



# The AID

## Newsletter



Mike Huckabee  
Governor

Mike Pickens  
Commissioner

Summer/Fall 2003

Insurance News from the  
ARKANSAS INSURANCE DEPARTMENT  
We Work For You!

Vol. IV, No. 2

## Arkansas Insurance Day Program Covers Hot Issues

The third annual Arkansas Insurance Day: A UALR Symposium was held October 1-2 at the Peabody Hotel in Little Rock "This was one of the most informative programs presented at Insurance Day," State Insurance Commissioner Mike Pickens said. "Some very key issues facing the insurance industry were discussed during this forum."

in America, the Honorable George Dale-Mississippi.

This group of distinguished regulators participated in a roundtable discussion, narrated by Commissioner Pickens, addressing their response to recent insurance issues.

Another distinguished panel of guests presented a discussion on "Civil

Justice Reform" also known as "Tort" reform. Participants included Justice-elect (to the Mississippi Supreme Court) Jess H. Dickinson; U.S. Court of Appeals for the Fourth Circuit Justice Paul V. Niemeyer; University of Arkansas Law Professor Robert Leflar; Little Rock attorney Nick Thompson and Ft. Smith attorney

Joey McCutcheon.

"Credit Scoring," "Health Insurance," and "Insurance and Financial Planning" were also addressed at the Symposium.

## Department Expands Web Site

The Arkansas Insurance Department recently expanded its Web site including a new link entitled "General Data Services." Click on this link to find annual report statements, agent and agency search information, filing forms, and other information. Visit the Department's site at [www.state.ar.us/insurance](http://www.state.ar.us/insurance) and click on the "General Data Services" link located near the bottom of the page.

Insurance regulators from several states traveled to Arkansas to be a part of the program, including Alabama Commissioner Walter Bell; the Superintendent of the New York Department of Insurance, Greg Serio; Commissioner Jim Poolman-North Dakota; South Carolina Deputy Commissioner, Leslie Jones; and the longest serving Insurance Commissioner

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For more information, visit our web site at [www.state.ar.us/insurance](http://www.state.ar.us/insurance).

The Arkansas Insurance Department is located at 1200 West Third Street (the corner of Third and Cross Streets) in Downtown Little Rock, Arkansas. The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of Arkansas laws impacting the insurance industry. Our primary mission shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.



## State Farm Resumes Writing Homeowner Policies

In a departure from the position taken in 2002, State Farm Fire and Casualty Insurance Company has resumed writing new homeowner's policies in the State of Arkansas. The Company returns to the market after having ceased in June 2002 writing new homeowner's coverage on new applicants. It continued, during that period, to write coverage on its existing customers who met State Farm's underwriting guidelines.

"We are very pleased with State Farm's decision to return to the competitive market here in Arkansas," Commissioner Mike Pickens said. "We believe insurance consumers benefit from having a number of insurers from which to choose when selecting an insurance company.

We welcome them back into the market."

State Farm had placed restrictions on writing new homeowner business in Arkansas, and most other states, noting increasing claims cost, operating losses, and inadequate rates as reasons for leaving some states. However, in March of this year the company announced plans to sell rental dwelling policies in Arkansas and began at that point to take on new renter's business.

State Farm cited improved business conditions (stemming from controlled growth), adequate rate adjustments, and improved internal operating efficiencies, as driving forces in its decision to resume writing new homeowner coverage in the State of Arkansas.

## Arkansas's Average Auto Rate Lower than Most Surrounding States

State Insurance Commissioner Mike Pickens recently announced the existence of a lower auto rate in Arkansas than in all surrounding states, with Tennessee being the state of exception.

Arkansas ranked 33<sup>rd</sup> in 2001 for the average cost of auto insurance, offering premiums lower than Louisiana, Mississippi, Missouri, Oklahoma, and Texas. According to a report released by the National Association of Insurance Commissioners (NAIC), Arkansas's average cost for auto insurance in 2001 was \$621, compared to \$839 in Louisiana, and \$638 in Mississippi. The reported average for Texas for that same period \$736, with an average of \$638 for Missouri and \$622 reported for Oklahoma.

The NAIC reported the national average premium for automobile insurance in 2001 to be \$718. Arkansas ranked 33<sup>rd</sup> in the nation, with North Dakota having the lowest average premium of \$498; New Jersey had the highest premium at \$1028. Based on the configuration of the NAIC's report, the higher the ranking, the lower the premium.

## Continuing Education Requirements Suspended for Military Personnel

Continuing education requirements have been waived for insurance producers who have been called to active military duty. A temporary moratorium has been issued until those military personnel can resume their activities as licensed insurance producers, according to a Bulletin issued by the Arkansas Insurance Department, and signed by Commissioner Pickens.

"We see the suspension of continuing education requirements as the right thing to do in support of our American troops," Commissioner Pickens said. "We join the rest of the nation in prayer as we await the return of these brave men and women to their families and to their careers."

