



## Deputy Director Begley Resigns

ADOI Deputy Director, Sara M. Begley, resigned her post, citing a desire to spend more time with her children. Her last day at the ADOI was June 13.

Deputy Director Begley graduated from the University of Arizona College of Law in 1985. She served as an Arizona Assistant Attorney General representing the ADOI, and then joined the ADOI as its Chief Hearing Officer in 1987. She took a hiatus from the ADOI commencing mid-1992, and re-

turned in the Fall of 1993 as the Deputy Receiver. In 1998, she was appointed Deputy Director.

“During my career at ADOI, I have had the extraordinary good fortune to have interesting, challenging work and dedicated, supportive people to work with....My sincere thanks to the creative, talented, smart, generous, experienced ADOI employees, current and past, that have helped me along the way,” she stated in a memo announcing her resignation.

In his announcement, Director Cohen called Ms. Begley’s departure “a loss of great magnitude for the Department.” He continued, “I could not have asked for a better person as Deputy Director. I know she has many friends at the Department, and will be sorely missed. Her talent and experience are simply irreplaceable. On behalf of the Department and myself, I express my gratitude for all her work and wise counsel.”

## Marks and Brown Named Acting Deputy Directors

With the resignation of Deputy Director, Sara Begley, Director Cohen named Gerrie Marks as Acting Deputy Director for Regulatory Affairs and Vista Brown as Acting Deputy Director for Policy Affairs.

Ms. Marks is a 1989 graduate of the Arizona State University College of Law. She practiced law in the private sector from 1990-1992. She served as an Arizona Assistant Attorney General from 1992 to 1997, representing the ADOI, the Department of Real Estate and the State Banking Department. She joined the ADOI in 1997 as Executive Assistant for Regulatory Affairs. As Acting Deputy Director for Regulatory Affairs, Ms. Marks assumes

penultimate authority over regulatory operations.

Ms. Brown is a 1986 graduate of the Arizona State University College of Law. She practiced law in Phoenix from 1987 to 1992. She worked as a legal and policy analyst for the Arizona Department of Economic Security from 1992 to 1998. She joined the ADOI in 1998 as

Executive Assistant for Policy Affairs. As Acting Deputy Director for Policy Affairs, Ms. Brown assumes penultimate authority over policy operations and external affairs, including legislative matters, rules, constituent relations and NAIC issues.

“I am very fortunate to have such experienced, high quality people available to fulfill the Deputy Director role,” said Director Cohen. “Both Gerrie and Vista are seasoned public lawyers and insurance regulators who have distinguished themselves through their work on the ADOI Executive Staff. They will hit the ground running in their enhanced roles.”

### What’s Inside

<b>Market Conduct.....</b>	<b>2</b>
<b>Legislative Report.....</b>	<b>3</b>
<b>Homeowners Market.....</b>	<b>5</b>
<b>Fraud Report .....</b>	<b>6</b>
<b>Around ADOI .....</b>	<b>8</b>
<b>Regulatory Report.....</b>	<b>9</b>

### Mission Statement

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

## Market Oversight Division Established

In April, Director Cohen established a new Market Oversight Division, comprised of the former Market Conduct Section and Investigations Section of the Consumer Affairs Division. MOD is organized into three sections: Investigations, Analysis and Examinations. Chief Market Conduct Examiner, Paul Hogan, heads up the division. Arnold Sniegowski continues as head of the Investigations Section. Maria Chavira has been appointed to the new position of Analysis Supervisor. Delbert Knight has been appointed to the new position of Examinations Supervisor.

The formation of MOD

consolidates much of the fact finding (investigative and examination) and enforcement activity relative to market activity in one area. This will enable a more integrated, flexible and cost-effective approach to market conduct oversight and enforcement. It supports the ADOI's transition to a market oversight strategy that features the selective use of a broad range of investigative, examination, research, analysis and enforcement tools. The ADOI will emphasize market analysis and tailor its regulatory approach as appropriate for particular parties or issues. The ADOI will certainly continue to perform market conduct field

examinations as warranted. However, the new organization will provide more tactical ability to resolve matters short of a full examination, and can better assure that a field examination is an appropriate and effective approach in a particular case. This will help the ADOI direct its enforcement resources to market issues posing the greatest risks to insurance consumers.

"This reorganization positions the ADOI to evolve our market examination and enforcement activities. We will seek to emphasize analysis, communication and

*(Continued on page 6)*

## ADOI Will Review Market Examination Process

The ADOI is preparing to conduct an open forum discussion on August 14 for stakeholders of the market conduct enforcement program to discuss improvements to examination and related administrative processes.

"The mechanism established by the Legislature to recover the cost of regulatory examination activity from examinees is highly beneficial and valuable to the insurance consumers and taxpayers of this state. However, the Department is fully aware that we have an obligation to administer the examination authority in a fair, professional and cost-effective manner," said Director Cohen. "Insurers are reasonable in asserting that market examination processes should be as objectified and articulated as possible so they can develop general expectations as to logistics and cost. Our objective must be to find ways to provide appropriate service to the insurance industry without compromising our primary obligation to the people of this state to independently,

effectively and seasonably regulate that industry."

