legislature will likely allow 3 to 4 weeks for bills to be considered in the opposite chamber. The bills on ADOL's legislative agenda are on track for this point in the session. For a summary of those bills, please refer to the ADOL's third quarter newsletter.

SB1016, modifying the definition of "adjuster," and SB1134, standardizing various financial and accounting standards for nonprofit health insurers and managed care entities, have both passed the Senate and been dually assigned to the House Financial Institutions and Insurance (FII) committee and the Commerce and Economic Development (CED) committee. SB1162, the General Fund recoupment bill, also passed the Senate and has been assigned

to House FII and Appropriations.

HB2035, repealing the Small Employer Reinsurance Program, and HB2204, streamlining and standardizing the ADOL's statutes for review of insurers' rates and forms, have both passed the House and been assigned to the Senate Banking and Insurance committee (B&I).

Parallel Senate and House bills (SB1441 and HB2135) establish a regulatory scheme for credit property insurance and credit unemployment insurance, including rate regulation and disclosure requirements. SB 1441 has passed the Committee of the whole and will shortly be scheduled for a final vote. HB2135 has passed FII and CED and should move on for floor debate.

Numerous other insurance-related bills have also continued to move through the legislative process. HB2386 and SB1018, as amended, are now identical bills requiring greater disclosure of insurers' use of personal credit information and insurance scores for insurance underwriting purposes. HB2138 prohibits insurers from using personal credit information to nonrenew a homeowner's policy or raise rates if the homeowner has been claims free for 10 years. HB2276 requires insurers to specify whether loss adjustment expenses are considered advancements to be reimbursed as part of an employer's deductible. HB2026 temporarily excuses producers called to active military duty from compliance with continuing

education and other license renewal requirements. SB1150 and HB2137 are parallel bills that clarify the ADOL's rule making responsibilities for regulatory oversight of HMOs. SB1100 and HB2234 are parallel bills mandating health insurance coverage of FDA approved contraceptives. Both bills have been amended to provide an exemption for certain religious employers. Other bills of interest relate to surplus lines brokers (SB1015); mortgage guaranty insurance (SB1161); nonforfeiture guarantee rates for annuities (HB2437); producer licensing conforming changes (SB1196); confidentiality of filed information related to extraordinary dividends (HB2027); repeal of the permissible exclusion in individual health insurance policies for sickness or injury related to substance abuse (SB1005); provisions for conformity with HIPAA privacy regulations (HB2280); confidentiality of information about insurance fraud informants (HB2435); and a study committee on mold (SB1432).

This article reflects the status of the bills as of March 31, 2002. Anyone may review the full text of the bills and amendments, and check the current status of any bill through the legislative web site: www.azleg.state.az.us. □

Insurance Regulator,
ADOL's quarterly
newsletter, is available
on our web site:

www.state.az.us/id

Regulator Profile



Catherine O'Neil, esq.

was recognized as **ADOI's Employee of the Year** at a recent Employee Recognition ceremony. Ms. O'Neil is a lawyer whose official title is Consumer Affairs Legal Officer. However, she wears many hats at ADOI. She works with ADOI investigators and Market Conduct personnel to develop enforcement orders and hearing files. As the agency's Ombudsman, she handles some of the most complex consumer complaints and most disgruntled callers. Ms. O'Neil also handles constituent complaints from the Governor's Office, the Legislature and congressional offices. As ADOI Custodian of Records, she oversees compliance with involved public records requests and subpoenas, and deals with intricate confidentiality issues.

Ms. O'Neil joined ADOI in 1994. However, she has a long history of serving the citizens of Arizona. Prior to coming to ADOI, she worked at the Legislature as a legal analyst for seven years. "The Insurance consumers of Arizona are very fortunate to have Cathy O'Neil working for them. She is a tireless advocate for the rights of insureds and claimants," said Director Cohen. □

ADOI Issues Triennial Report on Arizona's Accountable Health Plan Law

ADOI has issued its triennial report on Arizona's Accountable Health Plan Law (the "AHP law"). The AHP law was enacted in 1993 to reform Arizona's small employer health insurance market. As required by statute, the ADOI report addresses the effectiveness of the AHP law. In addition, it provides information about related factors, such as reforms in other states, the development of alternative health care models, and federal preemption. The ADOI report also offers conclusions and recommendations for improving the effectiveness of the AHP law.

