



Janet Napolitano
Governor

Charles R. Cohen
Director

Arizona Department of Insurance

Third Quarter 2003

From the Director...



These are my final words to you as Arizona Director of Insurance, as I have chosen this time to resign to seek new challenges and opportunities.

I have proudly served the people of Arizona for 16 years as, among other roles and titles, Assistant Attorney General, Deputy Director of Insurance and, these last 5 years, as Director of Insurance. Foremost, I extend my heartfelt gratitude to all those, in all the Department's constituencies, who have supported and assisted me in fulfilling my responsibilities to the people of Arizona.

I take great pride in the ADOI's

accomplishments during my tenure. Just to mention a few, we created an infrastructure for regulation of the managed health care industry including important new laws and an able staff. We modernized the regulatory regime for credit insurance products including lowered rate limits for credit life and disability products and the establishment of original loss ratios and rate limits for credit property and unemployment products. We established a captive insurer program that is well on its way to national stature. We expanded and improved the Department's communications assets including numerous new publications, a re-designed annual report, a new web site, and the initiation of this newsletter. We streamlined and modernized operations and policies throughout the

Department. We recently attained our third-round NAIC accreditation as a solvency regulator. I will resist the temptation to keep going.

Of course, as anyone who has had the opportunity to head an organization knows, the development and maintenance of a talented, dedicated, energetic staff is the greatest accomplishment and the enabler of all the others. I commend the Department of Insurance staff for their outstanding work while I have had the privilege to lead them.

I am confident that Arizona will continue to enjoy the leadership needed to maintain its balanced, market-based approach to insurance regulation, to continuously improve the state insurance regulatory system, and to positively contribute to the development of a

What's Inside

Market Oversight Forum	2
Credit Property & Unemployment	3
HMO Rules	3
Legislative Report	4
ADOI Annual Report.....	5
Fraud Report.....	6
Around ADOI.....	7
Regulatory Report.....	9

NAIC Re-Accredits ADOI

In September 2003 the ADOI was Accredited for the third time as an insurer solvency regulator by the NAIC. The ADOI achieved re-accreditation after a rigorous on-site review in July 2003 of the policies and practices of the Financial Affairs Division



ADOI representatives rejoice upon receipt of Accreditation Award

by a team of experts contracted by the NAIC. The accreditation review is focused on each state's competence to regulate the solvency

of multi-state insurance companies, with emphasis on (1) adequate solvency laws; (2) effective and

(Continued on page 2)

Mission Statement

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

(Accreditation... Continued from page 1)

efficient financial analysis and examination processes; and (3) appropriate organizational and personnel practices. The guidelines established by the NAIC Financial Regulation Standards and Accreditation (F) Committee provide standards for conformance to model laws, qualification of financial examination and analysis staff, sufficiency and scope of work performed, timeliness for completion of required reviews, adequacy of communication with other regulators and appropriateness of conclusions and actions regarding troubled insurers. The accreditation is for a five-year period. The ADOI was previously accredited in 1993 and 1998.

“Accreditation recognizes the quality of insurer solvency regulation in Arizona, and allows other states to rely upon our solvency oversight of our domestic insurers,” said Director Cohen. “I am particularly gratified that during the same period in which we were determined to be effective solvency regulators, we made many organizational and efficiency improvements in our Financial Affairs Division as well. I extend my highest commendation and gratitude to the Financial Affairs and other ADOI staff who worked so hard and well to prepare us for our review.”

The Financial Affairs Division is headed by Assistant Director Steve Ferguson who is assisted by Chief Analyst Kurt Regner, Chief Examiner Alan Griffith, Legal Analyst Leslie Hess, and Compliance Manager Kelly

ADOI Hosts Market Oversight Open Forum

On August 14, the ADOI hosted an open forum for stakeholders of its market oversight program. The event was attended by representatives of sixteen insurance companies, four trade associations and numerous lobbyists. The ADOI made a presentation covering such topics as: the legal foundation for Arizona’s market oversight program; the ADOI’s administrative infrastructure and processes for the program, including the analysis, examination, post-examination and examinee billing processes; the program’s fiscal structure; and the ADOI’s goals and accomplishments toward modernization of the program.