At the August meeting, the ADOI plans to present information concerning its existing market examination and related administrative processes, and to discuss proposed improvements. Topics expected to be part of the discussion include:

- The process for initiation, administration and follow up of examinations
- Examination timelines
- Information and disclosures to examinees on matters such as examination budget, scope, projected duration, examiner rates, expenses, and invoice detail
- Processes for payment, collection and dispute of examination billings

The ADOI will be sending additional information to attendees in advance of the meeting. ☐

# Legislative Report

The first regular session of the Forty-sixth Arizona legislature adjourned sine die on June 19, 2003. September 18, 2003 is the general effective date for all legislation, other than legislation bearing an emergency clause or a delayed effective date. Several of the bills described in this article do have special effective date provisions.

The budget dominated legislators' attention during the last weeks of the session as legislators struggled to address a projected revenue shortfall of almost \$1 billion. ADOI's budget for FY 2004 was essentially carried forward from the current year. However, ADOI, like most other state agencies, will absorb increased costs for the employer's share of health insurance and retirement, without any corresponding increase in its appropriation. Some of this cost may be offset by judicial collections.

The Legislature enacted numerous insurance related measures in addition to the ADOI's three bills. A regulatory bulletin summarizing all insurance related measures is available on the ADOI's web site at <http://www.id.state.az.us/bulletin/2003-08.pdf>.

## ADOI Bills

**\*HB 2152. Captive Insurance.** This bill enhances Arizona's captive insurance laws by allowing formation of more forms of captive insurers and establishing a Captive Insurance Regulatory and Supervision fund.

**\*HB2153. Long-term care insurance.** This bill brings Arizona's long term care (LTC) laws into conformity with the NAIC model LTC law and adds provisions to enable the Director to better assure rate stability in the LTC market. Among other things, the bill expands the Director's rulemaking authority, clarifies the provisions for review and disapproval of policy forms, and gives the Director authority to review and disapprove rates. The bill also includes new provisions for timely processing of claims and provisions for non-forfeiture benefits and contingent benefits upon lapse.

The Department expects to proceed very shortly

with a rulemaking proceeding to update the Department's LTC rules to bring them into conformity with the current NAIC model.

**HB2160. Healthcare coverage; insurers; reporting.** This bill eliminates the January 1, 2004 sunset provisions for A.R.S. §§ 20-1381 and 20-1382, two HIPAA related provisions. The bill slightly modified insurers' reporting requirements under A.R.S. § 20-1382. A revised reporting form will be available on the Department's web site.

## Non-ADOI Bills

The following is a partial list of other insurance related bills that passed.

**HB2032. Insurance; consumer reports.** This bill places some limitations on insurers' use of certain credit history for the purpose of developing an insurance score.

**HB2049. State agency reports; repeal.** This bill repeals the ADOI's obligation to publish three reports: motor vehicle annual report; fraud unit report; and triennial accountable health plan report.

**HB2148. Mortgage guaranty insurance.** This bill clarifies the rate and form review process for mortgage guaranty insurance.

**HB2150. Insurers; continuing education.** This bill extends Arizona's insurance producer continuing education laws for another 10 years.

**HB2151. Vehicles; uninsured coverage; limits; notice.** This bill excuses insurers from maintaining the form indicating that an insured was offered UM/UIM coverage if the insured purchases such coverage at the allowable limits.

**HB2154. Insurance holding company systems.** This bill conforms A.R.S. 20-481.01, governing insurers' investments in subsidiaries, to the NAIC model Holding Company Act.

**HB2156. Insurance claim; vehicle lien.** This bill requires insureds/claimants, as part of a proof of loss, to include information about the existence of any liens against the vehicle

*(Continued on page 4)*

*(Legislation... Continued from page 3)*

involved in an accident, and holds the insured/claimant liable for damages arising from failure to provide accurate lien information. Insurers may rely on the information provided. The section does not apply if the insurer makes the claim proceeds payable to the lienholder as well as the insured, or to the repair facility.

**HB2186. Life insurance; annuities; replacement.** This bill codifies the NAIC model regulation regarding Replacement of Life Insurance and Annuities, and the model regulation on Annuity Disclosure.

**HB2211. Hospital emergency services; study.** This bill establishes a study committee on hospital emergency room services.

**HB2267. Towed vehicle retrieval; insurance.** This bill requires a towing company to release a towed vehicle to an insurer's designee on payment of reasonable expenses and fees. Failure to release precludes the towing company from charging more fees. A request for release must be in writing and include certain information about the insurer, the claimant, and the claim.

**HB2273. Structural pest control .** This bill clarifies the language regarding the form of insurance that a structural pest control company can use to provide financial security. The language clarifies that surplus lines coverage is acceptable.

**HB2283. Taxis; limousine, and sedan service; regulation** This bill establishes a comprehensive regulatory scheme for these types of vehicles, including financial responsibility requirements: \$300,000 motor vehicle liability insurance coverage, and \$750,000 in uninsured motorist coverage.

**HB2294. Motor vehicle regulation.** This bill makes several changes related to vehicle title, including a clarification of insurers' rights regarding salvage vehicles in a third party claim.

**HB2340. Credit life; disability reinsurers; reserves.** This bill amends A.R.S. § 20-1094.01 to permit a credit life and disability reinsurer to use a clean, irrevocable letter of credit to secure liabilities assumed under a reinsurance agreement.

**HB2358. Health coverage impact.** This bill expands the requirements for what proponents of a new health insurance coverage mandate must show regarding the impacts that the mandate may have on availability and affordability of insurance.

