



## Director Orders Lower Credit L&D Rates

On December 24, 2002, Director Cohen issued an order establishing new *prima facie* rates for credit life and credit disability insurance. The order followed a hearing to consider ADOI's recommendations for lower rates based on four years worth of credit life and disability loss experience in Arizona (1997 through 2000). The ADOI recommended that the *prima facie* rates needed to be lowered to achieve compliance with the loss ratio standards, 50% for credit life insurance and 60% for credit disability insurance.

The rates for credit life are being reduced by 32% and the rates for credit disability are being reduced by 48%. Insurers must comply with the new rate requirements by April 1, 2003.

"The *prima facie* rates established by my order are an important protection for purchasers of credit insurance. This kind of insurance is sold under conditions that do not always permit consumers to take advantage of competition among insurers. In fact, without regulation, the levels of sales commissions often drive the

sale and the price of these insurance products," said Director Cohen. "The Department has done a tremendous amount of work to develop these revised rates, and to reform the rate-setting process so that the rates can be expediently updated in the future if the loss experience indicates changes are warranted."

Insurers must charge the *prima facie* rates or less, unless they can affirmatively establish that higher rates will still meet the

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## Financial Affairs Division Modernized

Over the past three years the Financial Affairs Division has achieved significant improvements in the quality, efficiency and cost-effectiveness of its work. Restructuring has included new and reorganized management, changes in operational policies and practices, reductions in unnecessary insurer filing requirements, and legal changes to the mandatory examination cycle. Notably, improvements in quality and effectiveness have been accompanied by significant reductions in the total cost to insurers for financial

examination and surveillance activity.

Steve Ferguson took over as Assistant Director in charge of the Division in September 1999, and has spearheaded

the restructuring work. Steve added experienced financial regulators, Kurt Regner, Chief Analyst, and Alan Griffith, Chief Examiner, to the management team. Kelly Stephens, Compliance Manager, a 16 year ADOI veteran, has continued to provide solid management. Leslie Hess, Deputy Receiver/Legal Analyst, was a significant addition to the team. She provides valuable legal analysis of complex transactions and policy proposals, and has helped improve the quality and

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### Mission Statement

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

# Legislative Report

When the Forty-sixth Arizona legislature convenes on January 13, 2003 Arizona will have a new Governor, Janet Napolitano, and new legislative leadership with Sen. Ken Bennett serving as President of the Arizona Senate, and Rep. Jake Flake serving as Speaker of the House. The Arizona Legislature experienced significant turnover in membership. More than half of the House's 60 members will be freshmen legislators. Republicans regained control of the Senate, and increased their majority in the House.

Rep. Ted Carpenter will continue to chair the House Financial Institutions and Insurance ("FII") Committee. Only two other Committee members have previously served on the committee: Rep. Marian McClure, and Rep. Bob Robson. The other 9 members are new to FII, and, with the exception of Rep. Steve Tully, are freshmen legislators. The Senate Banking and Insurance Committee has been abolished. Most insurance related matters will apparently be handled by the Finance Committee, chaired by Senator Dean Martin.

The ADOI has three bills on its legislative agenda. The entire legislative package is available on the ADOI website.

## **Captive Insurance:**

The bill will permit formation of agency captives,

expanded forms of group captives, including risk retention group captives, and protected cell captives. The bill will also establish the Captive Insurance Regulatory and Supervision Fund, allowing the use of captive insurer fee revenue for captive insurance promotion and regulation. This mechanism will not generate sufficient revenue to fully fund the program unless and until Arizona develops a significant population of domestic captives, but hopefully will allow the program to continue to develop, and eventually to be self-supporting.

## **HIPAA Sunset:**

This bill will eliminate the January 1, 2004 sunset provision for A.R.S. § 20-1382, which requires insurers to report certain information to the ADOI about their compliance with the Health Insurance Portability and Accountability Act ("HIPAA"). The proposed legislation will also add a requirement that insurers report the total number of outstanding HIPAA policies, and will excuse insurers from annually filing certain information if there have been no changes.

## **Long-term care insurance:**

This bill will help bring Arizona's long term care (LTC) laws up to NAIC model standards. The bill will clarify definitions; make

modifications to reflect the existence of federal tax-qualified long term care insurance contracts, which did not exist at the time Arizona originally enacted its LTC laws, as well as life insurance policies that include a LTC benefit. The bill will make the Director's rulemaking authority in certain areas explicit, clarify the provisions for review and disapproval of policy forms, and give the Director authority to review and disapprove rates. The bill will also help to stabilize LTC insurance rates by imposing base rates requirements on LTC insurers which should limit the need for unusually large rate increases as blocks of business mature. The bill will add an express prohibition on the use of waivers and riders to limit or exclude coverage for certain preexisting conditions beyond certain time periods and will prohibit insurers from imposing certain requirements as conditions of eligibility, e.g. prior institutionalization. The requirements for the outline of coverage are being expanded, and insurers will be required to deliver certain policy documentation and information to an insured within a certain period of time after issuance of a policy. The bill includes new provisions for timely processing of claims and provisions for non-forfeiture of benefits and contingent