State of the Market in Arizona

The two key AHP law reforms intended to increase availability were guaranteed issue requirements and a requirement that any accountable health plan (AHP) that wants to be in the medium or large employer market must also be in the small employer market. The two key reforms intended to increase affordability were rating bands and a premium tax exemption.

The ADOI report concludes that reforms aimed at availability do assure that coverage is available in the small employer market. The reforms aimed at affordability have been less effective. The laws that set rate bands do not appear to control rates well and are difficult to administer. The premium tax

exemption does not appear to have a significant impact on the affordability of coverage for small groups. As a result, price remains the greatest obstacle to coverage.

The AHP law also created the Small Employer Reinsurance Program (SERP) to provide AHPs with reinsurance for their small group lives. As explained in the report, SERP provides little apparent benefit to consumers or insurers in return for the public and industry resources it requires to function. ADOI included a bill in its legislative agenda this year (HB 2035) to repeal SERP.

Related Influences

The ADOI report compiles information on similar reforms in 18 other states. Two Arizona reforms are unique: the premium tax exemption and the requirement that all AHPs must also operate in the small employer market. Other states have unusual provisions of their own, such as tax credits and mandatory reinsurance program assessments.

There are many health care coverage models available across the nation and being considered in Arizona. The ADOI report focuses on the high-risk pool and the healthcare purchasing cooperative (HPC). The high-risk pool has the potential to succeed in covering a very limited

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Fraud Unit Report

Fraud Unit Annual Report for Fiscal Year 2001

A new prosecutor from the Attorney General's office has been assigned to work with the Fraud Unit. Patricia Nigro recently joined the Attorney General after working several years at the Maricopa County Attorney's office. Ms. Nigro has vast experience in criminal and civil prosecution and will be a great asset to the Unit's efforts to combat insurance fraud. She will be taking the place of Assistant Attorney General Sheila Madden who will be transferring to another section within her office, while continuing to assist in the prosecution of cases she has previously filed.

The Unit's FY01 Annual Report is available on the ADOI's Fraud Unit web page at www.state.az.us/id/fraud. The report contains statistics pertaining to the Fraud Unit's performance for FY01 and information about key developments and issues.

We hope to keep our new prosecutor very busy. However, referrals received by the Fraud Unit this quarter are lagging behind those received for the same time period last year. The Fraud Unit urges all insurers to review their fraud referral practices and policies to determine whether they can be improved.

ADOI Gears Up for Captive Insurance

Effective July 1, 2002 the Arizona Captive Insurance Act will go into effect, and the ADOI will begin accepting applications to establish captive insurers.

Captive insurers are generally owned by their policyholders to cover the risks of its parent organization. Single owner (aka "pure") captives are owned by one entity, whereas association (aka "group" or "industry") captives are owned by and cover the risks of multiple entities. Given capital and operating expense requirements, they are generally of interest when applicable premiums exceed \$1 million. Typically, captives retain portions of each loss, and then purchase reinsurance above their retentions. Captives provide an alternative funding mechanism when cost, coverage, availability or capacity in traditional insurance markets do not meet the insured's needs or requirements. They can also provide cash flow benefits, tailored loss prevention, and specialized claims service, not regularly available. Most importantly, the profits generated by underwriting and investment income go to the captive owners, instead of to a traditional commercial insurer.

In February, Richard P. Marshall joined the ADOI as its Captive Insurance Administrator. Mr. Marshall has been directly involved with captive insurance development as an executive with major insurance groups since 1981. As Captive Insurance Administrator, Mr. Marshall will head the ADOI's new Captive Insurance Division.

"The ADOI was very fortunate to obtain Dick Marshall as its Captive Administrator," said Director Cohen. "He is a seasoned professional, who understands the benefits of captive insurance to commercial enterprises and appreciates the importance of sound, quality programs. His will be a sure hand on the tiller as we develop this exciting new Arizona industry."

Applications and related materials will be available on June 1, 2002. To obtain an application or if you have any questions, call Dick Marshall at 602.912.8420, extension 4209 or send an email to rmarshall@id.state.az.us. □

ADOI Encourages Use of SERFF

The ADOI joins with insurance regulators in other states in encouraging insurers to consider using the System for Electronic Rate and Form Filings (SERFF). The ADOI and other insurance regulators across the country continue efforts to identify and implement improvements to the state-based system for product regulation. These reforms include implementation of standardized filing transmittal forms and review checklists and a standardized process for filing and review of product filings, including the use of SERFF.

