



Second Quarter 2004

# Insurance Regulator

State of Arizona  
DEPARTMENT OF  
INSURANCE

Janet Napolitano  
Governor  
Christina Urias  
Director



## From the Director...

It has come to my attention that an increasing number of insurance producers are selling a greater variety of investment products, such as promissory notes, viatical settlement contracts, and factoring programs to their insurance clients. As you may recall, the ADOI issued a press release in 2001 highlighting potential problems from such sales ([www.id.state.az.us/press/press01-04.pdf](http://www.id.state.az.us/press/press01-04.pdf)). Unfortunately, according to statistics from the Securities Division of the Arizona Corporation Commission, the number of insurance producers involved in illegitimate securities sales is on the increase.

In most cases, investment promoters tempt insurance agents into these programs with offers of high returns and high commissions. *If it sounds too good to be true, it probably is.* All too often, these cases involve fraudulent investments which result in huge financial losses to the clients and agents' exposure to federal

and state security law violations, substantial penalties, and possible license revocation.

Producers who engage in illegal securities sales betray their clients' trust and demonstrate financial irresponsibility. Between 2002-2003, the ADOI revoked or suspended six (6) producer licenses as a result of such securities violations. ADOI will continue to work closely with the Securities Division of the Arizona Corporation Commission to pursue regulatory action against such producers, even though their illegal conduct does not necessarily involve insurance products.

I urge you to review the following message from Securities' Director, Matthew Neubert, and carefully consider the investments you propose to your clients and avoid these fraudulent schemes. Do your own due diligence and do not rely solely on information from promoters and marketing firms. For more information, contact the Securities Division at 602-542-4242 or toll free at 1-866-Verify-9 or visit their website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).

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### Mission Statement

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

*Excerpts from:*  
LICENSED INSURANCE AGENTS AND “ALTERNATIVE INVESTMENT” PRODUCTS  
By Matthew J. Neubert  
Director of the Securities Division

A variety of marketing firms are seeking insurance agents to sell products that the firms describe as attractive alternatives to standard insurance or investment vehicles. The marketing firms are approaching insurance agents because the agents have extensive established relationships with potential investors who trust them. The alternative financial products the firms promote include promissory notes, ATM or other electronic machine investment programs, pay telephone programs, viatical or life settlement contracts, charitable gift annuities, brokered certificates of deposit, oil and gas programs, factoring programs, and investments in European prime bank notes.

Avoid fraudulent investments ~ investigate!  
For additional information on how to investigate securities offerings, visit the investor education page of the Securities Division website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us) or call 602-542-4242 or 1-866-Verify-9.

The marketing firms entice insurance agents to sell these products by assuring the agents that the products are good for their clients, and that the higher-than-average commissions are good for the agents. Too frequently, the products have not been through a registration process and the products or the promoters are not legitimate.

Check with the Securities Division to see if the product and salesman are registered.

The securities laws impose high standards on promoters and salesmen of securities transactions because the laws are intended to protect investors. The burden of due diligence rests with the issuer, promoter, and selling

agents, not the buyer. Unfortunately, in many instances, the insurance agent does not sufficiently verify the information received from the marketing firm. Sometimes the insurance agent is also an investor in the product—and the agent and the agent’s clients become victims of fraudulent schemes.

Insurance agents and investors should not rely on the information that promoters or marketing firms give you about products. In many cases investigated by this office, assurances that the products are not securities or that the products and sellers are exempt from registration have been found to be untrue. This includes cases where the issuers

purportedly had a legal opinion the product was not a security or where the product was purportedly guaranteed or insured. Insurance agents should do their own due diligence.

Over the past several years, the Securities Division has filed numerous actions against insurance agents who have sold unregistered investment products or who have sold securities without being registered to do so. Since 2002, the Commission has entered orders against 24 insurance agents who have sold in excess of \$73,290,000 of such products; sales resulting in losses to more than 1770 investors. ■

*To read this article in its entirety, visit the Securities Division website: [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us)*

# Legislative Report

The first regular session of the Forty-sixth Arizona legislature adjourned sine die on May 26, 2004. August 25, 2004 is the general effective date for all legislation, other than legislation bearing an emergency clause or a delayed effective date which several bills described in this article have.

The Legislature enacted numerous insurance related measures in addition to the ADOI's one bill. For a complete list and more indepth bill description, please refer to the [ADOI Regulatory Bulletin](#) summarizing all 2004 insurance-related measures which will be available on the ADOI's website.

The ADOI's bill **HB2228** imposes new requirements on entities that offer charitable gift annuities to donors. The legislation adds minimum asset, operating history and audit requirements for charitable organizations offering charitable gift annuities. It also prohibits a person from directly or indirectly paying or accepting a commission in connection with the solicitation or negotiation of a charitable gift annuity. This prohibition does not prevent a charitable organization from paying regular compensation to its employees for authorized charitable purposes.

