




ADOI Achieves Uniformity and Technology Goals

In 2001, the NAIC membership adopted its Uniform Regulation Through Technology (URTT) resolution to renew its commitment to the ongoing modernization of state insurance regulation through uniformity and technology. The URTT initiative, formerly called State Regulation (SR) 2000, is comprised of 12 goals designed to improve the efficiency of regulation by enhancing information exchange and increasing uniformity of law and process across state boundaries.

ADOI had already achieved the SR2000 goals, and now joins 33 other states that have fulfilled the additional URTT requirements. In recognition of its accomplishments in continuing the modernization of state insurance regulation, the ADOI earned the NAIC URTT award. 




Front row, Steve Ferguson, Director Charles Cohen, Erin Klug; Back row, Eugene Glover, Scott Greenberg, Sara Begley.

ADOI Adopts Speed to Market Exemption For Life and Annuity Forms

As part of its modernization of product regulation, the ADOI now exempts ordinary life insurance policy and annuity contract forms from the requirement that they be filed at least 30 days prior to first use in Arizona, and instead requires that they be filed at the time of first use, if certain conditions apply. The basic condition of the exemption are that the identical form (except for variations necessary to meet state specific requirements) has already been filed and allowed or approved in the domiciliary and "commercially significant" non-domiciliary (25% of total U.S. life premium or annuity considerations) jurisdictions

wherein the law provides an adequate standard (form may not be misleading, ambiguous or deceptive) and process (prior approval or file/use) for review of the form prior to its use. Additionally, the form must be accompanied by a sworn certification of compliance with Arizona law. Of course, the ADOI retains its authority to disapprove the form after it is filed.

The exemption is based on the principle that Arizona consumers are better served by allowing immediate entry into our market of life and annuity products that have already been subjected to substantial, credible regulatory review, as long as the ADOI retains its authority to take regulatory action if necessary.

A "Certification of Qualifications" form, which contains specific details concerning the requirements to be met for this exemption, can be found on the Department's web site at www.az.us/id/publications/speedtomarket.html. 

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Mission Statement

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

ADOI Monitors Property and Casualty Market Place

As an integral component of Arizona's "open competition" law for regulation of most property and casualty insurance products, the ADOI actively monitors the property and casualty (P&C) marketplace to verify the existence of competition and the availability and affordability of certain P&C insurance in Arizona.

The monitoring program currently involves eight P&C admitted markets: surety, commercial automobile, personal lines automobile, homeowners, medical malpractice, general liability, crop hail and businessowners.

Part of the program includes determining if a reasonable degree of price competition exists. By statute, the ADOI is required to consider:

1. Number of insurers actively engaged in the class of business.
2. Market share and changes in market share of insurers.
3. Existence of rate differentials in a particular class of business.
4. Ease of entry and latent competition of insurers capable of easy entry.

To obtain this and other useful market information, we rely upon two primary sources for information: insurers' annual statements filed with the ADOI and insurers' responses to ADOI surveys.

Each insurer provides its Arizona direct written premium, earned premium, paid losses and incurred losses for 28 major P&C lines on page 15, "the State Page," of its annual statement. We compile this information by line of insurance for all insurers. From this compilation, we develop for each line the total written premium

in the state, each insurer's market share, and each insurer's incurred loss ratio for the preceding year. By comparing each new year's line compilation to past line compilations, we identify material changes in the market for the line including: the entry of new insurers; the exit of insurers formerly active in the market; the existence of insurers capable of latent entry; the concentration of business; the market leaders; and the overall activity level of all insurers.

The surveys are an extremely important part of the program because they permit insurers to give their direct input on current market conditions. Survey questions focus on competition, pricing, changes in underwriting, market concentration, ease of market entry, insurance availability, and reasons for market exit if the insurer indicates it is withdrawing.

By comparing the compiled survey responses with previous years' responses and with the State Page compilations, we can readily identify patterns, changes, and trends and prepare an analysis of market conditions in each monitored line.

Though some of the underlying information is public information, the analyses themselves are prepared solely for internal, analytical, and deliberative purposes. The analyses are used to inform the Director of current market conditions, to provide various Divisions of the ADOI with the names of insurers providing markets to enable the Divisions to better assist consumers, to target certain rate and form filings for review, and to assist with speed to market issues to stimulate competition. ☐

Arizona Guaranty Funds Gear Up to Handle Reliance Claims

On October 3, 2001, the Reliance Insurance Company, a Pennsylvania domiciled property and casualty insurer, was declared insolvent and ordered into liquidation. The Reliance insolvency will likely be the largest property/casualty insolvency ever in the United States, with liabilities of approximately \$9.9 billion as of March 31, 2001, and admitted assets of only \$8.8 billion. Reliance's insurance business consisted primarily of workers' compensation, commercial auto, commercial liability and personal auto coverage.

Reliance and its subsidiary companies wrote business in every state and had a substantial presence in Arizona. As of June, 2001, Reliance reported 1,415 open Arizona claims with loss reserves in excess of \$35 million. As of mid-December, the Arizona Property and Casualty Insurance Guaranty Fund had received 592 Reliance claims. Of those claims, 331 were claims under private passenger automobile policies. Reliance also wrote accident and health insurance business in Arizona, which will impact the Arizona Life and Disability Insurance Guaranty Fund.

In order to handle the influx of new claims, the Guaranty Funds have brought in an additional in-house claims adjuster on temporary assignment and will add a second Senior Claims Adjuster as a full time employee. Personal auto claims are being assigned to a contracted vendor for adjustment.