**HB2429. Social security numbers.** This bill places new restrictions on use of social security numbers for identification purposes.

**SB1010. Medical malpractice actions; elder abuse.** This bill places some limits on a plaintiff's ability to sue a provider for both medical malpractice and elder abuse. It also shortens the statute of limitations on elder abuse from 7 to 2 years.

**SB1048. Professional employer services.** This bill makes several changes to the workers' compensation laws to recognize the existence of professional employer service agreements, and to discuss how they should be treated under Title 23.

**\*SB1265. Insurance policy; cancellation.** This bill requires that an insurer using information from a data exchange for underwriting (e.g. a CLUE report), must get the information on the premises and the applicant as soon as practicable after the person applies for insurance, and before issuing a binder. Failure to timely get the information precludes the insurer from declining coverage or terminating a binder. Thirty days after application, the insurer cannot decline or terminate coverage based on information from the report. The insurer retains the right to decline or terminate based on the condition of the premises, as determined through a physical inspection.

**\*SB1266. Residential property; insurance.** This is a companion bill to SB1265. It prohibits an insurer from charging a policyholder increased premiums based on a single, below deductible claim not exceeding \$500 in a three year period.

Interested persons can review enacted legislation on the Arizona legislative web site at [www.azleg.state.az.us](http://www.azleg.state.az.us). Make sure that you are searching under "First Regular Session". Any questions about ADOI legislative matters should be directed to Vista Thompson Brown, Acting Deputy Director for Policy Affairs, [vbrown@id.state.az.us](mailto:vbrown@id.state.az.us).

Watch the ADOI website for a summary of legislation to be proposed in 2004.

## Overview: Arizona Homeowners' Market

Relying upon insurers' 2002 year end annual statements, 2002 rate filings, and responses to a 2003 survey, the ADOI has assessed the current Arizona homeowners' (HO) insurance market.

### Some of the ADOI's findings are:

#### Annual statement information:

- Written premiums increased about 21% over the prior year due, in major part, to 82 insurers taking one or more rate increases in 2002, resulting in a market-share weighted average total rate change of +16.85%.
- Incurred losses increased 19.73%.
- Only 111 of 193 insurers wrote \$100,000 or more in premium and only 17 wrote more than 1% of the market.
- The Top 25 insurers, of which 10 belong to one of four company groups, controlled 84.2% of the market.

#### Historical Experience (All Insurers Page 24, Line 4, Annual Statement Data, Year Ending December 31)

	1	2	3	4	5
CY	Written Premium	Earned Premium	Paid Losses	Incurred Losses	Incurred Loss Ratio (Col 4/ Col 2)
2002	\$772,230,481	\$696,864,381	\$487,672,489	\$520,693,277	74.7%
2001	\$638,174,000	\$599,580,000	\$402,034,000	\$434,896,000	72.5%
2000	\$561,032,000	\$540,551,000	\$354,661,000	\$ 341,718,000	63.2%

#### General Information Compiled From Surveys:

- 197 insurers responded to the 2003 survey, but 93 no longer write HOs in Arizona or only write restricted programs.
- The average underwriting expense ratio (32.85%) and incurred loss ratio (74.57%) for the 104 insurers writing resulted in their having an average 2002 Arizona combined ratio of 107.42%. For every \$1 collected, the 104 incurred \$1.07.
  - **The majority of surveyed insurers said:**
    - Competition remains high.
    - The market price has substantially increased, but pricing levels are just about right (a change from 2002 when insurers said that market rates were too low).
    - Reinsurance is available.
    - It is not particularly difficult for an insurer to enter the market.
  - **The majority of the surveyed insurers said that their particular company:**
    - Faces profitability issues with HOs in Arizona. Only six insurers report an underwriting profit in HOs in Arizona.
    - Will maintain its current underwriting approach. However, 22 insurers will become more conservative.
    - Is actively seeking new business with some measure of intensity (53 insurers). However, 41 insurers will write new business but are not seeking it with any intensity; and 10 insurers are not actively seeking it at all.
    - Has not materially increased its new business declinations and/or nonrenewals or cancellations since 2002.

**Summary:** Competition exists, although the market is concentrated in a relatively small number of insurers. Coverage is essentially available to the same extent as prior years. Rates are increasing, but a wide range of rate differentials exists and competition is maintaining premiums at affordable levels. Although more insurers are exiting than entering, 93 insurers could enter at any time should they so decide.

# **Fraud Unit Report**

## **New Address for the Unit**

Please note, while phone and fax numbers remain the same, the Fraud Unit has a new mailing address:

Arizona Department of Insurance Fraud Unit  
2929 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018-7242  
Tel: 602-912-8418  
Fax: 602-912-8419

## **Bass Arrested, Greene Indicted**

**Wesley Neil Bass:** Special Investigators with the ADOI Fraud Unit, and the Tucson Police Department, arrested Wesley Neil Bass at his residence in Tucson, Arizona on May 19, 2003. Bass was arrested on an outstanding warrant charging him with Attempted Fraudulent Schemes (a class 3 felony), on allegations of selling long term care insurance policies to local residents without a license. Bass' insurance license was previously revoked by an administrative order on November 21, 2002 for misappropriation, misrepresentation, and deceptive sales tactics (Docket No. 02A-110-INS). Bass ignored the revocation of his license and continued selling insurance, which led to his recent arrest. The Department became aware of Bass' continued sales activity when contacted by the caregiver of an elderly Tucson woman who was suspicious about Bass' activities. Fraud Unit investigators identified at least three life and long term care insurance policies that Bass had sold to elderly victims after his license had been revoked.