Based on an open discussion following the ADOI presentation, the ADOI has developed additional measures it will pursue to further enhance the effectiveness, efficiency and fairness of its market oversight activity, including: increased discussion with the examinee in the initial examination stages on issues such as the examinee’s particular administrative needs, clear channels for exam-related communication, and the basis for and objectives of the examination; expanding the use of electronic

communications and information requests; standardizing the format for information requests; providing electronic access to billing account information; and omitting an examiner’s unadopted recommendations from the final report.

Additionally, the ADOI will continue its practice of issuing bulletins about commonly observed market conduct non-compliance in order to promote insurer self-correction, and will continue to develop its market analysis capabilities.

“The Department is mindful that market oversight activity impacts examinee’s operations, and we are committed to ensuring that examinees are treated fairly and professionally. However, it is crucial consumer protection activity that can tolerate only so much accommodation to insurer convenience”, said Director Cohen. “I believe the presentation and open discussion illustrated that the Department’s market oversight modernization objectives are in tune with the industry’s desire for more efficiency.”

The ADOI market oversight presentation is posted on its web-site at:

www.id.state.az.us/exam_prog_presnt_3081

Subscribe for free to ADOI’s electronic mailing lists to automatically receive copies of ADOI Regulatory Bulletins and Press Releases.

Follow this link to subscribe:
www.id.state.az.us/maillinglists.html

HCSO Network Adequacy Rules

With assistance from a state-wide stakeholder group, the ADOI is progressing through the informal stages of drafting new rules regarding the adequacy of HCSO networks. The stakeholder group includes Arizona's nine HCSOs, providers and provider organizations, businesses, producers and various consumer interests.

On July 29th and 30th ADOI representatives met with three subset groups to discuss outlines ADOI had prepared relating to provider availability, provider access and network administration. On September 18th, the ADOI met with HCSO representatives to work on the technical aspects of compliance criteria, reporting requirements and geographic standards. The ADOI is now considering the comments and information it received and consolidating those three topics into one outline that the entire stakeholder group will review in November. Stakeholder meetings are scheduled for November 18 (Tucson), November 19 (Phoenix) and November 20 (Prescott).



ADOI Establishes Loss Ratios and Prima Facie Rates for Credit Property and Credit Unemployment

Under the authority of new law resulting from 2002 legislation sought by the ADOI, the ADOI has established loss ratio standards and *prima facie* rates for credit unemployment and credit property insurance. Director Cohen recently issued an order that prescribes 50% loss ratios for credit property and credit unemployment insurance. Prima Facie rate tables are available on the ADOI website at <http://www.id.state.az.us/inspubs.html#creditins>.

The ADOI obtained and reviewed several years worth of loss experience in Arizona from credit property and unemploy-

ment insurers. There are 8 insurance companies currently writing approximately \$3 million of total annual credit property insurance premium in Arizona, and 17 insurers writing approximately \$20 million per year in total annual credit unemployment premiums. Prior to establishing these *prima facie* rates, the insurers were only paying out approximately \$1 million a year in claims.

Insurers must comply with the new requirements by Jan 15, 2004. The new loss ratio standards and rates will save consumers at least \$10 million a year in lower premiums. ■

ADOI Refocuses Tucson Office

As part of its ongoing efficiency review, the ADOI determined to focus the Tucson satellite office on the consumer assistance and licensing services that are most critical for our Southern Arizona customers.

Historically, the Tucson Office has also been involved in conducting investigations. Our review indicates it would be more efficient to centralize investigation activities in the Phoenix Office, and to restructure the Tucson staff into two employees dedicated to delivering licensing services and consumer assistance. The ADOI is working with the affected employees to minimize the impact of the reorganization. Services to Southern Arizona

customers will not be diminished.

By mid-December, all written complaint handling and investigations will be centralized in the Phoenix Office. However, insurance producer applicants and licensees will continue to have access to "on-the-spot" licensing assistance in the Tucson office; and consumers will continue to be able to meet with a specialist to obtain answers to questions, to receive assistance, and to retrieve ADOI forms and publications.