(Continued on page 3)

Legislative Report

Close on the heels of the adjournment of a special session to address a state budget deficit and other issues, the 45th Arizona Legislature will convene its second regular session on Monday, January 14, 2002. The ADOI is proceeding with the legislative agenda announced in the third quarter newsletter with some minor modifications. (Please refer to the 3rd quarter newsletter for a summary of the ADOI's bills.)

Senator Edward J. Cirillo, Chairman of the Senate Banking and Insurance Committee, will be the primary sponsor of three bills: budget recoupmnt; financial and accounting standards for nonprofit health insurers, HMOs, and prepaid dental plans; and adjuster definition. Representative Ted Carpenter, Chairman of the House Financial Institutions and Insurance Committee, will also be the primary sponsor of three bills: product regulation reform; credit property and credit unemployment insurance; and repeal of the Small Employer Reinsurance Program (SERP). The ADOI had originally listed another bill on its agenda to repeal the substance abuse exclusion provision found in A.R.S. § 20-1368. However, Senator Cirillo has already prefiled that bill (SB 1005) and will proceed with it as his own. The ADOI supports this bill for the reasons outlined in the March 2, 2001 resolution adopted by the National Conference of Insurance Legislators. The

ADOI continues to work with interested parties on the various pieces of legislation, and to solicit input from those insurers that would be affected by repeal of SERP on whether to proceed with the repeal.

The ADOI has participated in discussions regarding a number of other insurance related bills that may be introduced in the next session. Among these are: a bill to temporarily waive licensing and continuing education requirements for producers called to active military duty; a bill to address issues of concern to mortgage guaranty insurers; legislation to place limitations and conditions on insurers' use of credit history and credit scores for underwriting and pricing purposes; legislation to revise the requirements for surplus lines broker affidavits; and conforming legislation required as a follow-up to last year's producer licensing bill. This latter bill would change the term "agent" to "producer" where appropriate throughout the Insurance Code. There will likely be numerous other bills of interest to insurance consumers and industry.

The recent special session to address the state's budget deficit resulted in a cut of approximately 5% of the ADOI appropriated budget for the current fiscal year. The Legislature also repealed the budget previously adopted for state fiscal year 2002-2003, which had included an appropriation for operation of a new ADOI captive insurance

program. The ADOI retained the FY 2001-2002 funding for a captive administrator position, and will proceed to implement the program on July 1, 2002. ■

Insurance Regulator

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Reliance Claims (Continued from page 2)

The Arizona Property and Casualty Insurance Guaranty Fund pays covered claims of Arizona residents under property, casualty and liability policies up to \$100,000, with a statutory deductible of \$100, and claims for un-earned premium in excess of \$25. The Arizona Life and Disability Insurance Guaranty Fund pays claims of Arizona residents under accident, health and disability policies up to \$300,000. Since their establishment in 1977, the two Funds have paid out approximately \$375 million to Arizona policyholders. ■

Regulator Profile



Mike Sarguine is the new Executive Director of the Arizona Insurance Guaranty Funds. Mike came to the ADOI from the NAIC, where he served as Senior Counsel, Financial and Insolvency Regulation, since 1992. In his former position with the NAIC, he provided support to NAIC committees and state insurance departments regarding insurer insolvency proceedings and guaranty fund issues. He also provided legal support to the NAIC's Accreditation Program, the Financial Services and Financial Analysis Divisions, and the International Insurers Department.

Prior to working at the NAIC, Mike was employed by the Arkansas Department of Insurance, first as Associate Counsel and then as Deputy Receiver and Administrator of the property/casualty and life/health guaranty funds.

Mike is a graduate of Arkansas Polytechnic College (now Arkansas Tech University) and the University of Arkansas School of Law.

He is a member of the International Association of Insurance Receivers, and served three terms on its Board of Directors.

Mike resides in Chandler with his wife and younger daughter. His older daughter lives in Little Rock, Arkansas and attends the University of Arkansas. In his leisure time, Mike enjoys skiing, golf, and flyfishing. ☐

ADOI Clarifies Process for Permitted Accounting Practices

The ADOI recently announced procedures for accepting and evaluating requests by insurers to implement accounting practices that differ from the codified practices set forth in the NAIC Accounting Practices and Procedures Manual. For purposes of filing 2001 Annual Statements, insurers may continue to rely upon permitted accounting practice letters issued prior to December 31, 2001. However, as of January 1, 2002, previously issued permitted accounting practice letters are subject to reconsideration as a result of changes in the insurer's financial condition and operations, changes in Arizona laws and regulations, or changes in practices and procedures implemented by the NAIC. Insurers that wish to continue to rely on a previous permitted accounting practice letter must submit a request pursuant to new procedures. If upon reconsideration the ADOI determines a permitted accounting practice letter will not be reissued, the ADOI will work with the insurer to minimize any adverse consequences.

As of January 1, 2002, the ADOI's Financial Affairs Division will accept requests for permitted accounting practices in the following circumstances:

- Where material and unusual conditions exist

that would render the financial statements misleading as a result of strict adherence to accounting practices required by the Manual and/or Arizona law;

- Where accounting requirements, practices, treatment or issues are not clearly addressed in the Manual or under Arizona law; or
- Where, by Statutory Accounting Principles ("SAP") or Arizona law, the particular accounting treatment or practice requires the ADOI's written approval prior to implementation.

General requirements for insurers to follow in submitting their requests for permitted accounting practices include, (1) identification of the circumstances pursuant to which the request is being made, (2) a discussion and analysis of the proposed practice, and (3) the rationale and justification for the practice.