Other insurance-related bills enacted this year include, **HB2224** which prohibits the ADOI from disclosing confidential information obtained from an insurer's claim files, except in specified instances. **HB2232** See *in-depth article in this edition of Insurance Regulator*. (Delayed effective date of January 1, 2005 for amendments to A.R.S. §§ 20-167, 20-289, 20-2580, 20-2901 and 20-2902.). **HB2233** enacted A.R.S. §20-2113.01, which prohibits consumer-reporting agencies from providing or selling any personal or privileged information obtained during an insurance transaction. **HB2235** amends the captive insurance act to allow non-profit corporations to form group and pure captive insurers and permit

"industry groups" to use a third party consultant to procure the insurance of any risk. **HB2239** replaces the current 1.5 percent minimum non-forfeiture interest rate for individual deferred annuity contracts with an indexed interest rate.

**HB2270** stipulates that collision damage waivers are not insurance and clarifies continuing education requirements for insurance producers who renew nonresident licenses. **HB2313** modifies statutes

regulating the replacement of life insurance and annuity contracts to conform Arizona statutes to the NAIC model. **HB2324**

exempts life, health or accident insurance policies and employer or individual annuity contracts from debt liability. It also amends A.R.S. § 20-1131 to exempt up to \$25,000 of the cash surrender value of a life insurance policy from the claims of creditors in the event of bankruptcy. This exemption applies only if the life insurance policy is held for at least two years and the beneficiary is the spouse, child, parent, sibling or other dependent of the policy owner. **HB2370** allows association groups to provide group life insurance. **HB2433**

allows special health care districts and political subdivisions located in a county with a population of more than one million that are governed by the county board of supervisors the authority to establish a self-insurance program. **HB2458** makes changes to the self-insurance statues governing motor carriers by allowing for captive insurance, self-insurance or partial self-insurance. (Delayed effective of December 31, 2004).

**HB 2468** specifies that an insured or claimant has a right to choose any repair facility for the repair of motor vehicle damage, subject to the notice of loss or claim provisions of the insured's policy and prohibits an insurance adjuster from having any authority over vehicle repair decisions or recommendations in a repair facility owned by an insurer. **HB2547**

*(Continued on page 4)*

*(Legislative Report... Continued from page 3)*

prohibits an insurance company from considering an inquiry by an insured about the terms and coverage of a policy as a claim and limits the use of inquiries in underwriting. **HB2551** eliminates the employment of a person convicted of a misdemeanor involving moral turpitude as grounds to deny a utilization review agent certificate. **HB2681** prohibits health care providers and ambulance operators from enforcing a lien against an injured person's underinsured or uninsured motorist coverage. **SB1094** relates to the application of medical necessity review to a particular type of service or treatment. (Delayed effective date of January 1, 2005). **SB1166** expands

Healthcare Group (HCG) eligibility, allows HCG to establish direct provider contracts and appropriates the HCG FY 2005 administrative budget. **SB1238** allows an insurer licensed in Arizona to make up to two written solicitations for political contributions from exclusive producers. **SB1241** allows a person to choose any glass repair facility and classifies an insurer's failure to recognize a valid assignment of a claim as an unfair claim settlement practice. **SB1381** changes the number of employees required to be eligible for group life insurance from ten to two and the number of labor union members required from twenty-five to two. ☐

## Fraud Warnings

In past market conduct examinations the ADOI has identified insurers failing to include the following fraud warning statement on relevant documents, as required by [A.R.S. § 20-466.03](#):

“For your protection Arizona law requires the following statement to appear on this form. Any person who knowingly presents a false or fraudulent claim for payment of a loss is subject to criminal and civil penalties.”

The statute requires that the warning be on all “...forms provided by an insurer to an insured or any other person for filing a notice or making a claim in connection with a policy or contract issued by

the insurer...” The warning is intended as a deterrent to commit insurance fraud. The term “form” is construed more broadly than just an initial form for filing a claim and includes other documents from the insurer to the person making a claim. In particular, any documents the insurer sends to a claimant requesting information related to the claim being made benefits from the warning statement. The statute also requires that the fraud warning notice be in at least 12 point type.

