

ANNUAL REPORT OF THE STATE CORPORATION COMMISSION

**DIVISION OF INSURANCE REGULATION
ACTIVITIES FOR THE FISCAL YEAR ENDING JUNE 30, 2003**

The regulation of insurance was transferred to the State Corporation Commission from the Auditor of Public Accounts in 1906. The Bureau of Insurance (Bureau) has licensed and examined the affairs of insurance companies since that time. Regulation of insurance has been left almost exclusively to state governments since 1869, and here in the Commonwealth of Virginia the functions of the Bureau have increased with the complexity and importance of insurance in our daily lives.

The Bureau of Insurance is divided into the following four divisions: The Financial Regulation Division licenses, analyzes, and examines insurance companies and, if necessary, takes steps to resolve financial problems before a company becomes unable to meet its obligations; the Life and Health Market Regulation Division regulates the activities of life, and accident and sickness insurers, health maintenance organizations, and agents; the Property and Casualty Market Regulation Division regulates the activities of property and casualty insurers (auto, homeowner's liability and property); and the Administrative Services Division collects various special taxes and assessments on insurance companies as well as working as an auxiliary role to support the Bureau's other divisions.

The regulatory functions of the Bureau of Insurance include: (1) Agents Investigation monitors the activities of insurance agents and agencies to ensure their actions comply with state law; (2) Consumer Services answers questions and assists consumers with problems concerning insurance companies or agents by investigating consumer complaints; (3) Market Conduct conducts on-site field examinations of insurance company practices in Virginia to ensure that they comply with state law by verifying whether a company pays claims in a timely manner, ensures that underwriting decisions are not unfairly discriminatory, and evaluates marketing materials to ensure that they are not misleading; (4) Office of the Managed Care Ombudsman promotes and protects the interests of covered persons under Managed Care Health Insurance Plans (MCHIP), and assists consumers in understanding and exercising their rights of appeal of adverse decisions made by MCHIPs; and (5) Policy Forms and Rates evaluates insurance policies and rates to ensure that they comply with state law, are understandable, are of high quality, and that the premiums charged are reasonable and fair.

SUMMARY OF 2003 ACTIVITIES

New insurance companies licensed to do business in Virginia	30
Insurance company financial statements analyzed	5,928
Financial examinations of insurance companies conducted	38
Property and Casualty insurance rules, rates and form submissions	7,436
Life and Health insurance policy forms and rates submissions	7,609
Property and Casualty insurance complaints received	3,911
Life and Health insurance complaints received	3,203
Market conduct examinations completed by the Life and Health Division	30
Market conduct examinations completed by the Property and Casualty Division	12
Insurance agents and agencies licensed	120,125
Tax and assessment audits	7,921

EXTERNAL APPEAL CALENDAR YEAR 2003

Number of Cases Reviewed	178
Eligible Appeals	80
Ineligible Appeals	98
Eligibility Pending	0
Final Adverse Decision Upheld By Reviewer	36
Final Adverse Decision Overturned by Reviewer	35
MCHIP Reversed Itself	5
Appeal Decisions Pending	4
Approximate Cost Savings to Appellants	\$567,205

NOTICE OF INSURANCE-RELATED ENTITIES IN RECEIVERSHIP

Pursuant to Virginia Code § 38.2-1517, please TAKE NOTICE that the following insurance-related entities are in receivership under authority of various provisions of Title 38.2 of the Code of Virginia:

Fidelity Bankers Life Insurance Company d/b/a First Dominion Life Insurance (FBL/FD). Date of receivership: May 13, 1991. The company will not resume the transaction of the business of insurance. For more information/updates you can e-mail www.fblic.com.

HOW Insurance Company, a Risk Retention Group, Home Owners Warranty Corporation and Home Warranty Corporation (the HOW Companies). Date of receivership: October 7, 1994. The company will not resume the transaction of the business of insurance. For more information/updates you can e-mail www.howcorp.com.

The Commission is the Receiver, and Commissioner of Insurance Alfred W. Gross is the Deputy receiver, of FBL/FD and the HOW Companies. Any inquiries concerning the conduct of the receivership of First Dominion Life Insurance Company and the HOW Companies may be directed to their Special Deputy Receiver, Patrick H. Cantilo, Esquire, Cantilo & Bennett, LLP; Suite 200, Building C, 7501 North Capital of Texas Highway, Austin, Texas 78731.