A complete description of the process for obtaining permitted accounting practices letters from the ADOI is set forth in Regulatory Bulletin No. 2001-16, which is available on ADOI's web site at www.state.az.us/id. ☐

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

Fraud Unit Report

FY 2001 Statistics

The Fraud Unit performed its annual audit of the referrals to the Unit by licensed insurers in fiscal year 2001 (July 1, 2000 to June 30, 2001). The audit focuses on five lines: homeowners, worker's compensation, life and health, personal auto and commercial auto. The Fraud Unit compares the share of referrals each insurer submits to its Arizona market share by line of business. Insurer CEO's are sent a letter sharing the audit results and reminding them that Arizona law requires every insurer licensed in Arizona to report any suspicious claims to the ADOI Fraud Unit.

The good news: referrals to the Unit continue to increase. The bad news: certain types of fraud referrals are still rare or non-existent. The Fraud Unit rarely receives healthcare related referrals, only minimal worker's compensation referrals and no referrals related to premium fraud (e.g., when an employer misrepresents the classification of its employees in order to reduce workers' compensation premiums). The Fraud Unit urges insurers to review their fraud referral practices and policies to determine whether your company can better help fight these under-reported types of insurance fraud.

Members of the Fraud Unit encourage SIU and Claims Managers to call with questions or comments. The ADOI wants to work with the industry to prosecute those who perpetrate insurance fraud.

Fraud Unit Statistics for FY2001

| | |
|---|-------------|
| Total Fraud Referrals Received | 1746 |
| a. Referrals for Information Only | 763 |
| b. Number of Cases Investigated | 983 |
| Cases Closed Without Referral for Prosecution | 751 |
| Cases Referred to Prosecutors | 149 |
| Indictments | 149 |
| Prosecutions | 137 |
| Convictions | 137 |
| Restitution Resulting from Unit Operations | \$1,534,128 |
| Value of Property Recovered | \$ 100,022 |
| Fines Resulting from Unit Operations | \$ 18,638 |

ADOI Surveys Insurers About Credit Data Practices

The use of personal credit history data by insurers in determining eligibility and price for personal lines insurance is an issue of concern to the ADOI, consumers, insurance producers, and numerous legislators. Though current Arizona law does not specifically address or prohibit the use of personal credit information by insurers, there is growing concern that these practices may be unfair to consumers in some cases.

In November, the ADOI issued a survey to 54 insurers who write homeowners and/or automobile coverage in Arizona. The purpose of the survey is to gather information about the use in Arizona of personal credit history data in homeowners and automobile insurance. The surveyed insurers control 80.89% of the Arizona homeowners market and 90.6% of the Arizona auto market. The ADOI also sent a separate survey to third party entities that develop and/or provide credit scores (also referred to as "insurance scores" in the context of insurance transactions) to insurers.

For purposes of the survey, personal credit history data is defined to include 1) the use of credit reports, typically containing identifying information, trade lines, inquiries, and public record/collection items and 2) credit scores derived by processing credit report/credit history data through an algorithm that reduces the data into a single score. The survey poses questions including under what circumstances the insurer uses a person's credit history, what kinds of disclosures the insurer makes to a person regarding the use of credit, and whether an otherwise acceptable risk would be rejected based solely on an unacceptable credit score.

Survey information will help the ADOI to assess whether the current practices of insurers utilizing personal credit history data call for regulatory action under current law. It will also better enable the ADOI to inform and advise the Legislature as it debates this issue, as well as equip us to participate in the ongoing national discussion of this issue. We anticipate making presentations on credit data issues, including an overview of the survey results, to House and Senate Insurance committees early in the legislative session. ■

Around ADOI

Financial Affairs

Annual Statement Filings

All forms and instructions relating to 2001 annual statement, tax and fee requirements and due dates are posted on ADOI's web site, www.state.az.us/id/forms. Scroll down to the "Financial Affairs Division Forms" and select from the list of topics. ADOI will also mail a "Notice" to all insurers and surplus lines brokers identifying the instructions and forms applicable to them. All insurers and brokers subject to tax reporting will also receive a Customer Satisfaction Survey and special return mail envelope. *Please do not mail tax reports or payments in the Customer Survey return mail envelope.*

Life and Health

Provider Timely Pay Reports

The Life and Health Division has received the first of the semi-annual timely payment reports (due on October 1 and April 1) from health care insurers required under the

"Managed Care Accountability Act" [A.R.S. § 20-3101 et. seq.]. Eventually, the reports will provide the ADOI with important information about the insurer, its network, and its ability to pay claims and provide services to members.

Through preliminary review of the grievance reports, the Division identified some technical issues concerning data format and discrepancies and some substantive problems, such as how grievances were defined and categorized. ADOI is working with health care insurers to resolve these issues.

For this first semi-annual report, ADOI expects to focus on six primary grievance types: Clean claims, failure to timely pay, interest payments, payment adjustments, system or operational issues, and network adequacy issues.

Following its analysis, ADOI will assess whether the reports reveal patterns that raise regulatory concerns.

Credit Life and Disability Rules

In 2001, ADOI initiated the necessary legal proceedings to revise the Prima Facie rates. This

past summer, revised rules were sent to interested parties for informal comment. Based on the comments received, the draft rules were amended and on October 5, 2001, the ADOI filed a Notice of Proposed Rulemaking to amend A.A.C. R20-6-604. The Notice was published in the October 19, 2001 Arizona Administrative Register. An oral proceeding was held at the ADOI on November 27, 2001 at which time both oral and written comments on the rulemaking were received. The record was closed on November 28, 2001.

The ADOI is currently in the process of drafting final documents to be filed with the Governor's Regulatory Review Council. The ADOI expects to file the Notice of Final Rulemaking with the Council during the first quarter of 2002.