Efficiency savings from the Tucson reorganization may permit on-site ADOI service in Northern Arizona. The ADOI is exploring alternatives for establishing a satellite office in the Flagstaff area. ■

Legislative Report

The ADOI will likely propose a bill in the 2004 legislative session related to charitable gift annuities. The ADOI has worked with the Securities Division of the Arizona Corporation Commission and the Attorney General's Office on this bill, which is designed to protect persons from investing in charitable gift annuities being marketed by non-legitimate foundations and organizations. The bill will prohibit payment of commissions in connection with the sale of charitable gift annuities and will require that the charitable organization make certain enhanced disclosures prior to accepting money from a donor. This bill comes in the wake of an enforcement action by the Securities Division against Mid-America Foundation, which operated a multi-million dollar ponzi scheme involving the sale of charitable gift annuities.

The ADOI urges any interested stakeholders that may be considering insurance-related legislation to make drafts available for the ADOI's review and comment. The ADOI can often assist in resolving technical, operational, and enforcement issues related to potential legislation. Anyone with questions about legislation should contact Vista Brown, Acting Deputy Director for Policy Affairs. ☐

Insurance Regulator

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ADOI Closes AzStar Receivership Creditors Paid 100%

The estate of AzStar Casualty Company, an Arizona domiciled insurance company in receivership, closed on July 1, 2003, with a 100% distribution to guaranty funds, policyholders and general creditors. AzStar, which was authorized in Florida, Maryland, Nevada and Pennsylvania, and wrote surplus lines in 18 other states, wrote commercial auto and nonstandard auto. It was ordered into liquidation on November 17, 1992 following the emergence of significant bad debt from its two primary non-standard MGA's, and the non-admission of certain real property assets contributed by its parent, AzStar Holding Company.

The receivership paid all general creditors and classes above in full. The total distribution amount exceeded \$32 million, with \$15.7 million paid to policyholders whose claims were not covered by the guaranty funds. The five impacted state guaranty funds were paid \$11.3 million, 100% of the claim amount, plus the guaranty funds received interest in the aggregate amount of \$4 million.

"I am gratified to have closed the estate and to have made a 100% distribution to policyholders, guaranty funds, and general creditors," said Director Cohen. "The receivership team did excellent work on this estate."

The Special Deputy Receiver for AzStar was Michael J. FitzGibbons, of FitzGibbons, Ramsey & Company. The attorneys representing the Receiver in this matter were Guttilla and Murphy, P.C. ☐

Governor Visits ADOI

On August 28, Governor Napolitano visited the executive agencies in the 44th St. and Thomas Rd. building: the Department of Real Estate, the State Banking Department, and the ADOI. The Governor met separately with a large gathering of ADOI employees, offered remarks about prominent issues affecting state government, and answered questions. It was a lively and casual exchange. The Governor particularly thanked the ADOI for its work providing insurance-related information and assistance to victims of this past summer's Aspen wildfire in southern Arizona. ADOI staff truly appreciated the opportunity to meet with the "boss". ☐

Regulator Profile



Paul J. Hogan is the Market Oversight Administrator for the ADOI. He oversees the operations of the Market Oversight Division, which conducts market conduct related fact finding (investigative and examination) and enforcement activity of the ADOI. Paul directs division activity including insurer market analysis and research, examination targeting, coordination and supervision of investigations, desk audits and field examinations.

Paul's career in insurance regulation began in 1993 as an independent contract analyst for the ADOI. In November 1997 he was appointed Deputy Chief Market Conduct Examiner. In June 2000 Paul was appointed to the Chief Market Conduct Examiner position until his current appointment as Market Oversight Administrator in April 2003.

Paul received his BA degree in History from Loyola University of Chicago and his JD degree from DePaul University. He holds the Accredited Insurance Examiner; Fellow, Life Management Institute; Associate, Life Health Claims and Certified Investigator/Inspector designations. He is the Insurance Regulatory Examiners Society (IRES) Arizona State Chair, a member of the IRES Board of Directors and a member of the IRES Education Committee. ■

ADOI Issues Bulletin: Common Areas of Regulatory Non-Compliance in Personal Lines

In an effort to promote insurers' proactive compliance with Arizona insurance laws, the ADOI issued [Regulatory Bulletin 2003-09](#), entitled *Common Areas of Regulatory Non-Compliance in Personal Lines*, which follows up on [Bulletin No. 2000-04](#). These bulletins identify common findings from market conduct examinations and consumer complaints regarding personal lines insurance.