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Reciprocal of America (ROA) and The Reciprocal Group (TRG). Date of receivership: January 29, 2003. An Order of Liquidation with a Finding of Insolvency and Directing the Cancellation of Direct Insurance Policies was entered on June 20, 2003, and on October 28, 2003, the proposed plan of liquidation was approved by entry of an Order Setting Final Bar Date and Granting the Deputy Receiver Continuing Authority to Liquidate Companies.

The Commission is the Receiver, and the Commissioner of Insurance, Alfred W. Gross, is the Deputy Receiver of ROA and TRG. Any inquiries concerning the conduct of the receivership of ROA and TRG may be directed to their Special Deputy Receiver, Melvin J. Dillon, 4200 Innsbrook Drive, Glen Allen, Virginia, or P.O. Box 85058, Richmond, Virginia 23285-5058 or by e-mail at www.reciprocalgroup.com.

**COMPARISON OF FEES AND TAXES COLLECTED BY THE BUREAU OF INSURANCE
FOR THE FISCAL YEARS ENDING JUNE 30, 2002, AND JUNE 30, 2003**

<u>Kind</u>	<u>2002</u>	<u>2003</u>	<u>Increase or (Decrease)</u>
<u>General Fund</u>			
Gross Premium Taxes of Insurance Companies	\$292,702,124.84	\$332,797,770.18	\$40,095,645.34
Fraternal Benefit Societies Licenses	580.00	540.00	(40.00)
Viatical Settlement Provider Lic Fees	500.00	1,500.00	1,000.00
Viatical Settlement Broker Lic Fees	2,600.00	2,950.00	350.00
Hospital, Medical, and Surgical Plans and Salesmen's Licenses	0.00	0.00	0.00
Interest on Delinquent Taxes	216,655.42	124,960.67	(91,694.75)
Penalty on non-payment of taxes by due date	90,674.74	182,484.34	91,809.60
<u>Special Fund</u>			
Company License Application Fee	23,500.00	21,000.00	(2,500.00)
Health Maintenance Organization License Fee	0.00	0.00	0.00
Automobile Club/ Agent Licenses	7,700.00	6,400.00	(1,300.00)
Insurance Premium Finance Companies Licenses	11,200.00	11,400.00	200.00
Agents Appointment Fees	12,655,711.00	12,966,184.00	310,473.00
Surplus Lines Broker Licenses	23,400.00	31,135.00	7,735.00
Producer License Application Fees	539,610.00	697,425.00	157,815.00
Recording, Copying, and Certifying Public Records Fee	57,640.90	50,369.00	(7,271.90)
Assessments To Insurance Companies for Maintenance of the Bureau of Insurance	9,175,080.00	7,202,032.06	(1,973,047.94)
Miscellaneous Revenue	114,069.31	1,537.17	(112,532.14)
Recovery of Prior Year Expenses	113,934.73	168,446.74	54,512.01
Fire Programs Fund	16,722,680.86	19,400,207.26	2,677,526.40
P&C Consultant License Fees	46,675.00	87,900.00	41,225.00
SCC Bad Check Fee	175.00	150.00	(25.00)
Managed Care Health Ins. Plan Appeals Fee	1,350.00	2,200.00	850.00
Appointment Fee Penalty	243,200.03	313,804.00	70,603.97
Administrative Penalty Payment	138,000.00	0.00	(138,000.00)
Fines Imposed by State Corporation Commission	1,333,310.00	1,301,792.93	(31,517.07)
Private Review Agents	0.00	0.00	0.00
Flood Assessment Fund	153,545.94	165,854.36	12,308.42
Heat Assessment Fund	1,593,132.09	1,718,607.00	125,474.91
Fraud Assessment Fund	3,623,134.29	4,017,871.38	394,737.09
Reinsurance Intermediary Broker Fees	500.00	2,000.00	1,500.00
Reinsurance Intermediary Managers Fee	0.00	1,000.00	1,000.00
Managing General Agent Fees	7,500.00	5,000.00	(2,500.00)
MCHIP Assessment	417,574.69	273,721.65	(143,853.04)
State Publication Sales	50.00	0.00	(50.00)
Debt Set Off Collections	0.00	0.00	0.00
Fire Programs Fund Interest	79,497.09	48,204.50	(31,292.59)
Fraud Assessment Interest	19,538.19	9,635.65	(9,902.54)
TOTAL	\$340,114,844.12	\$381,614,082.89	\$41,499,238.77