Consumer Affairs

Health Care Appeals

The ADOI published the Health Care Appeals Annual Report for fiscal year 2001 (July 1, 2000 through June 30, 2001). Required by statute, this report gives an overview of

the number and results of appeals received during fiscal year 2001. The report also describes the appeals process, including notification requirements, and the enforcement activity during the fiscal year. The report can be viewed on the ADOI web site.

Market Analysis Surveys

The Consumer Affairs Division mailed its annual market analysis surveys to gather policyholder data from various types of insurers including life, health, HMO, and personal and commercial property and casualty. Surveys were mailed in early December and responses are due on March 1, 2002. Surveys can be obtained on the ADOI web site, www.state.az.us/id/forms/.

Producer Licensing

Updated Phone and Web Site Services

The ADOI has updated the services available to licensees by phoning, (602) 912-8470 in Phoenix, or calling toll free (877) 660-0964. Most notable is the improved Fax on Demand feature which allows callers to place an order to receive licensing forms via fax. Producers can also access answers to Frequently Asked Questions.

In addition, the Licensing Section web page (www.state.az.us/id/licensing) contains links to Arizona Revised Statutes and Arizona Administrative Code. It also contains information on continuing education and other licensing requirements. We recommend licensees consult this web site every few months to remain abreast of changes in law, fees, forms and ADOI policies.

Improved Applications

Since October 1, 2001, when application forms and instructions were changed in accordance with laws governing insurance producer licensing, a greater percentage of license applications are being correctly completed. Most of the current errors are the result of nonresident applicants failing to have their signatures notarized in accordance with the instructions on the Uniform Application.

Rates and Regulations

Commercial Casualty Market

Nursing homes may be experiencing difficulty in obtaining insurance for errors and omissions liability, medical malpractice professional liability, and other of their liability

exposures. Therefore, the Director has set a hearing for January 28, 2002 at 1:30 p.m. to receive public comment to assist him in determining whether commercial casualty insurance products are unavailable or unaffordable to Arizona nursing homes that purchase insurance to cover their own exposure to loss. The information provided by the public at the hearing will assist the Director in framing the issues, in suggesting solutions if the public comment evidences a problem, and in developing an action plan, if necessary, to address any crisis that may exist in nursing home casualty coverage.

We are aware that coverage is becoming difficult to obtain for nursing homes, other specialized errors and omissions exposures, and for construction defects. However, the property and casualty commercial lines market in Arizona is always changing. Therefore, we would appreciate knowing whether you have markets or are aware of markets for the aforementioned difficult-to-place coverages and whether you know of other property and casualty coverages that are becoming particularly difficult to write or place. Please send your comments to Deloris Williamson at dwilliamson@id.state.az.us.



COMPANY ACTIONS

NEW LICENSES ISSUED

Domestic Insurers

| | Company Name | NAIC # | Effective Date | Type |
|----|--|--------|----------------|---|
| 1. | AVESIS REINSURANCE INCORPORATED | 11163 | 11/6/01 | Life & Disability Reinsurer |
| 2. | FRONTIER REINSURANCE, INC. | N/A | 11/14/01 | Unaffiliated Credit Life & Disability Reinsurer |
| 3. | PRENEED REINSURANCE COMPANY OF AMERICA | 11155 | 10/12/01 | Life & Disability Reinsurer |

Foreign Insurers

| | Company Name | State of Domicile | NAIC # | Effective Date | Type |
|-----|--|-------------------|--------|----------------|-----------------------------|
| 1. | BROKERS NATIONAL LIFE ASSURANCE COMPANY | AR | 74900 | 11/19/01 | Life & Disability Insurer |
| 2. | COAST NATIONAL INSURANCE COMPANY | CA | 25089 | 10/18/01 | Property & Casualty Insurer |
| 3. | COMMONWEALTH INSURANCE COMPANY OF AMERICA | WA | 10220 | 11/19/01 | Property & Casualty Insurer |
| 4. | CRUM & FORSTER SPECIALTY INSURANCE COMPANY | CT | 44520 | 10/29/01 | Property & Casualty Insurer |
| 5. | FIRST PROFESSIONALS INSURANCE COMPANY, INC. | FL | 33383 | 10/3/01 | Property & Casualty Insurer |
| 6. | FUNERAL DIRECTORS LIFE INSURANCE COMPANY | TX | 99775 | 11/14/01 | Life Insurer |
| 7. | PROFESSIONALS DIRECT INSURANCE COMPANY | MI | 25585 | 12/12/01 | Casualty Insurer |
| 8. | REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA | FL | 32174 | 12/4/01 | Mortgage Guaranty Insurer |
| 9. | SAFETY FIRST INSURANCE COMPANY | IL | 11123 | 11/15/01 | Casualty Insurer |
| 10. | TRIUMPHE CASUALTY COMPANY | TX | 41106 | 11/19/01 | Property & Casualty Insurer |
| 11. | UNIFIED LIFE INSURANCE COMPANY | TX | 11121 | 12/5/01 | Life & Disability Insurer |
| 12. | WESTERN GENERAL INSURANCE COMPANY | CA | 27502 | 12/4/01 | Property & Casualty Insurer |

Risk Retention Groups Registered

| Company Name | State of Domicile | NAIC # | Effective Date |
|------------------------------|-------------------|--------|----------------|
| NO NEW ACTIVITY THIS QUARTER | | | |

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

| Company Name | State of Domicile | Effective Date |
|---|-------------------|----------------|
| 1. INTERCONTINENTAL WARRANTY SERVICES, INC. | FL | 11/05/01 |
| 2. NATIONAL AUTO CARE CORPORATION | OH | 10/22/01 |

| | | | |
|----|--|----|----------|
| 3. | WARRANTECH CONSUMER PRODUCT SERVICES, INC. | CT | 10/30/01 |
| 4. | ZURICH WARRANTY SOLUTIONS, INC. | IL | 12/31/01 |

