

**BUREAU OF INSURANCE REGULATION
ACTIVITIES FOR THE FISCAL YEAR ENDING JUNE 30, 2012**

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. Here in the Commonwealth of Virginia, the functions of the Bureau have increased with the complexity and importance of insurance in our daily lives. In keeping with the Commission's mission, Bureau staff strives to balance the interests of insurance consumers with its duty to regulate Virginia's business responsibility.

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 insurers, accident and sickness insurers, health service plans, and health maintenance organizations; the Property and Casualty Market Regulation Division regulates the activities of property and casualty insurers (automobile and homeowners); and the Agent Regulation and Administration Division regulates the activities of insurance agents, collects various special taxes and assessments on insurance companies and works in an auxiliary role in support of the Bureau's other divisions.

The regulatory functions of the Bureau of Insurance include: (1) Agent Investigations staff monitor the activities of insurance agents and agencies to ensure their actions comply with state law; (2) Consumer Services staff answer questions and assist consumers with problems concerning insurance companies or agents by investigating consumer complaints; (3) Market Regulation staff conduct on-site field examinations of insurance company practices in Virginia to ensure compliance with state law, to verify whether a company pays claims timely, to ensure that underwriting decisions are not unfairly discriminatory, and to evaluate marketing materials to ensure that they are not misleading; (4) the 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 Filing staff evaluate insurance policies and rates to ensure compliance with state law, that policies are written in understandable language, and that premiums charged are reasonable and not unfairly discriminatory.

SUMMARY OF 2012 ACTIVITIES

New insurance companies licensed to do business in Virginia	32
Insurance company financial statements analyzed	875
Financial examinations of insurance companies conducted	29
Property and Casualty insurance rules, rates and form submissions	4,424
Life and Health insurance policy forms and rates submissions	3,428
Property and Casualty insurance complaints received	2,293
Life and Health insurance complaints received	1,980
Market conduct examinations completed by the Life and Health Division	4
Market Regulation Continuum Actions completed by the Life and Health Division	24
Market conduct examinations completed by the Property and Casualty Division	7
Market Regulation Continuum Actions completed by the Property and Casualty Division	100
Insurance agents and agencies licensed	199,317
Tax and assessment audits	8,204
Ombudsman Office inquiries received	385
Individuals assisted by Ombudsman Office in appealing MCHIP denials	52

EXTERNAL APPEAL FISCAL YEAR 2012

Number of Cases Reviewed	196
Eligible Appeals	116
Ineligible Appeals	80
Eligibility Pending	0
Final Adverse Decision Upheld By Reviewer	71
Final Adverse Decision Overturned by Reviewer	40
Final Adverse Decision Modified	6
MCHIP Reversed Itself	5
Appeal Decisions Pending	0
Terminated or Withdrawn	2
Approximate Cost Savings to Appellants	\$743,805

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.

ANNUAL REPORT OF THE STATE CORPORATION COMMISSION

The Commission is the Receiver, and Commissioner of Insurance Jacqueline Cunningham 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 300, 11401 Century Oaks Terrace, Austin, Texas 78758.

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, Jacqueline K. Cunningham, is the Deputy Receiver of ROA and TRG. Any inquiries concerning the conduct of the receivership of ROA and TRG may be directed to Mike R. Parker, Special Deputy Receiver, 4200 Innsbrook Drive, Glen Allen, Virginia 23060, or P.O. Box 85058, Richmond, Virginia 23285-5058 or by e-mail at www.reciprocalgroup.com.

Shenandoah Life Insurance Company (SLIC). Date of receivership: February 12, 2009. The State Corporation Commission was named receiver for SLIC by the Circuit Court of the City of Richmond. On May 8, 2012, a Final Order was entered terminating the rehabilitation proceedings permitting the company to resume possession of its property and the management of its affairs.

Southern Title Insurance Corporation (STIC). Date of receivership: December 20, 2011. The State Corporation Commission was named receiver for STIC by the Circuit Court of the City of Richmond.