**Diana Greene:** On May 16, 2003, the Arizona Grand Jury indicted Diana Lee Greene, a licensed insurance agent on three counts each of Felony Theft and Fraudulent Schemes. Ms. Greene marketed the bonds through her insurance agency, International Bond Source, L.L.C. A criminal investigation uncovered evidence of Greene selling fictitious and fraudulent surety bonds, allegedly to victims in several states. In some cases, Ms. Greene is purported to have collected premiums for bonds but made no application with any insurance company for a bond purchase. Instead, she kept the premiums and gave her victims phony documents that appeared to substantiate the bond purchase. In other cases, she allegedly sold bonds to customers from insurers not licensed to transact insurance in Arizona. Claims of victims in this case are estimated at approximately \$1.5 Million.

The ADOI summarily suspended the insurance licenses of Ms. Greene and her agency, International Bond Source, LLC, on February 12, 2003 (Docket No. 03A-019-INS). An administrative hearing is pending. ☐

*(Market Conduct...Continued  
from page 2)*

collaboration with the industry, promotion of insurer self-correction, cost-effectiveness, and development of a range of available fact finding and enforcement approaches," explained Director Cohen.

Director Cohen also announced that the Rates and Regulations Division is renamed the Property and Casualty Division. Its "Property and Casualty Section" is renamed the "Rates and Forms Section". The "Registration Section" retains its name. There are no changes to the Division other than these redesignations.

The Consumer Affairs Division will focus on assisting consumers, responding to consumer inquiries, grievances and complaints, and referral of enforcement matters to MOD.

**Insurance Regulator  
Published by the Arizona  
Department of Insurance  
2910 N. 44th St., Suite 210  
Phoenix, AZ 85018  
Janet Napolitano, Governor  
Charles R. Cohen, Director  
Erin H. Klug,  
Public Information Officer  
(602) 912-8456  
[www.id.state.az.us](http://www.id.state.az.us)**

## Regulator Profile

In April, the ADOI held its annual Employee Recognition Ceremony. The following personnel received awards.

*Erin H. Klug*, Special Assistant to the Director, was named 2002 **Employee of the Year** for, among other things, her dedicated work to ensure that the victims of the Rodeo/Chedeki fires remained



well informed about their insurance rights and all available ADOI services.

*John Kittlesrud*, a Network Specialist in the Information Services Division, was awarded a **Special Commendation** for his tireless and enthusiastic work on revamping the ADOI's website.



*Tom Boston*, is an Insurance Analyst III in the Life and Health Division, and a 15 year veteran of the Department. Tom received a **Special Commendation** for his outstanding work performance, resourcefulness and his relationship with co-workers. His knowledge, attention to detail, sense of humor, and strong work ethic make him a valuable analyst and a resource to many around the ADOI.

Photo Not Available

## ADOI Urges Accommodation of Deployed Policyholders

On April 15, the ADOI issued a Regulatory Bulletin (No. 2003-04), "[Property and Casualty Insurance; Insurance Protection For Policyholders Who Have Been Deployed For Military Duty; Coverage Continuation and/or Coverage Suspension](#)" in response to Governor Napolitano's Executive Order 2003-10, "Ensuring Benefits and Protections for Arizona Servicemen and Women". The Director strongly encourages insurers to do whatever is within their prerogative to ensure that deployed policyholders are not penalized for their period of deployment. The bulletin asks insurers to do at least the following with regard to property and casualty insurance policies such as automobile, homeowners, medical malpractice, and small business:

- Notify policyholders, as soon as practicable, that if they have been deployed they may designate an adult third party to serve as an attorney-in-fact to receive bills, notices, and other correspondence related to the policyholder's insurance coverage.
- Provide policyholders with an option to suspend or remove insurance coverage, without penalty, while deployed for military duty.
- Give a credit or premium refund for the suspension or removal of coverage and reinstate full coverage without penalty when the policyholder returns from active duty.
- Refrain from non-renewing policies of insureds in active duty status who keep premium payments current.

# Around ADOI

## Director's Office

### Cabinet Meets in Tucson

On June 4, Governor Napolitano convened her Cabinet in Tucson. Apparently, this was the first-ever Cabinet meeting outside of Phoenix. The Cabinet was enthusiastically received by Southern Arizona stakeholders. After the meeting, Director Cohen conducted business at the ADOI's Tucson office, and then met with constituents from the IIAB and NAIFA organizations at D.M. Lovitt Insurance and Berwick-Himes Insurance Services.

"There is much more to Arizona than Maricopa County," said Director Cohen, "and I think it was great for the Governor to convene the Cabinet in Tucson. I had a great afternoon meeting with insurance producers in Tucson and hearing about what is on their minds."

### Hearing Scheduled for Credit Property and Credit Unemployment Rates

A hearing is scheduled for July 24, 2002 to consider ADOI recommendations for loss ratio standards and prima facie rates, as required under 2002 legislation originated by the ADOI. The ADOI's actuarial reports evaluate the experience data related to credit unemployment and credit property insurance, and explain the basis for the recommendation. The reports are on the ADOI website at <http://www.id.state.az.us/inspubs.html#creditins>.