The bulletin addresses compliance issues related to payment of taxes and fees, body shop and glass vendor referrals, claim denials involving anti-theft devices, privacy act compliance, claim records retention and personal lines cancellation and nonrenewal practices. Insurers, general agents and claims adjusters are encouraged to review their practices and procedures in light

2002/2003 Annual Report

HB2049 (2003) eliminated various reporting requirements for many state agencies, including the ADOI. The mandates to produce the Fraud Unit Annual Report, the Motor Vehicle Annual Report, and the Triennial Accountable Health Plan Report have been repealed. Of course, the ADOI will continue to publish the agency's Annual Report, which will include the Annual Health Care Appeals report. In accordance with A.R.S. § 41-4153, the ADOI recently posted the 2002/2003 Annual Report on its website:

www.id.state.az.us/annualreport.html

The Annual Report features information about the Arizona insurance industry and the activities and accomplishments of the ADOI. Popular references in the report include:

- Top 25 premium writers in major lines of business
- Financial data for authorized insurers
- Synopsis of the \$27 billion dollars worth of Arizona premium
- Alphabetical listing of insurers authorized in Arizona
- ADOI Directory

Fraud Unit Report

Fraud Unit Investigators presented with DPS Director's Unit Awards

Our Special Investigators Scott Owen and George Griffin are the recipients of the Arizona Department of Public Safety Director's Unit Award this year. The award is presented to members of the Arizona Vehicle Theft Task Force (AVTTF) for their efforts in combating auto theft related crimes in Arizona. The Fraud Unit has participated in AVTTF since 1999 during which it was presented with DPS's Director's District Citation. In 2002, AVTTF was awarded the Vehicle Theft Award of Merit by the International Association of Auto Theft Investigators at its annual conference in Los Angeles August 2003.

George Griffin, represented the Fraud Unit in AVTTF in 2002. George served for 24 years in California with the Oakland Police Department. After a brief retirement George moved to Arizona where he was an investigator for Arizona Department of Economic Security's Fraud Unit, then was a Special Investigator for the Arizona Department of Corrections for two and a half years. He joined the ADOI Fraud Unit in 2000.

Scott is a 20+-year veteran of the Phoenix Police Department working in areas that included Tactical Operations Bureau, Detectives Bureau and almost a decade as the senior auto-theft detective. Scott retired from Phoenix PD in 1994 and joined the Fraud Unit the following year. Scott was assigned to the Arizona Vehicle Theft Task Force at DPS in 1999.

Our congratulations to Scott and George for this outstanding achievement.

Every Litter Bit Hurts

An anonymous caller to the Goodyear Police Department provided information concerning four individuals who vandalized and removed property from a car belonging to Derek Serran. Serran later collected \$4100 on a claim to his insurance company for damages and items stolen from the car.

In June 2003, Serran was summoned to the Goodyear Police Department regarding the incident. When Officer W. T. Ryan advised him that he had credible information that Serran had made a false police report on his car for the purpose of committing insurance fraud, Serran denied it. After Serran left the interview and was outside the Goodyear Police Department, he threw a lit cigarette on the ground. Officer Ryan promptly arrested him for criminal littering. As Serran was being put in a holding cell for the littering charges, the officer smelled liquor on his breath. Since Serran's driver's license indicated he was 20 years old, the officer also charged him with drinking underage.

Ultimately, Serran and two of his abettors confessed to vandalizing Serran's car and hiding property taken from the car for purposes of making a false insurance claim. They also implicated a fourth individual. Serran was also charged with making a false police report. The Fraud Unit was contacted and conducted the necessary follow-ups, interviewing the fourth suspect and recovering the missing property. The case was submitted to the Arizona Attorney General and felony insurance fraud and theft charges were filed.

Fraud Unit FY 03 Statistics July 1, 2002 through June 30, 2003

Total Referrals Received	2,475
Criminal Cases Opened	588
Cases Referred to Attorney General	161
Number of Indictments	34
Number of Convictions	77
Total Criminal Cases Closed	476
Total Restitution	\$1,278,321
Total Fines	\$29,841
Total Recovered Property	\$69,398

More Fraud Unit statistics are available in the ADOI Annual Report available at www.id.state.az.us.