The Commission is the Receiver, and the Commissioner of Insurance, Jacqueline K. Cunningham, is the Deputy Receiver of STIC. Any inquiries concerning the conduct of the receivership of STIC may be directed to Donald Beatty with the Commission's Office of General Counsel, Special Deputy Receiver of STIC.

ANNUAL REPORT OF THE STATE CORPORATION COMMISSION

**COMPARISON OF FEES AND TAXES COLLECTED BY THE BUREAU OF INSURANCE
FOR THE FISCAL YEARS ENDING JUNE 30, 2011, AND JUNE 30, 2012**

<u>Kind</u>	<u>2011</u>	<u>2012</u>	Increase or (Decrease)
<u>General Fund</u>			
Gross Premium Taxes of Insurance Companies	\$411,890,403.17	\$390,191,626.39	(\$21,698,776.78)
Fraternal Benefit Societies Licenses	500.00	460.00	(40.00)
Interest on Delinquent Taxes	92,700.92	333,618.00	240,917.08
Penalty on non-payment of taxes by due date	184,959.86	274,580.12	89,620.26
<u>Special Fund</u>			
Company License Application Fee	16,000.00	18,000.00	2,000.00
Health Maintenance Organization License Fee	0.00	0.00	0.00
Automobile Club/ Agent Licenses	6,500.00	6,900.00	400.00
Insurance Premium Finance Companies Licenses	16,000.00	13,900.00	(2,100.00)
Agents Appointment Fees	15,516,403.00	16,111,812.00	595,409.00
Surplus Lines Broker Licenses	99,750.00	98,750.00	(1,000.00)
Home Service Contract Providers License Fee	5,000.00	6,000.00	1,000.00
Title Settlement Agents Fee	17,840.00	76,090.00	58,250.00
Producer License Application Fees	896,640.00	913,055.00	16,415.00
Surety Bail Bondsmen License Fee	0.00	0.00	0.00
P&C Consultant License Fees	68,500.00	65,850.00	(2,650.00)
Recording, Copying, and Certifying			
Public Records Fee	8,728.50	8,820.00	91.50
SCC Bad Check Fee	70.00	140.00	70.00
Managed Care Health Ins. Plan Appeals Fee	1,800.00	250.00	(1,550.00)
Administrative Penalty Payment	13,000.00	190,000.00	177,000.00
State Publication Sales	0.00	0.00	0.00
Assessments To Insurance Companies for			
Maintenance of the Bureau of Insurance	7,665,521.17	7,856,857.37	191,336.20
Reinsurance Intermediary Broker Fees	1,000.00	1,000.00	0.00
Reinsurance Intermediary Managers Fee	0.00	0.00	0.00
Managing General Agent Fees	8,000.00	10,000.00	2,000.00
Viatical Settlement Provider License Fees	10,450.00	10,100.00	(350.00)
Viatical Settlement Broker License Fees	11,650.00	11,350.00	(300.00)
MCHIP Assessment	0.00	0.00	0.00
Appointment Fee Penalty	90,375.00	255,300.00	164,925.00
Miscellaneous Revenue	56.00	396.00	340.00
Recovery of Prior Year Expenses	124,557.49	71,821.70	(52,735.79)
Fire Programs Fund	29,640,900.19	30,897,805.51	1,256,905.32
Fire Programs Fund Interest	0.00	0.00	0.00
DMV Uninsured Motorist Transfer	6,180,241.95	5,114,795.40	(1,065,446.55)
Flood Assessment Fund	192,452.55	192,667.46	214.91
Heat Assessment Fund	1,603,391.90	1,676,074.18	72,682.28
Fines Imposed by State Corporation Commission	1,267,081.81	2,210,551.44	943,469.63
Fraud Assessment Fund	4,967,343.01	5,067,883.41	100,540.40
Fraud Assessment Interest	0.00	0.00	0.00
TOTAL	\$480,597,816.52	\$461,686,453.98	(\$18,911,362.54)