Third Party Administrators (TPA)

| | Company Name | State of Domicile | Effective Date |
|----|-----------------------------------|-------------------|----------------|
| 1. | LIFEPLANS LTC SERVICES, INC. | MA | 11/08/01 |
| 2. | MORGAN-WHITE ADMINISTRATORS, INC. | MS | 11/15/01 |

Utilization Review Agents

| | Company Name | State of Domicile | Effective Date |
|----|-------------------------------|-------------------|----------------|
| 1. | RENAISSANCE HEALTH CARE, INC. | DE | 11/06/01 |

CHANGE OF AUTHORITY

| | Company Name | State of Domicile | NAIC # | Effective Date | Change |
|-----|--|-------------------|--------|----------------|---|
| 1. | ACCREDITED SURETY AND CASUALTY COMPANY, INC. | FL | 26379 | 11/05/01 | Granted Casualty Without Workers' Compensation Limited to Notary Errors and Omissions |
| 2. | ANCHOR GENERAL INSURANCE COMPANY | CA | 40010 | 11/05/01 | Terminated Disability & Surety |
| 3. | CNP INSURANCE COMPANY | AZ | 27938 | 10/11/01 | Granted Property |
| 4. | CONSECO VARIABLE INSURANCE COMPANY | TX | 64017 | 11/14/01 | Granted Variable Life |
| 5. | LINCOLN HERITAGE LIFE INSURANCE COMPANY | IL | 65927 | 10/3/01 | Granted Disability |
| 6. | MAPFRE REINSURANCE CORPORATION | CA | 23876 | 11/20/01 | Granted Disability |
| 7. | MAPFRE REINSURANCE CORPORATION | CA | 23876 | 11/20/01 | Converted To Accredited Reinsurer |
| 8. | NORLEN LIFE INSURANCE COMPANY | AZ | 75833 | 12/13/01 | Converted to Life and Disability Reinsurer |
| 9. | NORTH AMERICAN ELITE INSURANCE COMPANY | NH | 29700 | 11/19/01 | Granted Disability & Surety |
| 10. | PHL VARIABLE INSURANCE COMPANY | CT | 93548 | 12/5/01 | Granted Variable Life |
| 11. | SIRIUS AMERICA INSURANCE COMPANY | DE | 35408 | 11/19/01 | Granted Disability |
| 12. | STONINGTON INSURANCE COMPANY | TX | 10340 | 12/6/01 | Granted Casualty With Workers' Compensation |
| 13. | TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY | IA | 67121 | 10/3/01 | Granted Variable Annuities and Variable Life |

NAME CHANGES

| | Old Name (to) New Name | State of Domicile | NAIC # | Effective Date |
|----|---|-------------------|--------|----------------|
| 1. | AAOMS NATIONAL INSURANCE COMPANY, RISK RETENTION GROUP (to) OMS NATIONAL INSURANCE COMPANY, RISK RETENTION GROUP | IL | 44121 | 12/1/01 |
| 2. | EMPLOYERS INSURANCE OF WAUSAU A MUTUAL COMPANY (to) EMPLOYERS INSURANCE COMPANY OF WAUSAU | WI | 21458 | 11/21/01 |
| 3. | NOBEL INSURANCE COMPANY (to) STONINGTON INSURANCE COMPANY | TX | 10340 | 10/31/01 |
| 4. | WESTERN FAMILY INSURANCE COMPANY (to) ANCHOR GENERAL INSURANCE COMPANY | CA | 40010 | 11/05/01 |

ARIZONA REDOMESTICATIONS

| | Company Name | NAIC # | Effective Date | State of Domicile | |
|----|--|--------|----------------|-------------------|----|
| | | | | From | To |
| 1. | ANCHOR GENERAL INSURANCE COMPANY | 40010 | 11/05/01 | AZ | CA |
| 2. | CRUM & FORSTER SPECIALTY INSURANCE COMPANY | 44520 | 10/29/01 | CT | AZ |

ACQUISITIONS/MERGERS/WITHDRAWALS**Acquisitions of Arizona Companies**

| | Company Name | NAIC # | Date Order Filed | Acquired By |
|----|---|----------------|------------------|---------------------------------|
| 1. | UNITED DENTAL CARE INSURANCE COMPANY and UNITED DENTAL CARE OF ARIZONA, INC. | 97870 47708 | 11/7/01 | Fortis, Inc. |
| 2. | STANFORD LIFE INSURANCE COMPANY | 77372 | 10/17/01 | Fortune Life Investment Company |

Mergers involving Arizona Companies

| | Company Name Merged Into | State of Domicile | NAIC # | Date Order Filed |
|----|---|-------------------|----------------|------------------|
| 1. | LOUISIANA CREDIT LIFE INSURANCE COMPANY, INC. BANC ONE LIFE INSURANCE COMPANY | AZ AZ | 60640 77534 | 12/19/01 |
| 2. | UNITED CONCORDIA DENTAL PLANS OF WASHINGTON, INC. UNITED CONCORDIA INSURANCE COMPANY | WA AZ | 47045 85766 | 11/28/01 |
| 3. | UNILIFE INSURANCE COMPANY COMPBENEFITS INSURANCE COMPANY | AZ TX | 62448 60984 | 12/20/01 |