Questions regarding compliance with fraud statutes can be addressed to Terry Cooper, Fraud Chief: [tcooper@id.state.az.us](mailto:tcooper@id.state.az.us). ☐

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# Producer License Reform

Current and prospective insurance professionals will be seeing some changes to license terms and expiration dates, license fees and continuing education requirements. During the most recently ended legislative session, the Independent Agents and Brokers of Arizona, in collaboration with the Arizona Department of Insurance, proposed two bills – [HB 2232](#) and [HB 2270](#) – which were enacted into law (Chapter 162 and Chapter 317, respectively). The following is a summary of the significant changes:

## License Terms and Expirations

- All **new licenses** issued on or after January 1, 2005, will have a term of between three and four years. Licenses for individuals will expire on the last day of the individual's birth month. Licenses for business entities will expire on the last day of the month, four years after the initial license.
- The term of **licenses renewed** between January 1, 2005, and December 31, 2006, will depend upon the licensee's Arizona insurance license number. Odd-numbered licenses will be renewed for a one- to two-year term, with the expiration of individuals' licenses being changed to end of birth month. Even-numbered licenses will be renewed for a three- to four year-year term, with the expiration of individuals' licenses being changed to end of birth month.

## License Fees

The fee for a license with a term of between one and two years shall remain at \$60.00 throughout Fiscal Year 2005. The fee for a license with a term of between three and four years shall be \$120.00 during FY 2005.

## Continuing Education

For licenses expiring from and after January 1, 2005, an Arizona resident who, *at any time during the expiring license period holds a nonresident license in one or more other states,*

- shall be required to complete 20 hours of continuing education during a one- to two-year license term; or,

- shall be required to complete 40 hours of continuing education during a three- to four-year license term.

## Other Changes

- Name changes must be reported within 30 days of the change.
- Effective August 25, 2004, the Department is permitted to issue licenses electronically.
- Licenses expiring from and after January 1, 2005, may be renewed up to one year after the expiration date if the applicant, in addition to paying the license fee, pays the \$100 late renewal fee. A person may not conduct insurance business under an expired license.
- License requirements and standards for title insurance agents are formally consistent with those for insurance producers.
- Title insurance companies are no longer required to submit lists of the title insurance agents who act on the insurers' behalf.

Arizona resident insurance professionals will, in July, receive postcards that inform the professionals of the changes to law. Detailed information concerning license application and renewal requirements, fees, continuing education and other licensing-related topics, are available within the "PRODUCERS" portal of the Department of Insurance Internet website, at [www.id.state.az.us](http://www.id.state.az.us). Licensing Technicians are available by e-mail, by phone and in person to answer questions not addressed on the Internet website. ☐

## Licensing Section Resources

**Website:** [www.id.state.az.us](http://www.id.state.az.us)

**E-mail:** [licensing@id.state.az.us](mailto:licensing@id.state.az.us)

**Phone:** 602.912.8470 in Phoenix  
877.660.0964 Statewide

**Phoenix Office:** 2910 North 44<sup>th</sup> Street  
2<sup>nd</sup> Floor, Phoenix

**Tucson Office:** 400 West Congress Street  
Suite 152, Tucson

## Compliance Issues: AZ Auto Non-Can-Do

The ADOI's handling of complaints has revealed an increase in the number of Notices of Cancellation and/or Non-renewal and insurer noticing practices that do not comply with Arizona law. Accordingly, this review of problem areas is intended as a reminder to the many competitors in Arizona's private passenger automobile market to review their cancellation and non-renewal practices to assure compliance with [ARS §§ 20-1631, 20-1632](#) and [20-1632.01](#).

### Policies Don't Expire

Under the Arizona insurance laws, there is no such thing as an "expiration" of a private passenger automobile insurance policy. Once a private passenger automobile insurance policy has been in effect in Arizona for sixty (60) days, insurers are only permitted to terminate that policy in one of two ways, either non-renew or cancel...either way **requires action by the insurer**. An insurer can non-renew only upon appropriate and timely notice and only based upon the grounds set forth in [ARS §20-1631](#). Upon appropriate and timely notice, an insurer may cancel a private passenger automobile insurance policy for the reasons set-forth in [ARS §20-1631\(D\)](#), including non-payment of premium after expiration of the grace period.

The Department has observed that some insurers do not send the required Notice of Cancellation in situations where the policyholder fails to pay their renewal premium. For example, the ADOI has seen the following variations of cancellation practices that do not comply with the cancellation notice requirements:

1. The insurer erroneously informs a policyholder in the renewal notice, that if the policyholder does not pay the renewal premium by a stated date, the insurer would presume that the policyholder had declined the renewal offer and the policy would expire.
2. Sending no cancellation notice at all.
3. Absent receipt of the renewal premium, sending a second notice advising the policyholder that a failure to pay the premium by the end of the grace period would cause the policy to expire without further notice.