Around ADOI

Director's Office

New Special Assistant

Laura Pastor recently joined the ADOI as Special Assistant to the Director. Laura assists with legislative, rules and constituent activities, as well as representing the Director on various Boards and Commissions and conducting special research projects. An ASU graduate, Laura taught middle school for several years, before obtaining her Masters in Public Administration from Baruch University (NY). Prior to joining the ADOI, she worked for the Chicago Public School system as a Project Director overseeing the Museums and Public Schools program.

Continuing Education

Producer Licensing

The existing contract for continuing education ("CE") administration services, which first became effective March 2, 1999, expires on March 2, 2004. Under the existing contract, a vendor reviews

applications of prospective CE course providers and for prospective CE courses. Before approving an application, the vendor ensures the applicant or course meets the requirements established in both Arizona law and the "Standards for Course Providers, Courses and Students," developed by the Arizona Insurance Continuing Education Review Committee ("CERC"). The vendor is also required to develop and promulgate an application packet for education providers, make information about approved providers and courses available over the Internet, and perform other services relative to continuing education provider and course approval. The CERC is preparing a draft Request For Proposals ("RFP"), which will be used by the Arizona State Procurement Office to procure a new contract for services to begin from and after March 3, 2004. Individuals interested in receiving notices of upcoming CERC meetings should contact Rebecca Sanchez, Insurance Licensing Administrator, at 602-912-

8477. Persons interested in receiving the RFP to provide continuing education administrative services should register with the Arizona State Procurement Office. Online supplier registration is available through the State Procurement Office web site, at <http://sporaz.ad.state.az.us>, or by calling the State Procurement Office at 602-542-5511.

Workers Compensation Deviations

Property & Casualty

The +0.6% workers' compensation rate increase filed by the National Council on Compensation Insurance, Inc. (NCCI) became effective October 1, 2003. Thirty-seven insurers have filed upward (12 insurers) or downward (25 insurers) deviations to the NCCI's rates. A list of insurers deviating from NCCI rates is on the Department's web site at <http://www.id.state.az.us/inspubs.html#pac>.

Service Company Renewals

In October, the Division will send renewal packets to service companies with Arizona permits.

Market Monitoring Activity

The Division has concluded its 2003 monitoring of the following admitted markets:

- Personal Lines Automobile
- Homeowners
- Medical Malpractice
- Commercial Automobile
- Surety
- Businessowners Segment of Commercial Multiperil
- These Other Liability Sublines:
 - Construction Defect
 - Lawyers Professional
 - Directors & Officers
 - Architects & Engineers
 - Excess & Umbrella
- Nursing Home Liability

As to most surveyed lines, the ADOI found, in general, that:

- A degree of competition exists
- Insurance is available, depending upon the specifics of the risk
- Insurers are actively engaged in the market although the number engaged and their level of activity are decreasing

- Insurers can easily enter the market and there are many latent insurers that could enter at any time if they elected
- Reinsurance is more expensive and more difficult to obtain, but it can be purchased
- The Hard Market continues in all lines, with the possible exception of private passenger automobile.

The most stressed property and casualty lines or class of insurance are: nursing home liability, medical malpractice (physicians and surgeons and hospital professional), homeowners, and certain sublines of other liability (e.g., construction defect).

New Consumer Publications now

Consumer Affairs

available

The latest edition of the ADOI's popular Automobile Premium Comparison Survey is now available in print and on-line at www.id.state.az.us/autopremium.html. Published twice a year, in English and Spanish, this publication helps emphasize the benefits of

comparison shopping in Arizona's competitive auto insurance market.

Also updated are the lists of insurers offering [Long Term Care](#) and [Medicare Supplement](#) insurance in Arizona.

Medigap Premium Comparison Surveys

Life & Health

Surveys have been mailed to the insurers writing Medigap in Arizona in preparation for producing the ADOI's 2004 [Medicare Supplement Premium Comparison](#) (one of the most frequently visited pages on our website). Please watch for your survey and return it timely to Carla Kot. Any questions about the survey, please contact Carla at (602) 912-8460 or ckot@id.state.az.us.