SERFF is an important technology tool that will enable both insurers and regulators to achieve efficiencies in product filing and review. SERFF is a joint, cooperative initiative between state insurance regulators and the insurance industry. More than 40 states are now accepting property and casualty filings using SERFF and 38 states are accepting SERFF life filings. Over 400 insurers representing 62 groups are using SERFF, with 40 insurers signing up in the last quarter of 2001.

Significant enhancements have been made to SERFF in response to concerns and suggestions from insurers and regulators. The up front SERFF licensing fee was eliminated and replaced with a small per transaction fee.

If you would like more information to evaluate SERFF, please contact Jane Borchering at the NAIC offices (Jborcher@naic.org). Please visit our "Speed to Market" page at www.state.az.us/id/ for a full description of Arizona's product regulation reforms. □

(AHP Report, Continued from page 4)

number of otherwise uninsurable people, provided it is carefully structured and adequately funded. The HPC has the broader purpose of reducing the overall number of uninsured. HPCs have not as a rule succeeded, generally because they do not attract enough of the uninsured population.

Federal preemption poses a threat to Arizona's progress with regard to small group reforms. The report looks in particular at the concept of the Association Health Plan, which could deny Arizona consumers certain protections and undermine the economic foundation of the existing small group market.

The full AHP report is available from the Publications page on the ADOI website (www.state.az.us/id/Publications). Please contact Assistant Director Alexandra Shafer at 602-912-8460 with questions regarding the report. □

NAIC Committee Assignments

Based on its requests, the ADOI received the following 2002 assignments to NAIC Committees, Task Forces and Working Groups:

- National Treatment and Coordination Working Group
- Improvements to State-Based Systems Working Group
- NARAB Working Group
- Health Insurance and Managed Care (B) Committee
- Regulatory Framework (B) Task Force
- Health Insurance (B) Task Force
- Workers' Compensation (C) Task Force
- Market Regulation and Consumer Affairs (D) Committee
- Market Regulation (D) Task Force
- Accounting Practices and Procedures (E) Task Force
- Insolvency (E) Task Force (*Vice Chair*)
- Special Insurance Issues (G) Committee
- Information Systems (G) Committee

Around ADOI

Life and Health

Prepaid Dental Rules Become Effective

ADOI has promulgated a revised set of rules as part of its new authority to oversee the delivery of services by prepaid dental plan organizations (PDPOs). The legislature transferred this oversight to ADOI from the Arizona Department of Health Services effective July 1, 2001. ADOI began work in November 2000 with an advisory group of stakeholders and circulated two sets of draft rules for informal comment before starting the formal rulemaking process in May 2001.

The new PDPO rules, AAC R20-6-1801 through R20-6-1813, became effective on January 10, 2002. They establish standards for monitoring key service delivery issues, including the member assignment process, initial appointment accessibility, and other quality assurance and network adequacy matters. The final Rules may be viewed in Volume 8, Issue #5 of the Arizona Administrative Register (www.sos.state.az.us/aar/2002/5/final.pdf).

Consumer Affairs

NAIC Scholarship Awarded to ADOI Employee

For the second year, an ADOI employee is privileged to be the recipient of one of the twenty Paul DeAngelo Professional Development Scholarships awarded by the NAIC. The scholarship was established by the NAIC in 2000 to honor Paul DeAngelo, formerly of the New Jersey DOI and a leader in the area of market regulation.

Susana Lesmeister, a supervisor in the ADOI Consumer Affairs Division will be attending the NAIC's Consumer Assistance Training class later this year. The training provides an opportunity to interact with counterparts from other states and to acquire ideas and practices to further improve the assistance ADOI provides to Arizona consumers.

Director's Office

Arizona Meets France

Dr. Jacques Mistral, Minister, Financial Counselor to the Embassy of France in the

U.S. visited with Director Cohen in January 2002. Dr. Mistral had requested the meeting to broaden his understanding of U.S. insurance regulation in general, and the Arizona insurance markets in particular. "I was delighted to meet with Dr. Mistral, and we had a fascinating discussion," said Director Cohen. "In the global economic environment, it is helpful to understand how financial regulation is conducted and perceived in other nations." Dr. Mistral also serves as Financial Counselor to the Embassy of France in Canada.