Please remember, private passenger auto policies cannot "expire" in Arizona. The insurer must take definitive action and issue a final notice of cancellation in order to terminate a policy. Insur-

ers must comply with [ARS §§ 20-1632](#) and [20-1632.01](#) procedures to cancel or non-renew policies based on non-payment of premium and/or for any other permissible grounds. Even policies less than 60 days old require a notice of cancellation.

### Notice Content and Timing

Timeliness and incomplete cancellation and/or non-renewal notices is also a frequent problem. A.R.S. §§ 20-1632 and 20-1632.01 identify the relevant notice requirements for cancellation and non-renewal as follows:

- A statement of the ***specific facts constituting the reasons*** for the cancellation or non-renewal (*emphasis added*);
- Notice of the insured's right to complain to the director within ten days after receipt of the notice;
- Notice of the insured's possible eligibility in the assigned risk plan;
- Notice that the insurer is notifying MVD of the cancellation; and
- A refund of any unearned premium.

Consumer complaints indicate some notices exclude certain required information. In particular, some notices improperly make vague statements, rather than specific understandable explanations, for the grounds or reason(s) for cancellation or non-renewal. Remember, the timing of the notice depends on the reasons for the action:

- Non-renewal notices due to an insured's accident history must be sent 45 days in advance of the non-renewal;
- Final notice of cancellation due to non-payment of premium must be sent after expiration of the grace period, with the cancellation effective date the same as the mailing date;
- All other cancellation and non-renewal notices must be sent ten days prior to the effective date of the cancellation or non-renewal.

### Reasons for Cancellation/Non-Renewal

[ARS § 20-1631](#) sets forth very specific reasons for which an Arizona insurer may cancel or non-renew

*(Continued on page 8)*

## A Message from the AATA

By Paul Boelhauf, AATA Administrative Service Officer

The Arizona Automobile Theft Authority (AATA) is a state agency charged with addressing the high incidence of vehicle theft in our state ([www.azwatchyourcar.com](http://www.azwatchyourcar.com)). The funding mechanism for the AATA is a premiere example of an effective, unique government/business/consumer partnership. The entire community benefits from the services provided by this agency, since vehicle theft is associated with many other criminal activities.

### Insurance Industry Support

The AATA thanks the insurance industry for its generous support. After steadily increasing vehicle theft rates in Arizona, the state is realizing our first substantial decrease in several years. Preliminary Uniform Crime Report statistics from the FBI indicates that numerous Arizona cities posted fewer auto thefts in 2003 compared to 2002, and it appears that the State's theft rate dropped substantially.

There are numerous contributing factors that are assisting in these efforts. The AATA has identified three vital components necessary for an effective anti-vehicle theft strategy: law enforcement, aggressive prosecution, and public awareness. Support from the insurance industry and partnerships with Arizona criminal justice agencies have made this possible.

The use of "bait cars" is one strategy, involving a partnership between the AATA, police and prosecutors, the NICB and the insurance industry. The AATA provides grant funding to police agencies for the "bait car" systems, the

insurance industry graciously donates the "bait cars," the police operate the "bait cars" and our county attorneys prosecute the thieves. Since inception this program has resulted in 59 convictions. In addition, for every dollar invested by the AATA in our state's Vehicle Theft Task Force<sup>1</sup> it has recovered \$10.51 in stolen property.

### Upcoming Assessment

The AATA appreciates the insurance industry's timely payment of the semi-annual assessment. The next assessment of 50¢ for *every vehicle insured* in the State of Arizona is due to the AATA by July 31, 2004.

Pursuant to [A.R.S. § 41-3451\(J\)](#), this assessment is based upon the actual number of vehicles insured, not on the number of policies or other pro-rata method.

### AATA Audit

The AATA will be conducting an audit to verify insurer compliance with [A.R.S. § 41-3451](#).

The AATA will begin reviewing assessments for 2002 and 2003 in the shortly, by comparing the number of vehicles reported to the AATA, to the exposures reported to the ADOI. Discrepancies will be communicated to relevant insurers for reconciliation. Questions concerning the audit should be addressed to Paul Boelhauf at [paul.boelhauf@aata.state.az.us](mailto:paul.boelhauf@aata.state.az.us). ☐

<sup>1</sup> The Arizona Vehicle Theft Task Force is a group of representatives from multiple law enforcement jurisdictions.

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# Fraud Unit Report

## **Happy 10<sup>th</sup> Birthday Fraud Unit!**

July 1, 1994 marked the 10<sup>th</sup> anniversary of the creation of the Fraud Unit within the Arizona Department of Insurance and the statutory classification of insurance fraud as a class 6 felony. The purpose of creating this special unit was to investigate and prosecute insurance fraud and to discourage insurers from applying overly broad fraud deterrence measures that could adversely affect honest claimants and insureds.