### Credit L&D Rates Now Effective

On April 1 the new Arizona prima facie rates for credit life and credit disability insurance went into effect. To view the Order and new rates, visit [http://www.id.state.az.us/publications/prima\\_facie\\_order.pdf](http://www.id.state.az.us/publications/prima_facie_order.pdf).

## Market Oversight Division

### MOD Conducts Survey of Title Industry

Given housing industry growth in Arizona in recent years, MOD conducted its first market monitoring survey of the title insurance industry. MOD surveyed 74 title agencies in Arizona to ascertain the amount of Arizona written premium and

policies issued for both Calendar Year 2002 and 1<sup>st</sup> Quarter 2003. Survey results will be incorporated into MOD's market analysis operations.

## Financial Affairs Division and Captive Insurance Division

### Phones Automated

To provide improved service to the customers of these Divisions, an automated phone line with a brief recording has been installed. Callers to the (602) 912-8420 number may enter the extension number of the person they are calling or wait for operator assistance. Or, they can choose from 5 options depending on the topic of inquiry. Here is an easy reference list of the options:

- Captive Insurance..... Press #1
- Insurer licensing, withdrawals, acquisitions or mergers ..... Press #2
- Tax, financial statements or other statutory reporting ..... Press #3
- [There is *no* option 4]
- Certificates of compliance, authority, deposit or valuation..... Press #5
- Public Records..... Press #6
- Website address..... Press #7

Most callers to these Divisions are repeat callers who quickly become familiar with the option number they use most often or who are able to directly enter an extension number.

## Consumer Affairs

### Updated Consumer Publications

During the last quarter, ADOI published updated versions of its two complaint ratio brochures on [Personal Lines](#) and [Managed Care](#) insurers. In addition, the latest edition of our [Mobile Homeowners Premium Comparison](#) was issued. The Personal Lines Complaint Ratio and Mobile Homeowners Premiums comparison publications are available in Spanish, as are several other ADOI publications. ■



**COMPANY ACTIONS****NEW LICENSES ISSUED****Domestic Companies**

	<b>Company Name</b>	<b>NAIC #</b>	<b>Effective Date</b>	<b>Type</b>
1.	APPLIED MEDICO-LEGAL SOLUTIONS RISK RETENTION GROUP, INC.	11598	4/30/03	Risk Retention Group
2.	FIRST AMTENN LIFE INSURANCE COMPANY	72257	4/22/03	Life & Disability Reinsurer
3.	LAKESIDE CAPTIVE INSURANCE COMPANY	N/A	5/21/03	Pure Captive Insurer
4.	OLD REPUBLIC LIFE INSURANCE COMPANY OF ARIZONA	11556	4/22/03	Life & Disability Reinsurer
5.	RED SHIELD SURPLUS INSURANCE CO.	11667	5/30/03	Property & Casualty Insurer
6.	TUCSON MATHER PLAZA, LLC Facility: SPLENDIDO AT RANCHO VISTOSO	N/A	6/18/03	Life Care Provider Provisional Permit

**Foreign Companies**

	<b>Company Name</b>	<b>State of Domicile</b>	<b>NAIC #</b>	<b>Effective Date</b>	<b>Type</b>
1.	AMERICAN CENTURY CASUALTY COMPANY	TX	10807	5/22/03	Property & Casualty Insurer
2.	FINANCIAL CASUALTY & SURETY, INC.	TX	35009	4/24/03	Casualty Insurer
3.	G. U. I. C. INSURANCE COMPANY	OH	38652	4/17/03	Property & Casualty Insurer
4.	INTREPID INSURANCE COMPANY	MI	10749	6/23/03	Property & Casualty Insurer
5.	UNIVERSAL CASUALTY COMPANY	IL	42862	4/1/03	Property & Casualty Insurer
6.	USAUTO INSURANCE COMPANY, INC.	TN	10336	4/7/03	Property & Casualty Insurer

**Risk Retention Groups Registered**

	<b>Company Name</b>	<b>State of Domicile</b>	<b>NAIC #</b>	<b>Effective Date</b>
1.	JAMESTOWN INSURANCE COMPANY, A RISK RETENTION GROUP	SC	11589	04/08/03
2.	AMERICAN TRUCKING AND TRANSPORTATION INSURANCE COMPANY, A RISK RETENTION GROUP	MT	11534	04/14/03
3.	CONTRACTORS INSURANCE COMPANY OF NORTH AMERICA, INC., A RISK RETENTION GROUP	HI	11603	05/28/03

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

	<b>Company Name</b>	<b>State of Domicile</b>	<b>Effective Date</b>
1.	FIRST ASSURED WARRANTY CORPORATION	CO	04/22/03
2.	EQUIGUARD, INC.	IL	05/02/03
3.	NATIONAL WARRANTY CORPORATION	OR	06/04/03

**Third Party Administrators (TPA)**

Company Name	State of Domicile	Effective Date
1. TMG HEALTH, INC.	DE	04/07/03
2. DISABILITY MANAGEMENT ALTERNATIVES, LLC	MA	04/25/03
3. KEY BENEFIT ADMINISTRATORS	IN	05/21/03
4. SPECTERA, INC	MD	05/22/03
5. EMPLOYER PLAN SERVICES, INC. dba EPSI ADMINISTRATORS, INC.	TX	06/05/03
6. INGENIUM BENEFITS, INC.	NE	06/23/03