*(Continued on page 3)*

# Commercial Lines Markets Task Force Issues Report

The Director's Commercial Lines Markets Task Force issued its report in December 2002

As reported in this newsletter throughout 2002, Director Cohen established the Task Force to consider and make recommendations regarding the availability and affordability of Nursing Home, Medical Malpractice and Construction Defects liability insurance coverages in Arizona. The Task Force met numerous times and considered information from various sources, including market data provided by the ADOI and others, public comment and invited speakers. The report discusses the national and local contributory causes of the current hard market stage of the commercial insurance underwriting cycle, and recommends certain courses of action that may help to alleviate the conditions locally. The report generally recommends actions to improve the attractiveness of the risks in question to insurers, and actions to optimize the existing markets for coverage.

Among the report's significant specific conclusions and recommendations relative to the lines considered:

- Neither the Assigned Risk Plan nor Joint Underwriting Association mechanisms provided by current Arizona law are viable means to improve the current hard market conditions.
- Implementation of prior approval regulation for subject

policy forms and rates would probably exacerbate rather than relieve hard market conditions.

- Though not the sole cause of hard market conditions, the litigation environment does impact the health and functioning of the liability insurance markets, and policymakers should consider the issue of tort reform along with other potentially remedial measures.
- Affected industries should undertake proactive efforts to improve loss control, risk management and safety.
- The work of the ADOI to modernize the insurance regulatory system should continue and be supported.
- The ADOI should enhance its existing Voluntary Plan for liability insurance, known as the Market Assistance Plan, and leverage its web site to provide information concerning loss control, and access to knowledgeable insurance producers who can assist and counsel applicants for hard lines of liability insurance.

Based on the Task Force's recommendations, Director Cohen formally requested the Independent Insurance Agents and Brokers of Arizona and the Arizona Surplus Lines Association, under Arizona's voluntary plan statute, to assist the ADOI in the preparation and administration of enhancements to the ADOI's long-standing and already successful Market

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*(Legislation...  
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benefits upon lapse.

Non-ADOI bills may be introduced on the following subjects: h o m e o w n e r s insurance, credit scoring, producer continuing education requirements, surplus lines insurance, the Holding Company Act, Mortgage Guaranty insurance, and derivative instruments.

The ADOI strongly encourages those intending to offer insurance related legislation to afford ADOI an opportunity for technical review and an analysis of resource impacts. Any legislative matters should be directed to Vista Thompson Brown, Executive Assistant for Policy Affairs, vbrown@id.state.az.us. 📧

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

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

## ADOI Issues NAIC Terrorism Bulletin

On November 26, 2002, President Bush signed the Terrorism Risk Insurance Act of 2002. The Act provides financial support to insurers for defined acts of terrorism and imposes certain obligations on insurers. On December 19, 2002, the Director issued Regulatory Bulletin 2002-08 (available at [www.state.az.us/id](http://www.state.az.us/id)), based on a NAIC suggested implementation bulletin. The bulletin details the provisions of the Act and sets forth the expedited filing procedures for compliance with the Act.

The Act establishes the Terrorism Insurance Program within the Treasury Department and applies to only commercial property and casualty insurers. The Program covers only terrorism-related losses, as defined in the Act, arising under primary and excess commercial property and casualty policies including workers' compensation and surety insurance. During the first two years of the program, all commercial property and casualty insurers are required to participate in the Terrorism Insurance Program and make available coverage for insured losses in all of their covered commercial lines policies. The Act requires participating insurers to disclose the price of the terrorism coverage in notices and in the policy. The Act also eliminates terrorism exclusions, unless the policyholders expressly state that they do not want the terrorism coverage.

The Bulletin discusses the definitions of "insured loss" and "act of terrorism" under the Act and explains the distinction between "certified losses" and "non-certified losses." The Act treats workers' compensation slightly differently than other property and casualty insurance coverages and the Bulletin addresses the effect of the Act on workers' compensation coverage. The Bulletin also advises insurers that the Standard Fire Policy is unaffected by the Act.

The Bulletin summarizes the pertinent portions of the Act that may require insurers to submit a filing in Arizona and the voluntary procedure for insurers to use to expedite the filing and timely review of the disclosure notices, policy language and the applicable rates discussed in the Act. Attached to the Bulletin are forms with instructions to facilitate the expedited filing of terrorism risk insurance forms and rates. However, other than workers' compensation rate and form filings, most commercial lines products in Arizona are exempt from rate and form filing requirements. For insurers using the System for Electronic Rate and Form Filings ("SERFF"), there is an expedited filing form in that system for those insurers.

The filing procedures outlined in the Bulletin apply only to filings that are not exempt, including filings of rating and rate service organizations and workers' com-

pensation insurers. Other insurers will not submit terrorism risk filings to the Department, but they must comply with the substantive provisions of the Act and the Department will monitor compliance. The expedited filing process expires on December 31, 2003. The remainder of the Bulletin expires December 31, 2005, unless Congress extends the duration of the Act. ■

### **Insurance Regulator**

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loss ratio standards. Deviations from current prima facie rates are not applicable to the new rates. Insurers are responsible for making new deviation filings sufficiently in advance of the April 1, 2003 effective date.