Since its creation in 1994, the Unit has successfully obtained **562** convictions and recovered **\$6,270,314** in restitution and fines.

Although a reduction in resources has affected the Unit's ability to pursue and prosecute as many cases as in previous years, during FY 2004, the Unit referred **217** fraud cases for prosecution, resulting in **44** convictions and secured restitution awards totaling more than **\$322,443**.

### **Referrals Down—First Time Ever**

Please remember, the law requires insurers to refer cases to the Unit when they suspect "...a fraudulent claim has been or is being made" (A.R.S. § 20-466(G)). Unfortunately, the number of fraud referrals has declined for the first time since the program started 10 years ago. During this past fiscal year, the ADOI received **2,143** referrals (down from **2,475** last year). Despite ADOI's budget constraints that may affect the number of prosecutions, insurers are still required to report suspected fraudulent claims for the Fraud Unit's review. Please, keep 'em coming!

You are encouraged to refer any questions about Fraud Unit referrals to the Fraud Chief, Terry Cooper at [tcooper@id.state.az.us](mailto:tcooper@id.state.az.us) or visit our website at [www.id.state.az.us/fraud.html](http://www.id.state.az.us/fraud.html). ■

*(Auto Non-Can... Continued from page 6)*

a private passenger automobile policy. The ADOI has seen the following examples which are not permissible reasons for cancellation:

- "We do not have your driver's license number and have not been able to check to see if you have tickets or accidents" (policy over 60 days);
- "We do not write vehicles over a specific age" (policy over 60 days);
- "We are no longer writing personal auto policies in Arizona";
- "One or more drivers on the policy has a driver's license issued in another state";
- "One or more drivers has citations or accidents" (but fewer than the number required by the statute for non-renewal or transfer);
- "One driver has voluntarily surrendered their driver's license" (but license was not revoked or suspended by MVD).

### **Grace Period**

ARS §20-1632.01(D) entitles policyholders to a minimum seven day grace period "after the premium due date" for the payment of any premium due (except the initial payment on a new policy) during which time the "policy remains in full force without penalty even though the premium due has not been paid." The ADOI has identified instances where an insurer, or their general agent, miscalculates the grace period, affording only six days of "grace" rather than the required seven.

In order to cancel a policy for non-payment of premium (or not postmarked) by the end of the grace period, "... the insurer must mail a notice of cancellation or non-renewal to the policyholder... The cancellation or non-renewal is effective on the date the notice is mailed." (ARS § 20-1632.01(B)).

Recently, the ADOI identified an insurer improperly requiring policyholders, who pay in person at an agent's office during the grace period, to sign a statement avowing they had not been in an accident during the grace period, before the insurer would accept the payment. Wrong. The insurer's duty to afford coverage during the grace period is unconditional and absolute.

For more information on personal lines compliance issues, please refer to the ADOI [Regulatory Bulletin 2003-09](#), entitled *Common Areas of Regulatory Non-Compliance in Personal Lines*, which follows up on [Bulletin No. 2000-04](#). Questions concerning Arizona's automobile cancellation requirements can be sent to Paul Hogan at: [phogan@id.state.az.us](mailto:phogan@id.state.az.us). ■

# Around ADOI

## Captive Insurance

### ***New Administrator Hired***

Rod Morris is the new Arizona Captive Administrator. He has over 35 years of insurance experience, including more than 20 years in senior management. Morris was also Vice President for Insurance at the *Overseas Private Investment Corporation* (OPIC), a federal agency that provides highly specialized political risk and financing support to U.S. investors in foreign countries.

## Property & Casualty

### ***Bilingual Title Policy***

During the Plenary Session of the Arizona Mexico Commission on June 19, 2004, Victor Rzepecki, Vice President-Underwriting & Agency Manager of Land America Commonwealth, on behalf of Commonwealth Land Title Insurance Company (Commonwealth), presented a representative of the P&C Division with a filing of a bilingual title policy for homeowners. The filing presents within the same policy, in a side-by-side

format, the policy language in English and Spanish. Commonwealth's title policy is the first of its kind filed with the ADOI.

### ***Surplus Lines***

The Division has completed its qualification of surplus lines (SL) insurers for the period July 1, 2004 through June 30, 2005. A new List of Qualified Unauthorized Insurers (i.e., SL insurers) will be available July 1 for the new period.

### ***Automobile Premium Comparison Survey***

The new edition of the premium comparison will be available soon! Watch the website.

### ***Market Monitoring***

In addition to its usual and customary duties regarding filings, the Division continues to work on its 2004 market monitoring activities. Currently, monitoring has been completed for private passenger automobile, homeowners, and medical malpractice. The reports from the [2004 Homeowners' and Private Passenger Auto Insurance Market Monitoring](#) are now available on the ADOI website. The Division is still working on its surety, nursing home liability, business owners, commercial automobile, and

liability surveys.