Withdrawals from Arizona

| | Company Name | State of Domicile | NAIC # | Date Order Filed |
|-----|---|-------------------|--------|------------------|
| 1. | AMCORE FINANCIAL LIFE INSURANCE COMPANY | AZ | N/A | 11/28/01 |
| 2. | ARBOR LIFE INSURANCE COMPANY | AZ | 72060 | 12/20/01 |
| 3. | CONESTOGA LIFE ASSURANCE COMPANY | PA | 93718 | 12/21/01 |
| 4. | EMPLOYERS FIRST INSURANCE COMPANY nka: Fremont Employers Insurance Company | CA | 21059 | 12/28/01 |
| 5. | EXCESS RISK REINSURANCE COMPANY | AZ | 65965 | 12/20/01 |
| 6. | FREMONT INDEMNITY COMPANY | CA | 11207 | 12/28/01 |
| 7. | FREMONT INDEMNITY COMPANY OF THE NORTHWEST | WA | 21148 | 12/28/01 |
| 8. | INTERMEDIARY LIFE INSURANCE COMPANY | AZ | 60071 | 12/20/01 |
| 9. | LINCOLN COUNTY LIFE INSURANCE COMPANY | AZ | 80780 | 12/19/01 |
| 10. | LOUISIANA CREDIT LIFE INSURANCE COMPANY, INC. | AZ | 60640 | 12/19/01 |
| 11. | NORTHWEST TERRITORY LIFE INSURANCE COMPANY | AZ | N/A | 11/19/01 |
| 12. | WASATCH CREST CASUALTY INSURANCE COMPANY | UT | 10553 | 12/11/01 |

SUSPENSIONS/REINSTATEMENTS

| | Company Name | State of Domicile | NAIC # | Effective Date | Action |
|----|----------------------------|-------------------|--------|----------------|-----------|
| 1. | FAR WEST INSURANCE COMPANY | NE | 42633 | 12/27/01 | Suspended |

SUPERVISIONS/RECEIVERSHIPS

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

FINANCIAL EXAM REPORTS

| | Company Name | NAIC # | Date Report Filed |
|-----|--|---------------|--------------------------|
| 1. | ARIZONA SCHOOL ALLIANCE FOR WORKERS' COMPENSATION, THE | N/A | 11/16/01 |
| 2. | CNP INSURANCE COMPANY | 27938 | 12/03/01 |
| 3. | DOBCO LIFE INSURANCE COMPANY | 86851 | 12/28/01 |
| 4. | FAIRLANE LIFE INSURANCE COMPANY | 72400 | 12/28/01 |
| 5. | MONY LIFE INSURANCE COMPANY OF AMERICA | 78077 | 12/17/01 |
| 6. | NEW DOMINION LIFE INSURANCE COMPANY | 78450 | 10/23/01 |
| 7. | OLD KENT FINANCIAL LIFE INSURANCE COMPANY | 93300 | 11/16/01 |
| 8. | PREFERRED CARE LIFE INSURANCE COMPANY | 60072 | 11/16/01 |
| 9. | PROGRESSIVE PALOVERDE INSURANCE COMPANY | 44695 | 12/28/01 |
| 10. | SOUTHEAST FAMILY LIFE INSURANCE COMPANY | 89281 | 11/16/01 |
| 11. | SOUTHWEST EQUITY LIFE INSURANCE COMPANY | 98426 | 10/23/01 |
| 12. | YUMA AREA BENEFIT CONSORTIUM (TRUST) | N/A | 10/09/01 |

MARKET CONDUCT EXAM REPORTS/ORDERS

| | Company Name | State of Domicile | NAIC # | Date Filed | Civil Penalty | Restitution + Interest |
|----|--|--------------------------|---------------|-------------------|----------------------|-----------------------------------|
| 1. | ALL AMERICA INSURANCE COMPANY Improper claim handling procedures. Misrepresentation of policy terms at renewal and during claim processing. | OH | 20222 | 10/24/01 | \$7,000 | \$11,264.46, plus interest TBD |
| 2. | AMERICAN FOUNDERS LIFE INSURANCE COMPANY Failure to apply interest bonus to annuity contracts. | TX | 60445 | 10/12/01 | \$0 | \$32,787.10 |
| 3. | BANKERS STANDARD INSURANCE COMPANY Use of unfiled rates and rules. | PA | 18279 | 12/20/01 | \$20,000 | \$7,545.00, plus interest TBD |
| 4. | BLUE CROSS AND BLUE SHIELD OF ARIZONA, INC. Use of noncompliant forms. Improper appeals procedures. | AZ | 53589 | 11/16/01 | \$8,000 | \$0 |
| 5. | CENTRAL MUTUAL INSURANCE COMPANY Misrepresentation of policy terms at renewal and during claim processing. | OH | 20230 | 10/24/01 | \$4,000 | \$391.88 |
| 6. | CHARTER OAK FIRE INSURANCE COMPANY Violations of a prior consent order. Use of unfiled rates and rules. | CT | 25615 | 10/10/01 | \$5,200 | \$2,168.00 |
| 7. | CIGNA FIRE UNDERWRITERS INSURANCE COMPANY, (n.k.a. ACE Fire Underwriters Insurance Company) Use of unfiled rates and rules. | PA | 20702 | 12/20/01 | \$0 | \$10,266.00, plus interest TBD |
| 8. | CIGNA INSURANCE COMPANY, (n.k.a. ACE American Insurance Company) Use of unfiled rates and rules. | PA | 22667 | 12/20/01 | \$14,000 | \$11,765.00, plus interest TBD |