The order, including the *prima facie* rate tables, is available on the ADOI's web site at [www.id.state.az.us](http://www.id.state.az.us). ■

## Regulator Profile



**Leslie Hess**, the ADOL's Deputy Receiver since February 2001, oversees the rehabilitation and liquidation of insolvent insurers taken over by the ADOL. Leslie supervises special deputy receivers, attorneys, accountants and other professionals that are engaged to administer the day-to-day affairs of the insolvent insurers, including the collection and liquidation of assets and distribution of assets to creditors. The Receivership Division also assists Arizonans affected by insurance receiverships in other states and works closely with the Guaranty Funds to satisfy the claim obligations of insolvent insurers to Arizonans.

Leslie received her undergraduate degree at the State University of New York, and obtained a JD at George Washington University Law School in 1986. Leslie worked in the securities industry with both Merrill Lynch and Bear Stearns & Company in New York City. She was employed by the Arizona Corporation Commission, Securities Division, from 1991 through 1998, ultimately as its General Counsel.

Leslie also serves as the Legal Analyst for the Financial Affairs Division. She provides valuable assistance to the Division in the interpretation of the laws governing financial standards and solvency of insurers. ☐

*(Financial Affairs...  
Continued from page 1)*

timeliness of the Division's response to questions of statutory interpretation and solvency regulation requirements.

The Financial Surveillance Section, headed by Kurt Regner, now consists of five employee financial analysts who conduct ongoing monitoring of the financial transactions and condition of licensed insurers. Previously, the Division conducted financial surveillance through ten contracted examiners. A separate insurer licensing section under the direction of the Chief Analyst was established. This section, managed by Cary Cook, is dedicated to streamlining the insurer application process, including implementation of the NAIC Uniform Certificate of Authority Application forms and process. As a result, the time required to review and process an insurer license application has been reduced from approximately 120 days to less than 40 days.

The Financial Examination Section, headed by Alan Griffith, has been reorganized to include employee Examination Supervisors. The Supervisors provide

better management and control over the periodic, mandatory financial examinations conducted on domestic insurers. Recent legislation has extended the periodic requirement to at least once every five years (from three years). The extension recognizes the increased significance of ongoing surveillance activity, and allows the Division to emphasize its lower-cost, perennial contract examination resources. This contributes to significantly reduced overall examination costs to the domestic insurance industry. The Examination Section continues to monitor the development of risk assessment examination techniques under development at the NAIC, and anticipates increasingly implementing this approach.

The Compliance Section is responsible for financial records and filings, premium tax audits and statutory deposit administration. Kelly Stephens has implemented many new policies and procedures to streamline filing requirements and improve efficiencies, which have freed up over 10% in full-time support staff resources, and reduced reliance on temporary and seasonal support. A significant

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## **Fraud Unit Report**

### ***2002 In Review***

The number of fraud referrals continues to increase. In 2002, the Fraud Unit received 2,493 referrals generated primarily from the industry, with some from the general public. The Unit opened 764 cases and closed 656 cases, resulting in 66 indictments involving more than \$213,400 restitution.

### ***One of the 2002's most industrious suspects...***

On May 15, 2002, the Arizona Attorney General's Office indicted James Kovacs, manager of Newmans Auto Center in Nogales, Arizona, charging him with several felony counts involving Fraud Schemes, theft, and illegally conducting an enterprise.

Fraud Unit investigators, with the help of the Nogales Police Department had been investigating Newmans Auto Center for several insurance scams involving numerous insurance companies in the state. The investigation revealed that between 1999 and 2001, the business was billing insurance companies for auto glass replacements that were never performed. Policyholders were unaware that their insurance companies were billed for glass replacements on their vehicles until either their insurance companies contacted them or they inquired about their policies. In some instances, policyholders had never been to Newmans Auto Center, yet their insurance companies were billed for window replacement.

No evidence was found indicating the owners of Newmans Auto were involved in any part of the frauds. The business is under new management at this time.

After his release, Kovacs compounded his situation by contacting witnesses in the case and offered one witness money in exchange for changing his testimony in court. On December 13, 2002, the Pima County Fugitive Task Force arrested Kovacs in Tucson, AZ on an outstanding warrant charging him with witness tampering. ■

## **Number of Arizona Captive Insurers Grow**

Activity in Arizona's captive insurance market has continued to develop in the last quarter. Since the Program's July 1, 2002 inception, four licenses have been issued. Recently a communications company based in Kansas formed a "pure" captive to write certain inland marine coverages not available in the commercial market. A private hospital system based in Michigan formed another "pure" captive to write malpractice coverage for itself and affiliated physicians in light of high premiums and unavailability of lower limits in the commercial market. Another captive insurer was started by a privately-held assisted living facility chain based in Minnesota to write liability insurance.