### ***NCCI Filing***

Finally, the Division is currently anticipating receipt of the National Council on Compensation Insurance, Inc.'s (NCCI) 2004 filing. The filing will be effective as of October 1, 2004. Insurers that plan on filing deviations to the NCCI's base rates for the ADOI's consideration should provide their deviations with the ADOI on or before September 1, 2004.

## Producer Licensing

### ***Website Updates***

Check out the revamped Producer Page on the ADOI's website –

[www.id.state.az.us/producer.html](http://www.id.state.az.us/producer.html)

Revised fees are now posted and easier to find. Other new features include a summary of recent changes to producer licensing laws, a listing of all ADOI licensing locations and hours, and a more detailed table of contents.

Don't forget, you can verify producer and insurer licensure on-line, too. ■

# Regulatory Activity

## COMPANY ACTIONS

### NEW LICENSES ISSUED

#### Domestic Companies

	Company Name	NAIC #	Effective Date	Type
1.	BEHAVIORAL HEALTH INSURANCE POOL, INC.	N/A	6/29/04	Municipal Risk Pool
2.	CENTURION MEDICAL LIABILITY PROTECTIVE RISK RETENTION GROUP, INC.	11976	5/14/04	Risk Retention Group
3.	FIRST HEARTLAND CAPTIVE INSURANCE COMPANY	N/A	6/25/04	Pure Captive Insurer
4.	RIVERSIDE CAPTIVE INSURANCE COMPANY	N/A	5/13/04	Pure Captive Insurer
5.	WESTERN INSURANCE RISK RETENTION GROUP, INC.	11978	5/13/04	Risk Retention Group

#### Foreign Companies

	Company Name	State of Domicile	NAIC #	Effective Date	Type
1.	ASPEN INSURANCE UK LIMITED (U.S. REINSURANCE TRUST)	GREAT BRITAIN	11680	6/8/04	Reinsurer Trust
2.	CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC.	NY	25771	4/13/04	Casualty Insurer
3.	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	IL	70670	6/9/04	Disability Insurer
4.	PIONEER GENERAL INSURANCE COMPANY	CO	12670	4/1/04	Casualty Insurer
5.	PREMIER GROUP INSURANCE COMPANY	TN	10800	6/30/04	Casualty Insurer
6.	SAFE AUTO INSURANCE COMPANY	OH	25405	4/2/04	Property & Casualty Insurer
7.	SENTRY CASUALTY COMPANY	WI	28460	4/26/04	Property & Casualty Insurer
8.	STATE AUTO NATIONAL INSURANCE COMPANY	OH	19530	5/10/04	Property & Casualty Insurer
9.	VANTISLIFE INSURANCE COMPANY	CT	68632	4/14/04	Life & Disability Insurer

#### Risk Retention Groups Registered

	Company Name	State of Domicile	NAIC #	Effective Date
1.	ALLEGIANT INSURANCE COMPANY, INC., A RISK RETENTION GROUP	HI	11965	05/03/04
2.	CONTRACTOR'S LIABILITY INSURANCE COMPANY, A RISK RETENTION GROUP	NV	11794	06/22/04
3.	GLOBAL HAWK INSURANCE COMPANY RISK RETENTION GROUP	SC	11948	04/26/04
4.	STEWARD RISK RETENTION GROUP	DC	11961	04/21/04

# Regulatory Activity

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

Company Name	State of Domicile	Effective Date
1. ULTIMATE WARRANTY OF OHIO, INC., d/ba: Ultimate Warranty of Arizona	OH	04/01/04
2. WARRANTY SUPPORT SERVICES, LLC	DE	04/19/04
3. GE SERVICE MANAGEMENT, INC.	IL	04/20/04
4. AUTO SERVICES COMPANY, INC., d/b/a: AUTO SERVICE WARRANTIES, INC. (FN)	AR	06/28/04

## Third Party Administrators (TPA)

Company Name	State of Domicile	Effective Date
1. PATHMARK ADMINISTRATORS, INC.	NE	04/02/2004
2. NORTH AMERICAN ADMINISTRATORS, INC.	NY	04/07/2004
3. GENISYSTEMS.CA SERVICES INC.	CANADA	06/14/2004
4. MHM RESOURCES, INC.	OH	06/22/2004
5. DREAMLIFE ADMINISTRATION, LLC	AZ	06/22/2004
6. PRO-MARK MARKETING & INSURANCE SERVICES, INC.	CA	06/22/2004
7. MEDCO HEALTH, LLC	DE	06/23/2004