Guaranty Funds

NOLHGA Recognizes ADOI GF Executive Director

The Spring 2002 edition, Volume III, Number 2, of the *NOLHGA Journal* featured ADOI's Guaranty Funds Executive Director, Mike Surguine. NOLHGA highlighted Mr. Surguine as a prominent Guaranty Fund Administrator, and aired his views on the state insurance guaranty fund system, particularly the importance of positive working relationships and communications between guaranty fund, receivership and insurance department staff. □

COMPANY ACTIONS

NEW LICENSES ISSUED

Domestic Insurers

Company Name	NAIC #	Effective Date	Type
1. F & M REINSURANCE COMPANY	N/A	1/11/02	Unaffiliated Credit Life & Disability Reinsurer

Foreign Insurers

Company Name	State of Domicile	NAIC #	Effective Date	Type
1. FS TENANT POOL II TRUST Facility: FORUM AT PUEBLO NORTE, THE	MD	N/A	1/09/02	Life Care Provider
2. GRAY INSURANCE COMPANY, THE	LA	36307	2/8/02	Property & Casualty Insurer
3. HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY OF CONNECTICUT, THE	CT	29890	1/17/02	Property & Casualty Insurer
4. MANUFACTURERS ALLIANCE INSURANCE COMPANY	PA	36897	2/13/02	Property & Casualty Insurer
5. MII LIFE, INC.	MN	61522	2/6/02	Life & Disability Insurer
6. PACO ASSURANCE COMPANY, INC.	IL	10222	1/3/02	Casualty Insurer
7. PENNSYLVANIA MANUFACTURERS INDEMNITY COMPANY	PA	41424	2/13/02	Property & Casualty Insurer
8. PODIATRY INSURANCE COMPANY OF AMERICA (RISK RETENTION GROUP), A MUTUAL COMPANY	IL	14460	1/23/02	Casualty Insurer
9. SHENANDOAH LIFE INSURANCE COMPANY	VA	68845	1/17/02	Life & Disability Insurer
10. TECHNOLOGY INSURANCE COMPANY, INC.	NH	42376	1/24/02	Property & Casualty Insurer
11. TITLE INSURANCE COMPANY OF AMERICA	TN	50245	1/23/02	Title Insurer
12. UNITRIN DIRECT INSURANCE COMPANY	IL	10226	1/11/02	Property & Casualty Insurer

Risk Retention Groups Registered

Company Name	State of Domicile	NAIC #	Effective Date
1. BUILDERS AND CONTRACTORS INSURANCE COMPANY, RRG	NV	N/A	3/5/02
2. CAPITAL ASSURANCE RISK RETENTION GROUP, INC.	SC	11194	1/29/02
3. DISTINGUISHED PROGRAMS REAL ESTATE RISK RETENTION GROUP, INC.	SC	11200	2/20/02
4. MARATHON FINANCIAL INSURANCE COMPANY, INC., A RISK RETENTION GROUP	SC	11117	2/5/02

5.	NATIONAL INDEPENDENT TRUCKERS INSURANCE COMPANY, INC., A RISK RETENTION GROUP	SC	11197	1/31/02
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Service Company Permits (A.R.S. 20-1095, et seq.)

	Company Name	State of Domicile	Effective Date
1.	AMERICAN AUTO GUARDIAN, INC.	IL	2/7/02
2.	CONSUMER PROGRAM ADMINISTRATORS, INC.	IL	2/11/02
3.	FIRST AUTOMOTIVE SERVICE CORPORATION	NM	1/14/02
4.	GE CAPITAL ADMINISTRATIVE SERVICES, INC.	FL	2/7/02
5.	GLOBE HOME WARRANTY COMPANY	FL	1/17/02
6.	SEARS PROTECTION COMPANY	IL	3/8/02
7.	SERVICE SAVER, INCORPORATED	FL	2/11/02
8.	SERVICEGUARD SYSTEMS, INC.	OH	1/23/02
9.	UNITED STATES WARRANTY CORP. OF FLORIDA	FL	1/8/02

Third Party Administrators (TPA)

	Company Name	State of Domicile	Effective Date
1.	BENEFIT PLANNERS LIMITED, L.L.P.	TX	3/18/02
2.	CONSECO SERVICES, LLC	IN	2/13/02
3.	EXLSERVICE.COM (I) PVT. LTD.	INDIA	3/15/02
4.	FAMILY HEALTH AMERICA, L.C.	KS	3/28/02
5.	MEDICAL GROUP INSURANCE SERVICES, INC.	UT	1/2/02
6.	MHN SERVICES	CA	2/4/02
7.	R/XX PHARMACY SOLUTIONS, INC.	AZ	2/19/02
8.	RENAISSANCE HEALTH CARE, INC.	DE	1/16/02