There are additional applications under review and preliminary meetings have been held with several prospective captive owners. Interest has cut across many business and professional groups and across all lines of coverage. As the hard market continues, we anticipate increased interest in Arizona as a domicile for captive insurers. ■

*(Financial Affairs...Continued from page 5)*

ongoing initiative is the elimination of paper copies of periodic statutory financial statement filings for most foreign insurers. Paper copies of required quarterly statement filings have already been eliminated, and the Section hopes to eliminate the annual statement filings for these insurers during 2003.

These significant changes in the ADOL's financial surveillance, examination and compliance programs have not only improved the quality and timeliness of service for the benefit of insurers and consumers, they have resulted in net reductions in excess of 25% for the cost of these services that are billed directly to insurers. More effective, more cost-efficient financial condition oversight promotes the development of Arizona as an insurance marketplace, and ultimately benefits Arizona insurance consumers. ■

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*(Commercial Lines...Continued from page 3)*

Assistance Plan for liability insurance. These enhancements will include a Nursing Home Insurance Producer Directory and the establishment of a new Nursing Home Insurance Producer's Advisory Council and Loss Control Advisory Committee.

Also related to the Task Force's work, Director Cohen has asked the Attorney General's Office legal questions concerning the constitutionality, and fiscal and legal viability of the current Joint Underwriting Association statute, the mechanism provided by Arizona law to deal with the complete loss of a market for a particular line of liability insurance.

"As the report makes clear, the hard market conditions that affect the subject liability insurance markets result from a combination of complex causes and cannot be remedied by intervention by this agency alone. However, I believe the Task Force has done an excellent job explaining the nature of the problems, and making practical and policy recommendations that provide the basis for positive discussions among legislators, public officials and other interested parties who may be in a position to take other actions to promote improvement," stated Director Cohen. The full report is available on the ADOL web site. ■

## **ADOL Progresses on HMO Rules**

The ADOL continues to progress with rulemaking in connection with the managed care oversight responsibility that it assumed from the Department of Health Services on July 1, 2001.

Rather than developing standards now that cover the broad base of HMO operations the ADOL has decided to develop the rules in stages. The first rules will set standards for network adequacy. Working informally with its stakeholders in three meetings at the end of 2002, the ADOL identified three network adequacy subjects. "Adequate provider availability" relates to the number and location of providers in a network. "Adequate provider access" relates to providers seeing members as quickly as is medically appropriate. "Network administration" includes, among other things, how the HMO communicates about the network with providers and members, monitors its own compliance and handles out-of-network care.

The ADOL is now proceeding informally with small workgroups to develop subject-by-subject requirements and begin drafting the rules. The requirements will be specific to each network adequacy subject but also reflect common concerns such as distinguishing between rural and urban areas and setting minimum, cost-effective standards.

When this informal process is complete, the ADOL will begin formal rulemaking by filing proposed permanent rules with the Secretary of State. The ADOL hopes to be ready to do that by the end of 2003. The formal process will include public hearings and the opportunity for public comments. ■

# Around ADOI

## Financial Affairs

### **2002 Annual Statement Filing**

Notices have been mailed to all licensed insurers to advise them of their calendar year 2002 statutory filing requirements. Once again, all ADOI forms and instruction materials will be posted on our web site. Please note that most foreign insurers that file Quarterly Statements with the NAIC are *not* required to file them with the ADOI. For assistance with Annual or Quarterly filing requirements, please contact Rose McNabb, Compliance Section Supervisor at (602) 912-8420 or [rmcnabb@id.state.az.us](mailto:rmcnabb@id.state.az.us).

## Consumer Affairs

### **Market Analysis Survey**

The Market Conduct Examination Section sent out its annual Market Analysis Survey. The survey is sent to the following types of insurers that reported written premium during calendar year 2001 and/or insurers that became authorized in 2002:

Life and Health  
HMO's and Hospital Service Corporations  
Property and Casualty  
Property and casualty insurers writing Disability

Responses to the survey are due by March 1, 2003. Surveys can be printed off ADOI's website from Insurer Forms. Questions should be directed to Maria Chavira, (602) 912-8442 or by email at [mchavira@id.state.az.us](mailto:mchavira@id.state.az.us).

## Director's Office

### **Medicare Supplement Premium Comparison**

ADOI released the 2003 edition of its Medicare Supplement Insurance Premium Comparison. This publication was first released in 2002 to help Arizona Medicare beneficiaries comparison shop for Medigap insurance. Monthly premiums for the hypothetical applicant of a Plan F policy for someone age 75 ranged from \$113 to \$367. There are 46 insurers marketing Medicare Supplement insurance in Arizona.

### **Credit Property and Unemployment Insurance**

Eight insurers completed the data call issued by the ADOI

for Arizona and countrywide loss experience and underwriting expenses. The data has been summarized and evaluated.

An actuarial report is being prepared to recommend prima facie rates and loss ratio standards for this business and fulfill other duties as specified in HB 2135.

When ready, the actuarial report will be posted for comments on the ADOI's web site. Following a review and evaluation of the comments, the report will be finalized and the Public Hearing process to establish the rates and loss ratio standards will be initiated by a Notice of Hearing.