COMPANY ACTIONS

NEW LICENSES ISSUED

Domestic Companies

Company Name	NAIC #	Effective Date	Type
1. AQUA CAPTIVE INSURANCE, INC.	N/A	7/10/03	Pure Captive Insurer
2. JMP CAPTIVE INSURANCE, INC.	N/A	8/11/03	Pure Captive Insurer
3. STARBOARD CAPTIVE INSURANCE COMPANY	N/A	9/29/03	Pure Captive Insurer

Foreign Companies

Company Name	State of Domicile	NAIC #	Effective Date	Type
1. EASTERN ALLIANCE INSURANCE COMPANY	PA	10724	7/21/03	Casualty Insurer
2. LIFEWISE HEALTH PLAN OF ARIZONA, INC.	WA	65105	9/16/03	Life & Disability Insurer
3. PLATEAU INSURANCE COMPANY	TN	97152	7/30/03	Life & Disability Insurer
4. SOUTHLAND NATIONAL INSURANCE CORPORATION	AL	79057	7/30/03	Life & Disability Insurer

Risk Retention Groups Registered

Company Name	State of Domicile	NAIC #	Effective Date
1. EMERGENCY PHYSICIANS INSURANCE COMPANY RISK RETENTION GROUP	NV	11714	09/04/03
2. SECURITY AMERICA RISK RETENTION GROUP, INC.	VT	11267	09/23/03
3. HIGH TECH SERVICES RISK RETENTION GROUP, INC.	VT	11672	09/24/03

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

Company Name	State of Domicile	Effective Date
1. MARATHON ADMINISTRATIVE CO., INC.	TX	07/02/03
2. ARIZONA AUTO FINANCE, INC., d/b/a: Drivers Edge	AZ	08/15/03
3. GAI WARRANTY COMPANY	OH	08/21/03

Third Party Administrators (TPA)

Company Name	State of Domicile	Effective Date
1. DENTAL MANAGEMENT ADMINISTRATORS, INC.	Az	07/02/03
2. TUFTS BENEFIT ADMINISTRATORS, NC.	MA	07/17/03
3. AVON LONG TERM CARE LEADERS LLC	DE	07/31/03
4. LOCKLINE CREDIT PROTECTION SERVICES LLC	KS	08/25/03
5. BENICOMP INC.	IN	08/26/03
6. INSURANCE ADMINISTRATIVE SOLUTIONS, L.L.C.	FL	09/08/03
7. PROFESSIONAL CLAIM SERVICES, INC.	NY	09/12/03

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. AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY	MO	28401	8/27/03	Granted Surety, Terminated Limitations to Casualty, Marine & Transportation
2. FEDERAL KEMPER LIFE ASSURANCE COMPANY	IL	63207	8/26/03	Granted Variable Annuities
3. MIC GENERAL INSURANCE CORPORATION	MI	38660	7/16/03	Terminated Workers' Compensation

NAME CHANGES

Old Name (to) New Name	State of Domicile	NAIC #	Effective Date
1. ALLIANZ INSURANCE COMPANY (to) ALLIANZ GLOBAL RISKS US INSURANCE COMPANY	CA	35300	7/9/03
2. COMMONWEALTH MORTGAGE ASSURANCE COMPANY OF ARIZONA (to) RADIAN MORTGAGE INSURANCE INC.	AZ	33944	7/22/03
3. EMPLOYERS MODERN LIFE COMPANY (to) EMC NATIONAL LIFE COMPANY	IA	62928	7/1/03
4. STATES WEST LIFE INSURANCE COMPANY (to) LIFEWISE ASSURANCE COMPANY	WA	94188	8/25/03

ARIZONA REDOMESTICATIONS

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

ACQUISITIONS/MERGERS/WITHDRAWALS

Acquisitions of Arizona Companies

Company Name	NAIC #	Date Order Filed	Acquired By
1. CONSECO HEALTH INSURANCE COMPANY	78174	9/5/03	CONSECO, INC.
2. REPUBLIC-VANGUARD INSURANCE COMPANY	40479	8/13/03	RTXA, INC. and RTXA SUB, INC.