Utilization Review Agents

Company Name	State of Domicile	Effective Date
NO NEW ACTIVITY THIS QUARTER		

CHANGE OF AUTHORITY

Company Name	State of Domicile	NAIC #	Effective Date	Change
1. AKSARBEN LIFE INSURANCE COMPANY	AZ	82880	2/5/02	Converted To Life And Disability Insurer

2.	AMERICAN LABOR LIFE INSURANCE COMPANY	AZ	89427	1/2/02	Converted To Life & Disability Insurer
3.	AVEMCO INSURANCE COMPANY	MD	10367	2/5/02	Granted Surety
4.	MODERN WOODMEN OF AMERICA	IL	57541	1/3/02	Granted Variable Annuities and Variable Life
5.	SEABOARD SURETY COMPANY	NY	22535	3/20/02	Granted Casualty With Workers' Compensation
6.	T. H. E. INSURANCE COMPANY	LA	12866	1/24/02	Granted Casualty With Workers' Compensation

NAME CHANGES

	Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1.	AETNA LIFE INSURANCE AND ANNUITY COMPANY (to) ING LIFE INSURANCE AND ANNUITY COMPANY	CT	86509	1/1/02
2.	PENNSYLVANIA SUN LIFE INSURANCE COMPANY (to) BEACON LIFE INSURANCE COMPANY	AZ	N/A	1/16/02

ARIZONA REDOMESTICATIONS

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

ACQUISITIONS/MERGERS/WITHDRAWALS

Acquisitions of Arizona Companies

	Company Name	NAIC #	Date Order Filed	Acquired By
1.	ADVANCE INSURANCE COMPANY	83445	1/29/02	Anthem West, Inc.
2.	PROGRAMMED LIFE INSURANCE COMPANY	64866	2/25/02	Gardiner Limited Partnership #1 And Gregory J. Palmquist
3.	TM SPECIALTY INSURANCE COMPANY	10738	3/22/02	Millea Holdings Inc.
4.	WESTERN SECURITY LIFE INSURANCE COMPANY	73474	3/28/02	Delta Dental Plan Of California

Mergers involving Arizona Companies

	Company Name Merged Into	State of Domicile	NAIC #	Date Order Filed
1.	PINEBROOK MORTGAGE INSURANCE COMPANY PMI MORTGAGE INSURANCE COMPANY	IL AZ	10706 27251	3/12/02

Withdrawals from Arizona

	Company Name	State of Domicile	NAIC #	Date Order Filed
1.	AMERICAN MERCHANTS LIFE INSURANCE COMPANY	IL	90948	1/25/02
2.	AMERICAN SPECIALTY HEALTH REINSURANCE COMPANY	AZ	10098	3/29/02

3.	ANTHEM LIFE INSURANCE COMPANY OF CALIFORNIA	CA	65790	1/11/02
4.	BANKERS UNITED LIFE ASSURANCE COMPANY	IA	61387	2/26/02
5.	BERKSHIRE LIFE INSURANCE COMPANY	MA	61433	1/16/02
6.	BULKLEY LIFE INSURANCE COMPANY	AZ	N/A	3/14/02
7.	CADILLAC LIFE INSURANCE COMPANY	MI	98116	2/13/02
8.	CASUALTY INSURERS, INC.	AZ	37125	3/29/02
9.	C-N LIFE INSURANCE COMPANY	AZ	79650	3/29/02
10.	EMPIRE LIFE INSURANCE COMPANY	WA	62820	1/16/02
11.	FAR WEST INSURANCE COMPANY	NE	42633	1/11/01
12.	GRAND PACIFIC LIFE INSURANCE, LTD.	HI	63975	1/4/02
13.	HUMANA INSURANCE COMPANY	MO	62189	2/11/02
14.	KEYSTONE INSURANCE COMPANY	PA	11681	2/12/02
15.	LUTHERAN BROTHERHOOD	MN	57126	2/25/02
16.	MCNAMARA LIFE INSURANCE COMPANY	AZ	N/A	2/13/02
17.	MILWAUKEE LIFE INSURANCE COMPANY	WI	66125	2/25/02
18.	NACOLAH LIFE INSURANCE COMPANY	IL	85456	2/12/02
19.	NEWRECO REINSURANCE COMPANY	AZ	79731	3/26/02
20.	NORTHWEST LIFE ASSURANCE COMPANY OF AMERICA	WA	70777	2/7/02
21.	ROCKY MOUNTAIN LIFE INSURANCE COMPANY	CO	73334	1/11/02
22.	STANDARD LIFE AND CASUALTY INSURANCE COMPANY	UT	71706	2/25/02
23.	TEXAS STATE LIFE INSURANCE COMPANY	AZ	77615	3/26/02
24.	UNITED GUARANTY RESIDENTIAL INSURANCE COMPANY OF NORTH CAROLINA	NC	16667	2/11/02
25.	UNITED PRESIDENTIAL LIFE INSURANCE COMPANY	IN	70033	3/22/02
26.	VULCAN LIFE INSURANCE COMPANY	IN	70262	1/31/02
27.	WABASH LIFE INSURANCE COMPANY	IN	92436	3/22/02