## Rates and Regulations

### **Semi-annual Auto Premium Comparison Survey**

Auto insurers should be on the lookout for the Spring survey requesting quotes for auto insurance premiums for 12 hypothetical applicants in Arizona. Survey responses and questions should be directed to Bonnie Perry at (602) 912-8466 or [bperry@id.state.az.us](mailto:bperry@id.state.az.us). ■



## COMPANY ACTIONS

### NEW LICENSES ISSUED

#### Domestic Companies

| Company Name                        | NAIC # | Effective Date | Type         |
|-------------------------------------|--------|----------------|--------------|
| 1. SEQUOIA CAPTIVE INSURANCE, INC.  | N/A    | 10/30/02       | Pure Captive |
| 2. WILSON CAPTIVE INSURANCE COMPANY | N/A    | 10/24/02       | Pure Captive |

#### Foreign Companies

| Company Name                                  | State of Domicile | NAIC # | Effective Date | Type                        |
|---|-------------------|--------|----------------|-----------------------------|
| 1. 21 <sup>ST</sup> CENTURY INSURANCE COMPANY | CA                | 12963  | 11/18/02       | Accredited Reinsurer        |
| 2. ACADIA INSURANCE COMPANY                   | ME                | 31325  | 10/3/02        | Property & Casualty Insurer |
| 3. ALEA NORTH AMERICA INSURANCE COMPANY       | NY                | 24899  | 12/4/02        | Property & Casualty Insurer |
| 4. BANKERS FIDELITY LIFE INSURANCE COMPANY    | GA                | 61239  | 11/20/02       | Life & Disability Insurer   |
| 5. BAR PLAN MUTUAL INSURANCE COMPANY, THE     | MO                | 29513  | 10/15/02       | Casualty Insurer            |
| 6. COMMERCIAL RISK RE-INSURANCE COMPANY       | VT                | 27955  | 10/16/02       | Accredited Reinsurer        |
| 7. NATIONAL TITLE INSURANCE OF NEW YORK INC.  | NY                | 51020  | 11/26/02       | Title Insurer               |
| 8. STANDARD CASUALTY COMPANY                  | TX                | 12645  | 12/6/02        | Property & Casualty Insurer |
| 9. UNITED NATIONAL CASUALTY INSURANCE COMPANY | IN                | 11445  | 10/31/02       | Property & Casualty Insurer |

#### Risk Retention Groups Registered

| Company Name   | State of Domicile | NAIC # | Effective Date |
|--|-------------------|--------|----------------|
| 1. GSFS RISK RETENTION GROUP, INC.                           | SC                | 11448  | 10/16/02       |
| 2. LENDERS PROTECTION ASSURANCE COMPANY RISK RETENTION GROUP | NE                | 11500  | 11/5/02        |

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

| Company Name                            | State of Domicile | Effective Date |
|---|-------------------|----------------|
| 1. BALBOA WARRANTY SERVICES CORPORATION | VT                | 11/21/02       |
| 2. CENTURION SERVICE CORP.              | AZ                | 10/24/02       |

#### Third Party Administrators (TPA)

| Company Name               | State of Domicile | Effective Date |
|----------------------------|-------------------|----------------|
| 1. COMRISK INSURANCE, INC. | AZ                | 10/01/02       |

|    |   |    |          |
|----|---|----|----------|
| 2. | PREFERRED ONE ADMINISTRATIVE SERVICES, INC. | MN | 10/15/02 |
| 3. | THOMAS M. MURPHY & ASSOCIATES               | CT | 10/16/02 |
| 4. | KANAWHA HEALTHCARE SOLUTIONS, INC.          | TN | 11/01/02 |
| 5. | SELECT BENEFITS GROUP, INC.                 | UT | 11/07/02 |
| 6. | ADVANCEPCS HEALTH, L.P.                     | DE | 11/27/02 |

**Utilization Review Agents**

| Company Name                           | State of Domicile | Effective Date |
|--|-------------------|----------------|
| 1. Ameritas Life Insurance Corporation | DE                | 11/15/2002     |

**CHANGE OF AUTHORITY**

| Company Name  | State of Domicile | NAIC # | Effective Date | Change                   |
|---|-------------------|--------|----------------|--------------------------|
| 1. MTL INSURANCE COMPANY  | IL                | 66427  | 10/8/02        | Granted Variable Life    |
| 2. SUN HEALTH LA LOMA SENIOR LIVING SERVICES, INC.<br>Facility: LA LOMA VILLAGE | AZ                | N/A    | 10/2/02        | Granted Life Care Permit |

**NAME CHANGES**

| Old Name<br>(to) New Name  | State of Domicile | NAIC # | Effective Date |
|--|-------------------|--------|----------------|
| 1 ACCIDENT FUND COMPANY, THE<br>(to) ACCIDENT FUND INSURANCE COMPANY OF AMERICA                | MI                | 10166  | 11/18/02       |
| 2.PROVIDENT MUTUAL LIFE INSURANCE COMPANY<br>(to) NATIONWIDE LIFE INSURANCE COMPANY OF AMERICA | PA                | 68225  | 10/1/02        |
| 3 TERRA NOVA INSURANCE COMPANY LIMITED<br>(to) MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED  | GREAT BRITAIN     | N/A    | 11/4/02        |