## 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. AVESIS REINSURANCE INCORPORATED	AZ	11163	4/2/04	Converted from Life & Disability Reinsurer to Disability Insurer
2. CATERPILLAR INSURANCE COMPANY	MO	11255	6/28/04	Granted Casualty With Workers' Compensation

# Regulatory Activity

## NAME CHANGES

	Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1.	GE AUTO & HOME ASSURANCE COMPANY (to) AIG PREFERRED INSURANCE COMPANY	PA	22225	4/1/04
2.	GE CASUALTY INSURANCE COMPANY (to) AIG PREMIER INSURANCE COMPANY	PA	20796	4/1/04
3.	GE INDEMNITY INSURANCE COMPANY (to) AIG INDEMNITY INSURANCE COMPANY	PA	43974	4/1/04
4.	GE PROPERTY & CASUALTY INSURANCE COMPANY (to) AIG CENTENNIAL INSURANCE COMPANY	PA	34789	4/1/04
5.	MONTGOMERY WARD INSURANCE COMPANY (to) HERITAGE CASUALTY INSURANCE COMPANY	IL	32077	4/1/04
6.	PROVANTIS INSURANCE COMPANY (to) DENTEGRA INSURANCE COMPANY	DE	73474	4/1/04
7.	U. S. AEGIS ENERGY INSURANCE COMPANY (to) DARWIN NATIONAL ASSURANCE COMPANY	DE	16624	5/21/04

## ACQUISITIONS/MERGERS/WITHDRAWALS

### Acquisitions of Arizona Companies

	Company Name	NAIC #	Date Order Filed	Acquired By
1.	MONY LIFE INSURANCE COMPANY	78077	6/30/04	AXA Financial, Inc., AXA, FINAXA, AXA Assurances Vie Mutuelle, AXA Courtagage Assurance Mutuelle, and AXA Assurances lard Mutuelle
2.	WORKMEN'S LIFE INSURANCE COMPANY	78409	5/20/04	Jeanette H. Shammas

### 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.	CLARICA LIFE INSURANCE COMPANY-U.S.	ND	70491	5/3/04
2.	HERITAGE REINSURANCE, INC.	AZ	N/A	5/7/04
3.	LAWRENCEVILLE PROPERTY AND CASUALTY COMPANY	VA	28916	5/7/04
4.	NATIONAL PARTNERS GROUP LIFE INSURANCE COMPANY	AZ	60145	6/25/04
5.	NIVES LIFE INSURANCE COMPANY	AZ	N/A	6/10/04
6.	NORTH CENTRAL LIFE INSURANCE COMPANY	IL	67040	4/2/04

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7.	NORTHEAST CASUALTY RISK RETENTION GROUP, INC.	VT	10112	5/20/04
8.	ORION INSURANCE COMPANY	CT	37818	4/2/04
9.	SENATE NATIONAL LIFE INSURANCE COMPANY	AZ	78522	4/28/04
10.	TIG INSURANCE COMPANY OF COLORADO	CO	35610	5/3/04
11.	WESTWOOD LIFE INSURANCE COMPANY	AZ	91928	5/20/04

## 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. AMERICAN BAPTIST ESTATES, INC.	95230	6/25/04
2. ARIZONA COUNTIES INSURANCE POOL	N/A	5/28/04
3. ARIZONA COUNTIES WORKERS' COMPENSATION POOL	N/A	6/25/04
4. ARIZONA RETIREMENT CENTERS, INC.	96032	6/30/04
5. FIRST GUARD INSURANCE COMPANY	10676	4/19/04
6. FIRST REINSURANCE, INC.	60241	5/28/04
7. FIRST UNION LIFE INSURANCE COMPANY	72559	4/1/04
8. LEAFRE REINSURANCE COMPANY	60032	6/25/04
9. LEHMAN INSURANCE COMPANY	40037	6/25/04
10. LIFECARE ASSURANCE COMPANY	91898	4/2/04
11. MUTUAL INSURANCE COMPANY OF ARIZONA	32832	6/25/04
12. NATIONAL GUARANTY INSURANCE COMPANY	12068	5/21/04
13. NEW YORK LIFE AGENTS REINSURANCE COMPANY	68723	6/25/04
14. NORTH AMERICAN NATIONAL LIFE INSURANCE COMPANY	73750	5/28/04
15. OLD RELIANCE INSURANCE COMPANY	67253	6/30/04
16. PROGRAMMED LIFE INSURANCE COMPANY	64866	5/28/04
17. RUSHMORE LIFE INSURANCE COMPANY	76384	5/28/04
18. SENATE INSURANCE COMPANY	73628	6/25/04
19. SOMERSET LIFE INSURANCE COMPANY	63169	6/25/04