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. ABRAHAM LINCOLN INSURANCE COMPANY	IL	60011	8/15/03
2. APPALACHIAN LIFE INSURANCE COMPANY	OH	72591	8/15/03

3.	ASSOCIATES FINANCIAL LIFE INSURANCE COMPANY	TN	71838	8/15/03
4.	BIG CITY LIFE INSURANCE COMPANY	AZ	72184	7/24/03
5.	COLUMBINE LIFE INSURANCE COMPANY	AZ	N/A	7/28/03
6.	CONSECO MEDICAL INSURANCE COMPANY	IL	93769	8/19/03
7.	IRISH TRUST LIFE INSURANCE COMPANY	AZ	98345	9/25/03
8.	LIFE INSURANCE COMPANY OF MINNESOTA	AZ	N/A	8/28/03
9.	McNEILUS FIDELITY LIFE INSURANCE COMPANY	AZ	N/A	7/28/03
10.	NATIONAL TRAVELERS LIFE COMPANY	IA	66826	8/21/03
11.	PIONEER LIFE INSURANCE COMPANY	IL	68330	8/15/03
12.	TRIAD COMMERCIAL CAPTIVE INSURANCE COMPANY	AZ	N/A	9/25/03

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. 21 ST CENTURY INSURANCE COMPANY OF ARIZONA	10245	8/29/03
2. CONNECTICUT LIFE INSURANCE AND ANNUITY CORPORATION	74454	9/11/03
3. NATIONAL PROTECTIVE LIFE INSURANCE COMPANY	63347	9/11/03

MARKET CONDUCT EXAM REPORTS/ORDERS

Company Name	State of Domicile	NAIC #	Date Filed	Civil Penalty	Restitution + Interest
1. CUNA Mutual Insurance Society Use of non-compliant Summary of Rights. Improper claims processing procedures.	WI	62626	9/30/03	\$0	\$0
2. Hartford Casualty Insurance Company Use of unfiled rates and rules. Improper cancellation procedures. Improper claims processing procedures.	IN	29424	9/18/03	\$0	\$98.93
3. Hartford Fire Insurance Company Use of unfiled rates and rules. Improper cancellation procedures. Improper underwriting procedures. Improper claims processing procedures.	CT	19682	9/18/03	\$0	\$1,892.58
4. Liberty Insurance Corporation Improper claims processing procedures.	IL	42404	8/11/03	\$0	\$329.51
5. Liberty Mutual Fire Insurance Company Improper claims processing procedures.	MA	23035	8/11/03	\$0	\$586.51

SUSPENSIONS

Company Name	State of Domicile	NAIC #	Effective Date	Action
1. REALM NATIONAL INSURANCE COMPANY	NY	15466	8/21/03	Suspended

OTHER DISCIPLINARY ACTIONS

Company Name NAIC #	Allegation	Disposition
1. Health Net of Arizona, Inc. 95206	Failure to approve or deny clean claims within 30 days of receipt; Provider Agreement provisions that did not reflect the statutory requirement that interest shall be calculated beginning on the date payment is due; denied claims before requesting or obtaining additional information; failure to send written requests for additional information regarding unclean claims within thirty days after claim received; failure to establish an effective system for resolving payment disputes and other contractual grievances; failure to maintain grievance records.	7/14/03 Consent Order \$58,000 Civil Penalty
2. Health Net Life Insurance Company 66141	Failure to approve or deny clean claims within 30 days of receipt; Provider Agreement provisions that did not reflect the statutory requirement that interest shall be calculated beginning on the date payment is due; denied claims before requesting or obtaining additional information; failure to send written requests for additional information regarding unclean claims within thirty days after claim received; failure to establish an effective system for resolving payment disputes and other contractual grievances; failure to maintain grievance records.	7/14/03 Consent Order \$41,6000 Civil Penalty
3. Liberty Life Insurance Company 65323	Race-based underwriting relating to the sale of industrial life and certain other life insurance policies. This order adopts a national Regulatory Settlement Agreement.	8/12/03 Consent Order
4. Monumental Life Insurance Company 66281	Race-based underwriting relating to the sale of life insurance policies. This order adopts a national Regulatory Settlement Agreement.	8/12/03 Consent Order