**ARIZONA REDOMESTICATIONS**

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

**ACQUISITIONS/MERGERS/WITHDRAWALS**

**Acquisitions of Arizona Companies**

| Company Name                      | NAIC # | Date Order Filed | Acquired By                        |
|-----------------------------------|--------|------------------|------------------------------------|
| 1. OLD RELIANCE INSURANCE COMPANY | 67253  | 12/5/02          | FIRST AMERICAN CAPITAL CORPORATION |

**Mergers involving Arizona Companies**

| Company Name Merged Into   | State of Domicile | NAIC #         | Date Order Filed |
|--|-------------------|----------------|------------------|
| 1. NORTHBROOK LIFE INSURANCE COMPANY<br>(into) ALLSTATE LIFE INSURANCE COMPANY | AZ<br>IL          | 88528<br>60186 | 12/6/02          |

|    |  |          |                |          |
|----|--|----------|----------------|----------|
| 2. | SOUTHERN PROVIDENT LIFE INSURANCE COMPANY<br>(into) FIRST UNION LIFE INSURANCE COMPANY | AZ<br>AZ | 77275<br>72559 | 12/23/02 |
|----|--|----------|----------------|----------|

### Withdrawals from Arizona

|     | Company Name   | State of Domicile | NAIC # | Date Order Filed |
|-----|--|-------------------|--------|------------------|
| 1.  | ALISON LIFE INSURANCE COMPANY                        | AZ                | N/A    | 12/6/02          |
| 2.  | AMERICAN EXPRESS EDUCATIONAL ASSURANCE COMPANY       | AZ                | 60073  | 12/24/02         |
| 3.  | ARISTAR INSURANCE COMPANY                            | SC                | 20834  | 11/8/02          |
| 4.  | CONDEAUX LIFE INSURANCE COMPANY                      | AZ                | 94625  | 12/23/02         |
| 5.  | CREDIT ACCEPTANCE CORPORATION LIFE INSURANCE COMPANY | AZ                | 66765  | 12/24/02         |
| 6.  | FIRST SECURITY LIFE INSURANCE COMPANY OF ARIZONA     | AZ                | 74241  | 12/24/02         |
| 7.  | FOUNTAIN SQUARE INSURANCE COMPANY                    | AZ                | 72044  | 12/13/02         |
| 8.  | FULTON LIFE INSURANCE COMPANY                        | AZ                | 98590  | 12/26/02         |
| 9.  | MARV HILL LIFE INSURANCE COMPANY                     | AZ                | N/A    | 10/3/02          |
| 10. | MILLER LIFE INSURANCE COMPANY                        | AZ                | 62774  | 10/30/02         |
| 11. | MOON LIFE INSURANCE COMPANY                          | AZ                | 60026  | 12/13/02         |
| 12. | NATIONAL CITY LIFE INSURANCE COMPANY                 | AZ                | 85073  | 12/24/02         |
| 13. | NATIONSCREDIT INSURANCE CORPORATION                  | AZ                | 60184  | 12/24/02         |
| 14. | PACIFICARE LIFE INSURANCE COMPANY                    | AZ                | 76597  | 12/24/02         |
| 15. | STAR LIFE INSURANCE COMPANY                          | AZ                | 70475  | 12/13/02         |
| 16. | WESTERN FAMILY LIFE INSURANCE COMPANY                | CA                | 74713  | 11/15/02         |

### SUSPENSIONS/REINSTATEMENTS

|    | Company Name                               | State of Domicile | NAIC # | Effective Date | Action     |
|----|--|-------------------|--------|----------------|------------|
| 1. | FOUNDATION RESERVE INSURANCE COMPANY, INC. | NM                | 23051  | 10/2/02        | Suspended  |
| 2. | RAYEN LIFE INSURANCE COMPANY               | AZ                | N/A    | 10/16/02       | Suspended  |
| 3. | RAYEN LIFE INSURANCE COMPANY               | AZ                | N/A    | 11/1/02        | Reinstated |

### 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. | Aetna Health Inc.                       | 95003  | 11/15/02          |
| 2. | Intrawest Insurance Company             | 80543  | 12/24/02          |
| 3. | Investors Growth Life Insurance Company | 85944  | 12/24/02          |

|  |       |          |
|--|-------|----------|
| 4. Midwest Credit Life Insurance Company         | 79537 | 12/31/02 |
| 5. Oxford Life Insurance Company                 | 76112 | 10/01/02 |
| 6. Phoenix Indemnity Insurance Company           | 34037 | 11/06/02 |
| 7. Professional Life & Annuity Insurance Company | 92240 | 12/31/02 |
| 8. Republic Western Insurance Company            | 31089 | 10/02/02 |

