

**DIVISION OF INSURANCE REGULATION
ACTIVITIES FOR THE FISCAL YEAR ENDING JUNE 30, 2002**

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 which 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 - monitoring the activities of insurance agents and agencies to ensure their actions comply with state law, (2) Consumer Services - answer questions and assists consumers with problems concerning insurance companies or agents by investigating consumer complaints, (3) Market Conduct - conduct on-site field examinations of Virginia insurance company practices to ensure that they comply with state law by verifying whether a company pays claims in a timely manner, ensure that underwriting decisions are not unfairly discriminatory, and evaluate 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 assist 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 2002 ACTIVITIES

New insurance companies licensed to do business in Virginia	49
Insurance company financial statements analyzed	5,364
Financial examinations of insurance companies conducted	36
Property and Casualty insurance rules, rates and form submissions	5,952
Life and Health insurance policy forms and rates submissions	7,544
Property and Casualty insurance complaints received	4,891
Life and Health insurance complaints received	4,052
Market conduct examinations completed by the Life and Health Division	22
Market conduct examinations completed by the Property and Casualty Division	14
Insurance agents and agencies licensed	109,407
Tax and assessment audits	7,750

EXTERNAL APPEAL CALENDAR YEAR 2002

Number of Cases Reviewed	162
Eligible Appeals	72
Ineligible Appeals	87
Eligibility Pending	3
Final Adverse Decision Upheld By Reviewer	28
Final Adverse Decision Overturned by Reviewer	32
MCHIP Reversed Itself	5
Appeal Decisions Pending	7
Approximate Cost Savings to Appellants	\$279,819

**COMPARISON OF FEES AND TAXES COLLECTED BY THE BUREAU OF INSURANCE
FOR THE FISCAL YEARS ENDING JUNE 30, 2001, AND JUNE 30, 2002**

<u>Kind</u>	<u>2001</u>	<u>2002</u>	Increase or (Decrease)
<u>General Fund</u>			
Gross Premium Taxes of Insurance Companies	\$268,060,165.30	\$292,702,124.84	\$24,641,959.54
Fraternal Benefit Societies Licenses	2,480.00	580.00	(1,900.00)
Viatical Settlement Provider License Fees	3,000.00	500.00	(2,500.00)
Viatical Settlement Broker License Fees	2,650.00	2,600.00	(50.00)
Hospital, Medical, and Surgical Plans and Salesmen's Licenses	0.00	0.00	0.00
Interest on Delinquent Taxes	227,710.51	216,655.42	(11,055.09)
Penalty on non-payment of taxes by due date	92,139.21	90,674.74	(1,464.47)
<u>Special Fund</u>			
Company License Application Fee	23,500.00	23,500.00	0.00
Health Maintenance Organization License Fee	0.00	0.00	0.00
Automobile Club/ Agent Licenses	6,600.00	7,700.00	1,100.00
Insurance Premium Finance Companies Licenses	9,100.00	11,200.00	2,100.00
Agents Appointment Fees	11,464,391.44	12,655,711.00	1,191,319.56
Surplus Lines Broker Licenses	20,100.00	23,400.00	3,300.00
Producer License Application Fees	556,455.00	539,610.00	(16,845.00)
Recording, Copying, and Certifying Public Records Fee	51,819.00	57,640.90	5,821.90
Assessments To Insurance Companies for Maintenance of the Bureau of Insurance	10,447,308.42	9,175,080.00	(1,272,228.42)
Miscellaneous Revenue	0.00	114,069.31	114,069.31
Recovery of Prior Year Expenses	217,211.82	113,934.73	(103,277.09)
Fire Programs Fund	15,018,461.73	16,722,680.86	1,704,219.13
P&C Consultant License Fees	41,650.00	46,675.00	5,025.00
SCC Bad Check Fee	475.00	175.00	(300.00)
Managed Care Health Ins. Plan Appeals Fee	2,300.00	1,350.00	(950.00)
Appointment Fee Penalty	0.00	243,200.03	243,200.03
Administrative Penalty Payment	0.00	138,000.00	138,000.00
Fines Imposed by State Corporation Commission	1,810,675.00	1,333,310.00	(477,365.00)
Private Review Agents	0.00	0.00	0.00
Flood Assessment Fund	124,368.67	153,545.94	29,177.27
Heat Assessment Fund	1,186,742.20	1,593,132.09	406,389.89
Fraud Assessment Fund	3,225,018.94	3,623,134.29	398,115.35
Reinsurance Intermediary Broker Fees	1,000.00	500.00	(500.00)
Reinsurance Intermediary Managers Fee	500.00	0.00	(500.00)
Managing General Agent Fees	8,500.00	7,500.00	(1,000.00)
MCHIP Assessment	18,824.19	417,574.69	398,750.50
State Publication Sales	0.00	50.00	50.00
Debt Set Off Collections	0.00	0.00	0.00
Fire Programs Fund Interest	81,916.32	79,497.09	(2,419.23)
Fraud Assessment Interest	<u>20,430.84</u>	<u>19,538.19</u>	<u>(892.65)</u>
TOTAL	\$312,725,493.59	\$340,114,844.12	\$27,389,350.53

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. It presently appears that the affairs of the receivership will be wound up in the early part of 2004 and that the company will not resume the transaction of the business of insurance.

HOW Insurance Company, a Risk Retention Group, Home Owners Warranty Corporation and Home Warranty Corporation (the HOW Companies). Date of receivership: October 7, 1994. It presently appears that the affairs of the receivership will be wound up in the latter part of 2004 or early 2005 and that the company will not resume the transaction of the business of insurance.

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.