SUSPENSIONS/REINSTATEMENTS

	Company Name	State of Domicile	NAIC #	Effective Date	Action
1.	AMERICAN HORIZON INSURANCE COMPANY	IL	28100	03/25/2002	Suspended
2.	PAULA INSURANCE COMPANY	CA	32115	03/26/2002	Suspended
3.	NATIONAL AUTOMOBILE AND CASUALTY INSURANCE CO.	CA	23701	03/26/2002	Suspended

SUPERVISIONS/RECEIVERSHIPS

Company Name	State of Domicile	NAIC #	Effective Date	Action Taken
1. RELIANCE INSURANCE COMPANY	PA	24457	03/14/2002	Ancillary Receivership

FINANCIAL EXAM REPORTS

Company Name	NAIC #	Date Report Filed
1. ARIZONA SCHOOL HEALTH INSURANCE PLAN, INC.	N/A	3/25/02
2. CASUALTY INSURERS, INC.	37125	2/14/02
3. CONSECO HEALTH INSURANCE COMPANY	78174	3/01/02
4. DELTA DENTAL PLAN OF ARIZONA, INC.	53597	1/07/02
5. PRUCO LIFE INSURANCE COMPANY	79227	3/08/02
6. TOTAL DENTAL ADMINISTRATORS HEALTH PLAN, INC.	52120	3/08/02

MARKET CONDUCT EXAM REPORTS/ORDERS

Company Name	State of Domicile	NAIC #	Date Filed	Civil Penalty	Restitution + Interest
1. American Casualty Co. of Reading, PA Continental Casualty Co. Use of unfiled rates.	PA IL	20427 20443	1/25/02	\$4,000	\$8,327.00 restitution
2. Coregis Insurance Co. Use of unfiled rates. Violations of prior consent order.	IN	21318	1/04/02	\$12,000	\$11,364.00, plus \$1,911.08 interest
3. Golden Rule Insurance Co. Use of non-compliant or unfiled forms. Failure to provide Notice of Insurance Information Practices. Acting as utilization review agent without certification. Use of misleading advertising.	IL	62286	3/18/02	\$0	\$0
4. Hawkeye Security Insurance Co. Use of unfiled rates. Improper claims processing. Improper cancellation and non-renewal procedures. Failure to respond to Department inquiry.	IA	21741	1/31/02	\$15,000	\$12,546.09 due, plus interest TBD
5. Metropolitan Insurance and Annuity Co. Improper claims processing.	DE	86428	1/23/02	\$0	\$0
6. Republic Western Insurance Co. Use of unfiled rates. Improper claims processing. Violations of prior consent order. Intentionally failing to return unearned premium and misrepresenting renewal premium.	AZ	31089	2/25/02	\$31,000	\$8,974.38, plus \$789.28 interest
7. Sierra Health and Life Insurance Co. Improper claims processing. Failure to provide compliant and timely renewal notices. Failure to provide Summary of Rights. Failure to provide Notice Information Practices. Issuing non-compliant health insurance policies. Use of unfiled or non-compliant advertising. Violations of prior consent order. Improper denial of emergency services by TPA. Failure to offer Arizona Basic Health Plan to qualified small employers.	CA	71420	1/04/02	\$60,000	TBD