PRODUCERS AND OTHER LICENSEES DISCIPLINED

Cause No. Name City – State	Allegation	Disposition
1. 03A-088 Robert Wesley Fansler; American Financial Insurance Brokers, L.L.C.; Regency Group 2000, Inc.; Regency Insurance Agency, Inc.; and Robert Wesley Fansler dba Regency Insurance Group, Inc. and Regency Insurance Group 2000, Inc.	Improperly withheld, misappropriated or converted monies or properties received in the course of doing insurance business; obtained, or attempted to obtain a license through misrepresentation or fraud; failed to inform the director in writing within 30 days of change in residential or business address; failed to notify the director of an insurance producer doing business under name other than the producer's legal name.	7/3/03 Order Licenses Revoked

Regulatory Activity Report Third Quarter 2003

2.	03A-109 Matthew Charles Skinner Mesa, AZ	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; presented a statement to an insurer that contained untrue statements of material fact with respect to an application for insurance, a claim for payment under an insurance policy or premiums paid on an insurance policy.	7/10/03 Consent Order License Revoked \$3,433.31 Restitution
3.	03A-115 Tony A. Leombruno and L & A Services, Inc. Phoenix, AZ	Failure to disclose exceptions, reductions and limitations affecting the basic provisions of a policy; failure to identify the insurer.	7/15/03 Consent Order \$1,000 Civil Penalty
4.	03A-116 Virgene Silvers Phoenix, AZ	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.	7/16/03 Consent Order License Revoked \$1,779.05 Restitution
5.	03A-119 Roderick Gibson Helotes, TX	Misrepresentation or fraud in obtaining or attempting to obtain an insurance license.	7/21/03 Consent Order License Revoked
6.	03A-097 Jason Terry Price Scottsdale, AZ	Failure to maintain a \$10,000 surety bond.	7/21/03 Consent Order License Revoked
7.	03A-102 Kelly Suzanne Criner Glendale, AZ	Obtained or attempted to obtain a license through misrepresentation or fraud; had insurance producer's license, or its equivalent, denied, suspended or revoked in any other state.	7/22/03 Order License Revoked
8.	03A-103 Latosha C. Skinner Tulsa, OK	Had previously been convicted of a felony; insurance producer's license, or its equivalent, denied, suspended or revoked in any other state; failure to report to the director any administrative action taken against her in another jurisdiction.	7/28/03 Order License Revoked
9.	02A-214 Kent Maerki Phoenix, AZ	Obtained or attempted to obtain a license through misrepresentation or fraud.	7/29/03 Notice of Declination to Review Recommended Decision License Suspended for 6 months
10.	03A-107 Chris W. Chestnut Tucson, AZ	Intentionally misrepresented the terms of an actual or proposed insurance contract or application for insurance.	8/26/03 Consent Order License Suspended for 10 days \$61.83 Restitution

RULES

Citation	Title	Action	Status
1. R20-6-101 through R20-6-116, R20-6-160	Article 1. Hearing Procedures	Notice of Proposed Rulemaking published 8/15/03 Notice of Rulemaking Docket Opening published 7/11/03	Oral proceeding held on 9/17/03; close of record 9/22/03 Department expects rulemaking to be heard at the 12/02/03 meeting of the Governor's Regulatory Review Council
2. R20-6-215	Article 2. Transaction of Insurance	Exempt rulemaking	Department will file Notice of Exempt Rulemaking by December 2003
3. 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 4th quarter of 2003
4. Sections to be determined	Article 3. Financial Provisions and Procedures	Notice of Rulemaking Docket Opening published 7/11/03	Department expects to propose rulemaking during 4th quarter of 2003
5. 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
6. R20-6-2101 through R20-6-2104	Article 21. Customer Information Security	Notice of Docket Opening published 1/3/03	Department expects to propose rulemaking in October 2003

REGULATORY BULLETINS

Number	Title	Date Issued
1. 2003-08	2003 Arizona Insurance Laws	7/1/03
2. 2003-09	Common Areas of Regulatory Non-Compliance in Personal Lines	7/2/03
3. 2003-10	Form for Selection of Limits or Rejection of Uninsured Motorist Coverage or Underinsured Motorist Coverage	7/15/03
4. 2003-11	Laws 2003, Chapter 133 (HB2153); Long Term Care Insurance	9/18/03

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