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20. TEMPE LIFE CARE VILLAGE, INC.	95222	6/25/04
21. TRANS CITY CASUALTY INSURANCE COMPANY	34002	4/19/04
22. TRANS-CITY LIFE INSURANCE CO.	77690	4/19/04
23. TRANSNATION TITLE INSURANCE COMPANY	50012	5/27/04
24. U.K. LIFE INSURANCE COMPANY	94870	5/27/04
25. UNITED CONCORDIA INSURANCE COMPANY	85766	5/12/04
26. USLIFE CREDIT LIFE INSURANCE COMPANY OF ARIZONA	97438	5/14/04
27. WESTMINSTER VILLAGE, INC.	95419	6/25/04

## OTHER DISCIPLINARY ACTIONS

Company Name	State of Domicile	NAIC #	Effective Date	Action
1. MENLO LIFE INSURANCE COMPANY	AZ	71749	5/25/04	Suspended
2. NATIONAL FRATERNAL SOCIETY OF THE DEAF	IL	57576	6/18/04	Suspended
3. NATIONAL HEALTH INSURANCE COMPANY	TX	82538	4/14/04	Suspended

## MARKET CONDUCT EXAMINATIONS

Company Name	State of Domicile	NAIC #	Date Filed	Civil Penalty	Restitution + Interest
1. CLARENDON NATIONAL INSURANCE COMPANY  Use of unfiled rates and rules in premium determination. Improper claim processing procedures.	NJ	20532	4/14/04	\$45,000	TBD
2. STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, AND  STATE FARM FIRE AND CASUALTY COMPANY,  MULTI-STATE MARKET CONDUCT EXAMINATION	IL	25178	6/24/04	\$0	\$0
	IL	25143			

# Regulatory Activity

## PRODUCERS AND OTHER LICENSEES DISCIPLINED

Cause No. Name City – State	Allegation	Disposition
1. 04A-067 Contractors Bonding Limited, NJC Francken, National Program Management, Inc., John Marshall Griffin and Robert Edward Schantz  Auckland, New Zealand; Santa Fe, NM; Suwanee, GA; Roswell, GA; Jacksonville, FL	Transacting insurance as an insurer without a certificate of authority and without being on the qualified list of unauthorized insurers; transacted insurance as an agent without a license.	4/26/04 Order to Cease and Desist  6/25/04 Order Granting Stay of April 26, 2004 Order to Cease and Desist
2. 04A-059 William Eustace Fallon  Mesa, AZ	Prior felony conviction; used dishonest practices, or demonstrated untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere; provided incorrect, or materially untrue information in a license application; failed to report to the director any criminal prosecution of the producer taken in any jurisdiction within 30 days after the initial pretrial hearing date.	5/6/04 Order  License Revoked
3. 04A-036 James Alan Baumann  Phoenix, AZ	Prior felony conviction; provided incorrect, or materially untrue information in a license application.	5/10/04 Consent Order  License suspended from date of Director's order until the natural expiration of Respondent's license.  \$1,000 Civil Penalty.
4. 04A-090 Walter Eugene Phillips, Jr.  Murfreesboro, TN	Had insurance producer license, or its equivalent, denied, suspended or revoked in another state, province, district or territory.	5/20/04 Consent Order  License Revoked
5. 04A-066 Mathew James Hazel  Sacramento, CA	Prior felony conviction; provided incorrect, or materially untrue information in a license application; failed to report to the director any administrative action taken against the producer in another jurisdiction, within 30 days after the final disposition of the matter; had an insurance producer license, or its equivalent, revoked in another state, province, district or territory.	6/2/04 Order  License Revoked
6. 04A-105 Clyde Franklin William Wagon  Tucson, AZ	Used fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere.	6/10/04 Consent Order  License Revoked

# Regulatory Activity

## RULES, BULLETINS, PRESS RELEASES

### Rules

Citation	Title	Action	Status
1. Title 20, Chapter 6, Article 21	Customer Information Security	Notice of Final Rulemaking	Rulemaking as approved at 5/4/04 meeting of Governor's Regulatory Review Council
2. Title 20, Chapter 6, Article 10	Long-Term Care Insurance	Notice of Final Rulemaking	This rulemaking will be heard at the September 14, 2004 meeting of the Governor's Regulatory Review Council
3. Title 20, Chapter 6, R20-6-2002	(Captive Insurer) Fees; Examination Costs	Noice of Proposed Rulemaking	An oral proceeding will be held on this rulemaking September 1, 2004; written comments will be received until 5:00 p.m. on September 3, 2004
4. Title 20, Chapter 6, Article 11	Medicare Supplement Insurance	5-year review report	This report will be heard at the August 3, 2004 meeting of the Governor's Regulatory Review Council