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| 9. | CIGNA PROPERTY AND CASUALTY INSURANCE COMPANY, (n.k.a. ACE Property and Casualty Insurance Company) Use of unfiled rates and rules. | PA | 20699 | 12/20/01 | \$0 | \$0 |
| 10. | DAIRYLAND INSURANCE COMPANY Violations of a prior consent order. Use of unfiled rates and rules. Improper claim handling procedures. | WI | 21164 | 10/17/01 | \$27,500 | \$52,488.05, plus interest TBD |
| 11. | FOUNDATION RESERVE INSURANCE COMPANY Misrepresentation of policy provisions. Improper claims handling procedures. Failure to provide Summary of Rights. Improper cancellation procedures. | NM | 23051 | 12/12/01 | \$14,000 | \$11,243.91, plus \$1,064.36 interest |
| 12. | GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY Use of non-compliant forms. Failure to file advertising. Improper replacement procedures. Improper claim handling procedures | DE | 70025 | 12/28/01 | \$9,000 | \$263.52 interest |
| 13. | INDEMNITY INSURANCE COMPANY OF NORTH AMERICA Use of unfiled rates and rules. | PA | 43575 | 12/20/01 | \$0 | \$14,325.00, plus interest TBD |
| 14. | INSURANCE COMPANY OF NORTH AMERICA Use of unfiled rates and rules | PA | 22713 | 12/20/01 | \$0 | \$0 |
| 15. | LIFE AND HEALTH INSURANCE COMPANY OF AMERICA Improper claims handling procedures. Improper replacement procedures. Use of unfiled forms. Use of unfiled advertising. | PA | 77887 | 11/01/01 | \$30,000 | \$1,760.60 |
| 16. | MIDDLESEX INSURANCE COMPANY Improper claim processing procedures. | WI | 23434 | 10/17/01 | \$0 | \$1,526.54, plus \$1,048.58 interest |
| 17. | PACIFIC EMPLOYERS INSURANCE COMPANY Use of unfiled rates and rules. | PA | 22748 | 12/20/01 | \$4,000 | \$0 |
| 18. | PACIFICARE LIFE AND HEALTH INSURANCE COMPANY Failure to maintain records. Improper claim processing procedures. | IN | 70785 | 12/28/01 | \$18,000 | \$0 |
| 19. | PATRIOT GENERAL INSURANCE COMPANY Failure to file list of agents. | WI | 23442 | 10/17/01 | \$0 | \$0 |
| 20. | PHOENIX INSURANCE COMPANY Improper cancellation procedures. Use of unfiled rates and rules. | CT | 25623 | 10/10/01 | \$0 | \$0 |
| 21. | PROGRESSIVE CASUALTY INSURANCE COMPANY Improper claim procedures. | OH | 24260 | 12/17/01 | \$0 | \$1,144.58, plus \$72.01 interest |
| 22. | SCOTTSDALE INSURANCE COMPANY Use of noncompliant form. Improper claim processing procedures. Use of unfiled rates and rules. | OH | 41297 | 11/05/01 | \$10,000 | \$5,878.93, plus amounts due from self-audit |
| 23. | SENTRY INSURANCE, A MUTUAL COMPANY Violations of a prior consent order. Use of unfiled rates and rules. Improper claim handling procedures. | WI | 24988 | 10/17/01 | \$22,500 | \$24,668.80, plus interest TBD |
| 24. | TRAVELERS INDEMNITY COMPANY Improper cancellation procedures. Use of unfiled rates and rules. | CT | 25658 | 10/10/01 | \$11,700 | \$31,560.00, plus interest TBD |
| 25. | TRAVELERS INDEMNITY COMPANY OF AMERICA Violations of a prior consent order. Improper cancellation procedures. Use of unfiled rates and rules. | CT | 25666 | 10/10/01 | \$13,000 | \$19,485.99, plus interest TBD |

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| 26. | TRAVELERS INDEMNITY COMPANY OF ILLINOIS Violations of a prior consent order. Improper cancellation procedures. Use of unfiled rates and rules. Improper claim handling procedures. Use of unfiled forms. | IL | 25674 | 10/10/01 | \$39,000 | \$282,302.61, plus interest TBD |
| 27. | TRAVELERS INDEMNITY COMPANY OF RHODE ISLAND, (n.k.a. Travelers Indemnity Company of Connecticut Use of unfiled rates and rules. | RI | 25682 | 10/10/01 | \$0 | \$0 |
| 28. | VICTORIA AUTOMOBILE INSURANCE COMPANY Improper claim procedures. | IN | 10644 | 11/29/01 | \$0 | \$2,888.45, plus \$670.75 interest |
| 29. | VICTORIA FIRE & CASUALTY COMPANY Improper claim procedures. | OH | 42889 | 11/29/01 | \$0 | \$811.42, plus \$153.27 interest |
| 30. | WESTERN AGRICULTURAL INSURANCE COMPANY Improper claim procedures. Use of unfiled rates and rules. | AZ | 27871 | 12/28/01 | \$6,000 | \$14,626.00, plus interest TBD |
| 31. | WESTERN-SOUTHERN LIFE ASSURANCE COMPANY Improper replacement procedures. Use of non-compliant notice of information practices. Failure to provide compliant Summary of Rights | OH | 92622 | 10/12/01 | \$0 | \$0 |

OTHER DISCIPLINARY ACTIONS

| Company Name NAIC # | Allegation | Disposition |
|--|--|--|
| 1. HUMANA HEALTH PLAN, INC. NAIC #95885 | Failure to comply with the provisions of the Health Care Appeals law with such frequency as to indicate a general business practice. | 10/17/01 Consent Order \$10,000 Civil Penalty |
| 2. CONNECTICUT GENERAL LIFE INSURANCE COMPANY NAIC #62308 | Failure to comply with the provisions of the Health Care Appeals law with such frequency as to indicate a general business practice. | 10/24/01 Consent Order \$5,000 Civil Penalty |
| 3. AMERICAN MEDICAL SECURITY, INC. | Unauthorized disclosure of personal or privileged information. | 11/1/01 Consent Order \$1,500 Civil Penalty |