8.	Trustmark Insurance Co. Improper claims processing. Failure to provide compliant and timely renewal notices. Failure to provide compliant Notice of Information Practices. Use of non-compliant and unfiled forms. Applying an inappropriate pre-existing condition exclusion. Improper appeals and grievance procedures. Failing to offer a group conversion policy that provides the most similar benefits to the policy being replaced.	IL	61425	2/26/02	\$49,900	TBD
9.	United American Insurance Co. Use of non-compliant claim forms. Failure to file Medicare supplement and long-term care advertising. Failure to provide individuals with a summary of the procedures used to request changes in recorded personal information.	DE	92916	1/16/02	\$2,650	\$0
10.	United Healthcare of Arizona, Inc. Improper claims processing. Use of non-compliant forms. Improper appeal and grievance procedures. Failure to provide a Summary of Rights. Used verbiage on policy forms that misrepresented Arizona appeal and grievance statutes. Use of non-compliant renewal notices.	AZ	96016	1/25/02	\$9,000	\$37.10 to be paid

OTHER DISCIPLINARY ACTIONS

Company Name NAIC #	Allegation	Disposition
NO NEW ACTIVITY THIS QUARTER		

PRODUCERS AND OTHER LICENSEES DISCIPLINED

Cause No. Name City – State	Allegation	Disposition
1. 01A-269 Gregory Alan Newton Tucson, AZ	Failure to report entry of a judgment involving fraud, deceit, or misrepresentation or a violation of any insurance or securities law; failure to immediately report to the director the imposition of any disciplinary sanction; used fraudulent, coercive or dishonest practices or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state; failure to notify the Department of a change in a licensee's business or residential address within thirty days.	1/11/02 Consent Order Licenses Revoked
2. 01A-270 Philip Michael Scafetta Chandler, AZ	Provided incorrect, misleading, incomplete or materially untrue information in the license application; misrepresentation or fraud in obtaining or attempting to obtain an insurance license; used fraudulent, coercive or dishonest practices, or demonstrates incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	2/13/02 Order License Revoked

3.	02A-035 Philip Barry Ortez, Jr., dba American Health Benefits, Ltd., Phil Ortez Insurance Agency, Inc. Scottsdale, AZ	Failure to disclose exceptions, reductions and limitations affecting the basic provisions of the policy in advertisements; failure to identify the insurer in advertisements.	2/14/02 Consent Order \$750 Civil Penalty
4.	01A-236 Yolanda Valdez Borquez Tucson, AZ	Record of having admitted or been found to have committed any insurance unfair trade practice or fraud. Conduct constitutes the use of fraudulent, coercive or dishonest practices.	3/13/02 Order License Revoked

RULES ACTIVITY

Citation	Title	Action	Status
1. R20-6-1801 – R20-6-1813	Prepaid Dental Plan Organizations	Rules approved by GRRC on 1/8/02; became effective when filed Secretary of State on 1/10/02	Effective 1/10/02
2. 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 filed with GRRC 3/27/02	Expected to be heard at 6/4/02 GRRC meeting
3. 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 filed with GRRC 3/18/02	Scheduled to be heard 5/7/02 at GRRC meeting
4. 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	Scheduled to be heard at 5/7/02 GRRC meeting
5. R20-6-208	Home Office Premium Tax	Expired	Effective September 30, 2001
6. R20-6-214 Exhibit A	Product Liability and Medical Malpractice Claims Report Exhibit of Premiums and Losses	Expired	Effective September 30, 2001
7. R20-6-218 Exhibit A Exhibit B	Exemption Standards for Life and Disability Forms Certification – Annual List of Exempt Life, Annuity, and Disability Forms Actuarial Certification - Annual List of Exempt Life and Annuity Forms	Expired	Effective September 30, 2001

8.	R20-6-301	Valuation of Common Stocks of Investment Companies	Expired	Effective September 30, 2001
9.	R20-6-302	Valuation of Reserves for Disability Policies	Expired	Effective September 30, 2001
10.	R20-6-305	Accounting for Reserves on Reinsurance; Reporting Requirements	Expired	Effective September 30, 2001

REGULATORY BULLETINS ISSUED

Number	Title	Date Issued
1. 2002-01	Revision of Property Damage Threshold for Purposes of A.R.S. § 20-1631(E)	1/28/02
2. 2002-02	Information Privacy Issues; Correction of Bulletin 2001-11	2/25/02
3. 2002-03	Property & Casualty Commercial Insurance Notices	3/15/02

**Arizona Department of Insurance
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