## MARKET CONDUCT EXAM REPORTS/ORDERS

| Company Name   | State of Domicile | NAIC # | Date Filed | Civil Penalty | Restitution + Interest              |
|--|-------------------|--------|------------|---------------|-------------------------------------|
| 1. <b>AIG SunAmerica Life Assurance Company</b><br>Use of non-compliant or unfiled forms. Improper claim handling procedures   | AZ                | 60941  | 11/20/02   | \$0           | \$0                                 |
| 2. <b>American International South Insurance Company</b><br>Use of unfiled rates. Improper claim handling procedures.  | PA                | 40258  | 11/15/02   | \$0           | \$22.56                             |
| 3. <b>CIGNA HealthCare of Arizona, Inc.</b><br>Violations of prior consent order. Use of unfiled or non-compliant forms. Improper underwriting procedures.   | AZ                | 95125  | 11/21/02   | \$13,000      | \$0                                 |
| 4. <b>Civil Service Employees Insurance Company</b><br>Violations of prior consent order. Improper cancellation procedures. Improper claim handling procedures.  | CA                | 10693  | 11/07/02   | \$7,500       | \$658.73, plus interest TBD         |
| 5. <b>CSE Safeguard Insurance Company</b><br>Violations of prior consent order. Improper cancellation procedures. Improper claim handling procedures.  | CA                | 18953  | 11/07/02   | \$9,500       | \$1,218.79, plus interest TBD       |
| 6. <b>Employers of Wasuau, a Mutual Company</b><br>Use of unfiled rates. Improper underwriting procedures.   | WI                | 21458  | 10/29/02   | \$15,000      | \$14,196.00, plus interest TBD      |
| 7. <b>Financial Indemnity Corporation</b><br>Violation of prior consent order. Improper cancellation procedures. Improper claim handling procedures.   | CA                | 19852  | 12/20/02   | \$25,000      | \$9,404.06, plus \$854.91 interest. |
| 8. <b>GEICO Casualty Company</b><br>Violations of prior consent order. Use of unfiled rates. Improper claim handling procedures.   | MD                | 41491  | 9/30/02    | \$0           | \$1,693.92, plus \$79.23 interest   |
| 9. <b>Government Employees Insurance Company</b><br>Violations of prior consent order. Use of unfiled rates. Improper claim handling procedures.   | MD                | 22063  | 9/30/02    | \$0           | \$2,083.48, plus \$119.49 interest  |
| 10. <b>Illinois National Insurance Company</b><br>Use of unfiled rates. Improper claim handling procedures.  | IL                | 23817  | 11/15/02   | \$0           | \$255.91                            |
| 11. <b>Metropolitan Life Insurance Company</b><br>Violations of prior consent order. Non-compliance with Accountable Health Plan statutes. Non-compliance with appeal and grievance statutes. Improper claim handling procedures. Misrepresenting name of insurer on policy form, letters and claim forms. | NY                | 65978  | 11/22/02   | \$53,000      | \$49.39 interest                    |

|  |    |       |          |           |                               |
|--|----|-------|----------|-----------|-------------------------------|
| 12. State National Insurance Company, Inc.<br>Use of unfiled rates and rules. Improper cancellation procedures. Use of non-compliant or unfiled forms. | TX | 12831 | 12/10/02 | \$110,000 | \$1,806.28, plus interest TBD |
| 13. Wausau Underwriters Insurance Company<br>Use of unfiled rates. Improper underwriting procedures. Improper cancellation procedures.                 | WI | 26042 | 10/29/02 | \$14,000  | \$9,973.00, plus interest TBD |

### OTHER DISCIPLINARY ACTIONS

| Company Name<br>NAIC #                                 | Allegation   | Disposition            |
|--|--|------------------------|
| 1. Metropolitan Life Insurance Company<br>NAIC # 65978 | Race-based underwriting relating to the sale of industrial life and certain other life insurance policies. This order adopts a national Regulatory Settlement Agreement. | 11/12/02 Consent Order |

### PRODUCERS AND OTHER LICENSEES DISCIPLINED

| Cause No.<br>Name<br>City – State                                       | Allegation  | Disposition   |
|---|---|---|
| 1. 02A-156<br>Corporate Health Strategies, Inc.<br>Tucson, AZ           | Failure to file 2001 annual statement.  | 10/21/02 Order<br>TPA Certificate of Registration Revoked |
| 2. 02A-157<br>Star Administrative Services, Inc.<br>Phoenix, AZ         | Failure to timely file 2001 annual statement.   | 10/21/02 Consent Order<br>Surrender of TPA registration   |
| 3. 02A-189<br>Christopher Michael Thelen<br>Mesa, AZ                    | Obtained or attempted to obtain a license through misrepresentation or fraud; having been convicted of a felony; using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere.   | 11/7/02 Consent Order<br>License Revoked                  |
| 4. 02A-110<br>Wesley Neil Bass d.b.a. Neil Bass Insurance<br>Tucson, AZ | Improperly withholding, misappropriating or converting any monies or properties received in the course of doing insurance business; using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere; failure to have records available and open to the inspection of the director at any business time; fraudulent practice by causing to present or prepare an oral or written statement to or by an insurer, insurance producer or agent of a reinsurer that contains untrue statements of material fact. | 11/21/02 Order<br>Licenses revoked                        |