PRODUCERS AND OTHER LICENSEES DISCIPLINED

| Cause No. Name City - State | Allegation | Disposition |
|--|--|---|
| 1. 01A-213 Clarence Mourice Ferguson Scottsdale, AZ | Misrepresentation or fraud in obtaining or attempting to obtain an insurance license; record of dishonesty in business or financial matters. | 10/1/01 Consent Order License Revoked |
| 2. 01A-225 Susan E. Lee Las Vegas, NV | Misrepresentation to any policyholder for the purpose of inducing or tending to induce the policyholder to lapse, forfeit, surrender, retain or convert any insurance policy. | 10/1/01 Consent Order License Revoked |
| 3. 01A-237 James Hazelton Spencer dba Aaron Spencer Agency Scottsdale, AZ | Illegal withholding of monies belonging to policyholders, insurers, beneficiaries or others received in or during the conduct of business under the license; failure to maintain the usual and customary records that pertain to transactions under the agent's or broker's license. | 10/16/01 Consent Order \$250 Civil Penalty |

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| 4. | 01A-191 Thomas A. Cady Scottsdale, AZ | Misrepresentation or fraud in obtaining or attempting to obtaining or attempting to obtain any insurance license; record of dishonesty in business or financial matters; transaction of insurance in this state under an assumed name without first having filed a certificate of assumed business name in the office of the director. | 10/18/01 Order License Revoked |
| 5. | 01A-245 Barbara Anne Gold Scottsdale, AZ | Conviction for felony theft. | 10/25/01 Consent Order License Revoked |
| 6. | 01A-167 Brent Durfee Wilcock, dba Child Care Insurance Specialists Gilbert, AZ | Illegal withholding of monies belonging to policyholders received in or during the conduct of business under the license or through its use; misrepresentation of the terms of any policy issued or to be issued; failure to file an assumed business name; unlawful transaction of insurance business without a certificate of authority from the director. | 10/26/01 Order \$2,750 Civil Penalty |
| 7. | 01A-218 Kurt Woodburn Mesa, AZ | Misappropriation or conversion or illegal withholding of monies belonging to policyholders or others and received in or during the conduct of business under the license or through its use; presentation of a written statement to an insurer that contains untrue statements; diversion, attempt to divert or conspiracy to divert the monies of an insurer, reinsurer, entity licensed to transact insurance business in this state. | 10/30/01 Order License Revoked |
| 8. | 01A-257 David Garcia Tucson, AZ | Forged another's name to any document related to an insurance transaction; failed to inform the director in writing within thirty days of any change in the licensee's residential or business address. | 11/8/01 Consent Order License Revoked |
| 9. | 01A-274 David Alan Nash Flagstaff, AZ | Unauthorized disclosure of personal or privileged information. | 11/28/01 Consent Order \$1,500 Civil Penalty |
| 10. | 01A-287 Rone Milton Dolph Phoenix, AZ | Failure to disclose exceptions, reductions and limitations affecting the basic provisions of the policy, and failure to identify the insurer. | 12/19/01 Consent Order Cease and Desist |
| 11. | 01A-158 Roger Arthur Herrmann Scottsdale, AZ | Misrepresentation or fraud in obtaining or attempting to obtain any insurance license; conviction by final judgment of a felony involving moral turpitude; record of dishonesty in business or financial matters. | 12/20/01 Order Licenses Revoked |

RULES ACTIVITY

| Citation | Title | Action | Status |
|-----------------------------|--------------------------------------|---|--|
| 1. R20-6-1801 – R20-6-1813 | Prepaid Dental Plan Organizations | Action on rulemaking tabled at GRRC 12/4/01 to 1/8/02 | The Governor's Regulatory Review Council (GRRC) is expected to take action on this rulemaking at the 1/8/02 meeting. |
| 2. R20-6-604 – R20-6-604.10 | Credit Life and Disability Insurance | Notice of Proposed Rulemaking published by Secretary of State 10/5/01; Oral proceedings held 11/27/01; record closed 11/28/01 | Expect to file Notice of Final Rulemaking with GRRC during first quarter of 2002. |

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|----|---|---------------------------------|--|--|
| 3. | R20-6-1101 – R20-6-1105, R20-6-1111, R20-6-1112, Appendix B | Medicare Supplemental Insurance | Notice of Proposed Rulemaking filed with Secretary of State 12/14/01 | An oral proceeding will not be held unless it is requested prior to the close of record. The Department will accept written comments on the proposed rule until the close of record at 5:00 p.m. on February 8, 2002. |
| 4. | Sections to be determined | Captive Insurer license fees | Notice of Rulemaking Docket Opening filed with Secretary of State 11/1/01; Notice of Proposed Rulemaking filed with Secretary of State on 12/20/01 | An oral proceeding will not be held unless it is requested prior to the close of record. The Department will accept written comments on the proposed rule until the close of record at 5:00 p.m. on February 15, 2002. |

REGULATORY BULLETINS ISSUED

| Number | Title | Date Issued |
|--------|--|-------------------|
| 1. | 2001-15 Notice of Presidential Executive Order Blocking Property and Prohibiting Transactions with Persons who Threaten to Commit or Support Terrorism | October 16, 2001 |
| 2. | 2001-16 Permitted Accounting Practice Letters | November 20, 2001 |

**Arizona Department of Insurance
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