**Utilization Review Agents**

Company Name	State of Domicile	Effective Date
1. WELLPOINT DENTAL SERVICES	DE	04/29/03

**CHANGE OF AUTHORITY**

Company Name	State of Domicile	NAIC #	Effective Date	Change
1. ARCH INSURANCE COMPANY	MO	11150	5/22/03	Surety Granted
2. M & I INSURANCE COMPANY OF ARIZONA, INC.	AZ	98981	5/22/03	Converted to Life and Disability Reinsurer
3. MERCANTILE LIFE INSURANCE COMPANY	AZ	N/A	6/11/03	Converted to Unaffiliated Credit Life and Disability Reinsurer
4. MICHIGAN MILLERS MUTUAL INSURANCE COMPANY	MI	14508	5/7/03	Workers' Compensation Terminated
5. QBE INSURANCE CORPORATION	PA	39217	5/22/03	Disability Granted
6. RADIAN ASSET ASSURANCE INC.	NY	36250	5/5/03	Limitations To Credit and Residual Value Terminated
7. STATE NATIONAL INSURANCE COMPANY, INC.	TX	12831	6/9/03	Marine and Transportation Granted
8. ZURICH AMERICAN INSURANCE COMPANY	NY	16535	6/12/03	Prepaid Legal (CH. 4, ART. 13) Granted

**NAME CHANGES**

Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1. ADMIRAL LIFE INSURANCE COMPANY OF AMERICA (to) RENAISSANCE LIFE & HEALTH INSURANCE COMPANY OF ARIZONA	AZ	71390	4/16/03
2. AUSA LIFE INSURANCE COMPANY, INC. (to) TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY	NY	70688	4/1/03
3. COMBINED SPECIALTY INSURANCE COMPANY (to) VIRGINIA SURETY COMPANY, INC.	IL	40827	4/1/03
4. CONSECO VARIABLE INSURANCE COMPANY (to) JEFFERSON NATIONAL LIFE INSURANCE COMPANY	TX	64017	5/1/03
5. MILWAUKEE MUTUAL INSURANCE COMPANY (to) MILWAUKEE INSURANCE COMPANY	WI	14591	4/1/03

**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
1. STOP-LOSS LIFE REINSURANCE COMPANY (into) UNIMERICA INSURANCE COMPANY	AZ WI	71609 91529	6/17/03

**Withdrawals from Arizona**

Company Name	State of Domicile	NAIC #	Date Order Filed
1. CHARTWELL INSURANCE COMPANY	CT	36870	4/15/03
2. COLUMBIA INTERSTATE LIFE INSURANCE COMPANY	AZ	N/A	6/9/03
3. DELTA LIFE AND ANNUITY COMPANY	KS	65145	4/8/03
4. FARM BUREAU INSURANCE COMPANY OF NEBRASKA	NE	13749	5/28/03
5. FARM BUREAU MUTUAL INSURANCE COMPANY, INC.	KS	21520	6/2/03
6. FINANCIAL COOPERATIVE LIFE INSURANCE COMPANY	AZ	71846	4/1/03
7. HIGHLANDS UNDERWRITERS INSURANCE COMPANY	TX	22497	6/9/03
8. MISSION AMERICAN INSURANCE COMPANY	CA	25607	5/12/03
9. NEW DOMINION LIFE INSURANCE COMPANY	AZ	78450	6/2/03
10. OLD LINE LIFE INSURANCE COMPANY OF AMERICA	WI	67245	5/28/03
11. UNIVERSITY PHYSICIANS HEALTH MAINTENANCE ORGANIZATION, INC.	AZ	96695	6/9/03

**SUPERVISIONS/RECEIVERSHIPS**

Company Name	State of Domicile	NAIC #	Effective Date	Action Taken
1. REPUBLIC WESTERN INSURANCE COMPANY	AZ	31089	5/20/03	Supervision

**FINANCIAL EXAM REPORTS**

Company Name	NAIC #	Date Report Filed
1. AMERICAN UNDERWRITERS LIFE INSURANCE COMPANY	92649	6/19/03
2. ARIZONA LOCAL GOVERNMENT EMPLOYEE BENEFIT TRUST	7011	4/17/03
3. ARIZONA MUNICIPAL RISK RETENTION POOL	7001	5/30/03
4. ASSOCIATED DEALERS LIFE INSURANCE COMPANY	81485	4/17/03