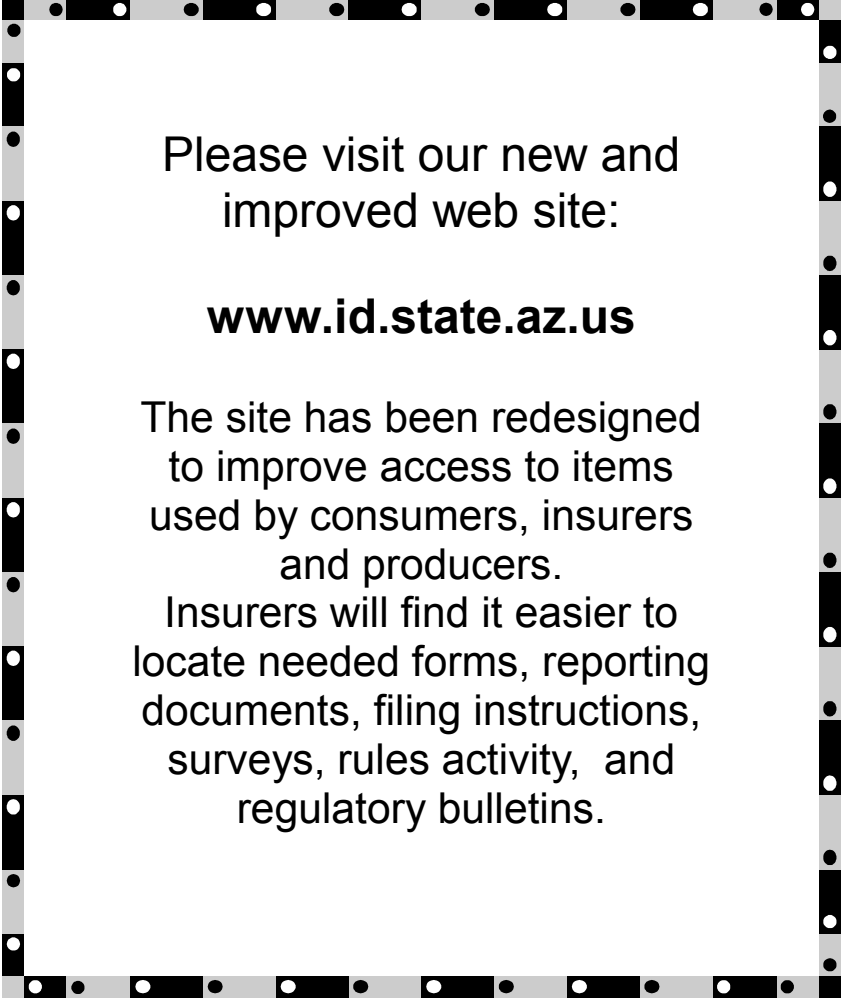
|    |   |   |                                    |
|----|---|---|------------------------------------|
| 5. | 02A-038<br>Carl Arnal, Saguaro Public Adjusters, Inc. and<br>The Consortium of Public Adjusters<br><br>Tucson, AZ | Providing incorrect, misleading, incomplete or materially untrue information in a license application; improperly withholding, misappropriation or conversion of monies received in the course of doing insurance business; using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state. | 11/25/02 Order<br>Licenses Revoked |
|----|---|---|------------------------------------|

## RULES

| Citation   | Title   | Action  | Status             |
|--|---|---|--------------------|
| 1. R20-6-401   | Proxies, Consents and Authorizations of Domestic Stock Insurers         | Notice of Rulemaking Docket Opening filed 8/30/02. Notice of Proposed Rulemaking. | Published 11/29/02 |
| 2. R20-6-604 - R20-6-604.11                              | Credit Unemployment Insurance   | Notice of Rulemaking Docket Opening filed 8/30/02                                 | Published 9/20/02  |
| 3. 20 A.A.C. 6, Art. 19<br><br>Sections to be determined | Insurance Product Review  | Notice of Rulemaking Docket Opening filed 8/30/02. Notice of Proposed Rulemaking. | Published 12/20/02 |
| 4. R20-6-303   | Surrender of Certificate of Authority and Release of Statutory Deposits | Notice of Rulemaking Docket Opening Filed 12/4/02                                 | Published 12/27/02 |
| 5. 20 A.A.C. Art. 21                                     | Customer Information Security   | Notice of Rulemaking Docket Opening Filed 12/13/02                                | Published 1/3/03   |

## REGULATORY BULLETINS

| Number     | Title  | Date Issued |
|------------|--|-------------|
| 1. 2002-09 | Promulgation of loss ratio standards and prima facie rates for Credit Unemployment Insurance and Credit Property Insurance | 12/30/02    |
| 2. 2002-08 | Filing Procedures For Compliance With Terrorism Act  | 12/19/02    |



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