5.	BANKERS FINANCIAL LIFE INSURANCE COMPANY	62723	6/5/03
6.	CIGNA DENTAL HEALTH PLAN OF ARIZONA, INC..	47013	6/5/03
7.	CONESTOGA CASUALTY INSURANCE COMPANY	37133	6/18/03
8.	CONGRESS LIFE INSURANCE COMPANY	73504	5/2/03
9.	DALLAS MECHANICAL INSURANCE COMPANY	34045	5/15/03
10.	EDUCATORS LIFE INSURANCE COMPANY OF AMERICA	75892	5/9/03
11.	ELECTRIC COOPERATIVE LIFE INSURANCE COMPANY	79782	6/18/03
12.	EXPLORER INSURANCE COMPANY, THE	40029	6/18/03
13.	FIRSTMERIT CREDIT LIFE INSURANCE COMPANY	72486	6/24/03
14.	GREAT SOUTHEASTERN LIFE INSURANCE COMPANY	84395	6/5/03
15.	INDEPENDENCE ONE LIFE INSURANCE COMPANY	89621	4/17/03
16.	IOWA FIDELITY LIFE INSURANCE COMPANY	87475	5/9/03
17.	MISSISSIPPI VALLEY LIFE INSURANCE COMPANY	75396	4/29/03
18.	NORTH AMERICAN NATIONAL RE INSURANCE COMPANY	60118	6/18/03
19.	OLD REPUBLIC MINNEHOMA INSURANCE COMPANY	35424	6/5/03
20.	OMEGA RESINSURANCE CORPORATION	85774	6/18/03
21.	PEOPLE OF FAITH, INC.	95249	5/30/30
22.	PIONEER MILITARY INSURANCE COMPANY	91570	5/9/03
23.	PRUCO LIFE INSURANCE COMPANY	79227	4/21/03
24.	REPUBLIC WESTERN INSURANCE COMPANY	31089	5/19/03
25.	SCOTTSDALE SURPLUS LINES INSURANCE COMPANY	10672	5/9/03
26.	SIGHTCARE, INC.	47012	5/30/03
27.	SOCIAL SERVICES CONTRACTORS INDEMNITY POOL	7003	5/9/03
28.	TM SPECIALTY INSURANCE COMPANY	10738	5/9/03
29.	UNITED DENTAL CARE OF ARIZONA, INC.	47708	5/2/03
30.	UNITED DENTAL CARE INSURANCE COMPANY	97870	5/2/03
31.	UNITED HEALTHCARE OF ARIZONA, INC.	96016	6/6/03
32.	VERDE VALLEY EMPLOYEE BENEFIT TRUST	7012	4/29/03
33.	WESTERN HERITAGE INSURANCE COMPANY	37150	5/9/03

**MARKET CONDUCT EXAM REPORTS/ORDERS**

Company Name Findings	State of Domicile	NAIC #	Date Filed	Civil Penalty	Restitution + Interest
1. Conseco Health Insurance Company Improper claims processing procedures.	AZ	78174	5/23/03	\$0	\$1,271.14
2. Hartford Insurance Company of the Midwest Improper claims processing procedures.	IN	37478	6/24/03	\$0	\$504.52
3. National American Insurance Company of California Improper claims processing procedures. Use of non-compliant cancellation notice.	CA	23671	6/3/03	\$0	\$2,501.20
4. Reliastar Life Insurance Company Desk examination of exempt policy forms.	MN	67105	4/11/03	\$0	\$0
5. Travelers Life and Annuity Company Use of non-compliant annuity application forms. Performed HIV-related test prior to obtaining written consent.	CT	80950	4/1/03	\$16,000	\$0
6. Travelers Insurance Company Use of non-compliant annuity application forms.	CT	87726	4/28/03	\$0	\$0

**SUSPENSIONS/REINSTATEMENTS**

Company Name	State of Domicile	NAIC #	Effective Date	Action
1. INTERNATIONAL INDEMNITY COMPANY	GA	35777	4/1/03	Suspended
2. PENN TREATY NETWORK AMERICA INSURANCE COMPANY	PA	63282	4/10/03	Reinstated
3. PROVIDENT INDEMNITY LIFE INSURANCE COMPANY	PA	68187	6/19/03	Suspended
4. RECIPROCAL OF AMERICA	VA	33812	5/2/03	Suspended
5. SUBSCRIBERS AT CASUALTY RECIPROCAL EXCHANGE	MO	21237	4/1/03	Suspended
6. WESTERN GROWERS INSURANCE COMPANY	CA	29947	4/8/03	Suspended

**OTHER ENFORCEMENT ACTIONS**

Company Name NAIC #	Allegation	Disposition
1. PENNSYLVANIA CASUALTY COMPANY	Insurer is in Rehabilitation in PA. Opted to have AZ license revoked.	Revoked

**PRODUCERS AND OTHER LICENSEES DISCIPLINED**

Cause No. Name City - State	Allegation	Disposition
1. 03A-011 Hyland Ashmore Stokes, Jr., and Estate Planning Protection, Inc. Phoenix, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	4/8/03 Order Licenses Suspended for 12 Months

2. 03A-026 Robert Dale Hylton dba Financial Design Concepts Glendale, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	4/11/03 Order License Revoked
3. 03A-016 Glenn Andrew Roberts and Michael Jeffrey Scott, dba Advantage Bail Bonds Phoenix, AZ	Improperly withheld, misappropriated, or converted monies or properties received in the course of doing insurance business; used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state; failed to maintain a place of business in this state that is accessible to the public; failed to maintain a daily bond register; failed to provide proper receipts; failed to maintain a surety bond; failed to return collateral upon final termination of liability of the bond.	4/11/03 Order Licenses Revoked
4. 03A-075 Vito B. Gruppuso Newark, NJ	Insurance producer license suspended in another state.	4/16/03 Consent Order License Revoked
5. 03A-027 Charles Edward Conatser Tucson, AZ	Obtained or attempted to obtain a license through misrepresentation or fraud; conduct constituted fraudulent, dishonest practices or demonstrated untrustworthiness or financial irresponsibility in the conduct of business in this state.	4/22/03 Order License Revoked
6. 03A-031 Kimberly Jo Smith Chesapeake, VA	Insurance producer's license revoked in another state. Failed to timely notify the Department of action taken against the producer in another jurisdiction.	5/12/03 Order License Revoked
7. 03A-007 Roger George Lancette and National Estate Services & Planning, L.L.C. Scottsdale, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business; made misrepresentations to policyholders for the purpose of inducing or tending to induce the policyholder to lapse, forfeit, surrender, retain or convert any insurance policy.	5/12/03 Order Licenses Revoked
8. 02A-170 William Edward Bergh dba National Financial Group Phoenix, AZ	Insurance producer's license, or its equivalent denied, suspended or revoked in any state; used dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business.	5/12/03 Order Licenses Revoked
9. 03A-083 John Michael Dombroski, Jr., and National Future Benefits Unlimited, Inc. Scottsdale, AZ	Failure to disclose the name of the insurer in any advertising materials.	5/12/03 Consent Order \$1,250 Civil Penalty
10. 03A-087 Philip Lee Dean Phoenix, AZ	Failure to disclose the name of the insurer in any advertising materials.	5/21/03 Consent Order \$2,500 Civil Penalty

# Regulatory Activity Report Second Quarter 2003

11. 03A-040 Mark Alan Melkowski, Sr., and Eagle Communications, Inc. Scottsdale, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state; made misrepresentations to any policyholder for the purpose of inducing or tending to induce the policyholder to lapse, forfeit, surrender, retain or convert any insurance policy.	5/23/03 Order License Revoked
12. 03A-047 Tad Lyn Ulrich Phoenix, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	5/27/03 Order Licenses Revoked \$2,500 Civil Penalty
13. 03A-066 David Lee Patton San Diego, CA	Insurance producer's license, or its equivalent, denied, suspended or revoked in any other state; failure to inform the Director of change of address for residence and business; failure to report any administrative action or any criminal prosecution in any jurisdiction.	5/27/03 Order License Revoked
14. 03A-077 Harry Marantides Tucson, AZ	Obtained or attempted to obtain a license through misrepresentation or fraud; committed any insurance unfair trade practice or fraud; used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state; had an insurance producer license, or its equivalent, denied, suspended or revoked in any other state; forged another's name to any document related to an insurance transaction.	6/9/03 Order License Revoked
15. 02A-177 Donald W. Kaitz Scottsdale, AZ	Obtained or attempted to obtain a license through misrepresentation or fraud; improperly withheld monies received in the course of doing insurance business.	6/9/03 Notice of Declination to Review Recommended Decision 6/11/03 Certification of Decision of Administrative Law Judge License Suspended for 6 Months
16. 03A-074 Jim Mitchell Hahaj Birmingham, AL	Conduct constitutes having been convicted of a felony; had insurance producer's license or its equivalent denied, suspended or revoked in any other state; failure to inform the director, in writing within thirty days, of any change of address; failure to obtain and keep in good standing residents license in home state; failure to notify the director within thirty days after the final disposition of any administrative action taken against the producer in another jurisdiction or by another governmental agency in this state.	6/10/03 Order License Revoked
17. 03A-060 Emilia Genieveve Gracia fka Emilia Genieveve Salaz Tucson, AZ	Failure to maintain a \$10,000 surety bond; failure to inform the director in writing within thirty days of any change in residential or business address.	6/16/03 Order License suspended until 60 days after bond obtained
18. 02A-194 Donald Gene Sever Scottsdale, AZ	Used fraudulent, coercive or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state.	6/27/03 Order License Suspended for 60 Days \$1,000 Civil Penalty

**RULES**

Citation	Title	Action	Status
1. R20-6-702 - R20-6-707	Art. 7. Licensing Provisions and Procedures	Notice of Rule Expiration	These Sections expired on 4/30/03; does not include R20-6-708
2. R20-6-20 - R20-6-203, R20-6-2 R09, 20-6-210, R20-6-212, R20-6-213, R20-6-215, R20-6-216	Article 2. Transaction of Insurance	Notice of Rulemaking Docket Opening published 6/20/03	Department expects to propose rulemaking during 3rd quarter of 2003

**REGULATORY BULLETINS**

Number	Title	Date Issued
1. 2003-04	Property and Casualty Insurance; Insurance Protection for Policyholders who have been Deployed for Military Duty; Coverage Continuation and/or Coverage Suspension	04/9/03
2. 2003-05	AIDS/HIV Testing and Consent Form; Release of Related Information	05/13/03
3. 2003-06	Licensure as Title Insurance Agent and as Escrow Agent	06/9/03
4. 2003-07	A.R.S. §20-443(A)(6) – Prohibition Against Referring to the Arizona Insurance Guaranty Funds in Connection with the Sale of Insurance Policies	06/9/03

**PRESS RELEASES**

	Title	Date Issued
1.	ADOI Offers Resources for Homeowners Insurance Consumers	April 2, 2003
2.	Director of Insurance Urges Insurers to Accommodate Deployed Policyholders	April 16, 2003
3.	Department of Insurance Offers New Website Services	May 16, 2003
4.	Department of Insurance Places Republic Western Insurance Company Under Supervision	May 20, 2003
5.	Tucson Man Arrested for Fraudulent Insurance Sales	May 22, 2003
6.	Department of Insurance Investigation Leads to Indictment in Phony Surety Bond Case	May 27, 2003
7.	Arizona Department of Insurance Can Provide Information and Assistance to Wildfire Policyholders	June 25, 2003