The suspension of continuing education requirements is for Insurance producers currently on active military and is extended to cover one calendar year after the producer completes his active duty and returns home to Arkansas.

Questions regarding the specifics of the Arkansas Insurance Department Bulletin 08-2003 may be addressed to the Department's License Division at 501-371-2750. The Bulletin may be reviewed at the Department's Web site, [www.state.ar.us/insurance](http://www.state.ar.us/insurance).

## Commissioner's Comments



### The New NAIC, Leading at Home and Abroad: “Making Progress...Together”

The NAIC fall meeting in Chicago was a resounding success, thanks to the continued hard work and leadership of our many fine state regulators! Among other things, after nearly a decade of discussion but no action, NAIC members overwhelmingly passed a suitability model regulation. This model is specifically designed to protect senior consumers of annuity products. It is targeted at a problem all the states have seen in our markets. It is fair and reasonable, and gives state regulators unprecedented authority to ensure potentially vulnerable seniors are protected, and reimbursed in full for any unsuitable sales.

With the participation and support of our excellent, experienced, new, and more tenured members, over the summer the NAIC was able to agree upon and draft the principles and goals which will drive state regulators' work for the foreseeable future. The NAIC unanimously adopted “A Reinforced Commitment: Insurance Regulatory Modernization Action Plan.” This Action Plan demonstrates the commitment of state regulators to better, more efficient, more effective consumer protection through regulatory modernization. The Action Plan contains the NAIC's unanimously agreed upon statement of principles, and their reform goals and deadlines for key areas such as consumer protection, market regulation, property and casualty rate and form regulation, producer and company licensing, financial condition regulation, and the consideration of mergers, acquisitions and changes of control. Consumer protection and regulatory modernization fit hand-in-glove. Now, the NAIC must continue to work together, to keep our word and implement these necessary, pro-consumer, pro-competitive market reforms.

Significantly, the NAIC, along with state legislative leaders and partners, the National

Conference of State Legislatures (“NCSL”) and National Conference of Insurance Legislators (“NCOIL”), state regulators served notice of their support of state regulation with a Joint Resolution in support of “States as the Sole

Regulators of the Business of Insurance.” Earlier this year the NAIC sought and achieved the NCSL's and NCOIL's support of the Interstate Compact For Life Insurance, Annuities, Disability and Long-term Care Products. Let there be no doubt: The states are committed to regulatory modernization and consumer protection.

Finally, at the Chicago meeting the NAIC reported on our recent historic visit with Chinese Insurance Regulatory Commission (“CIRC”) leaders. At these meetings we began to forge solid, longstanding relationships built upon expertise, trust and friendship. We met many young, beautiful, bright, friendly and smiling faces at Peking University. These are the faces of China's future. China has 1.2 billion people, all of whom will want and need insurance products in the years to come. The growth potential of the world's second largest market is enormous — and can and should help bring about more freedom, prosperity and peace for our world. We look forward to working with our new Chinese friends for our mutual benefit.

**“Let the word go forth from this time and place: State regulation is alive and well, and getting stronger every day.”**

Commissioner Mike Pickens is the 2003 President of the NAIC.





## Arkansas Heads Delegation to China

Commissioner Mike Pickens and the Insurance Department's Manager of Financial Analysis, Leo Yanqi Liu, as a result of a formal agreement and for the National Association of Insurance Commissioners (NAIC), headed a delegation of American insurance regulators on a trip to China for a meeting with the China Insurance Regulatory Commission (CIRC). The primary purpose of the trip was to develop ongoing efforts to encourage cooperation and sharing of information between insurance regulatory authorities in China and the United States.

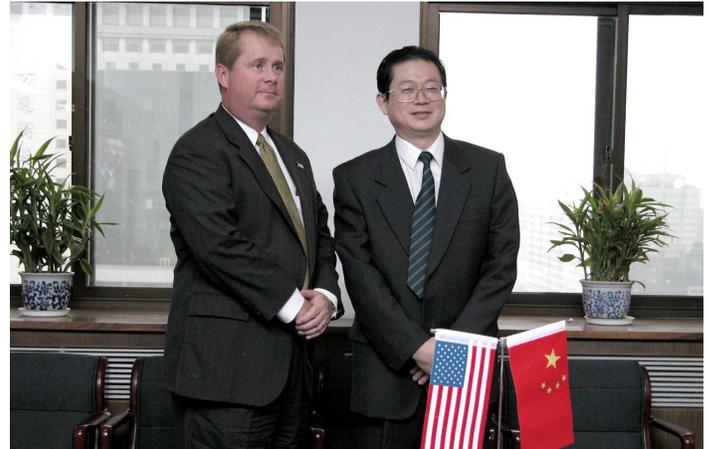
The trip was organized in conjunction with the execution of a 2002 Memorandum of Understanding (MOU), which led to the creation of the NAIC-CIRC Cooperation Program. That plan formally established the groups' intentions to work toward the development of common goals.

One goal encourages the group to participate in cooperative efforts, including an exchange program, which could bring Chinese regulators to the United States for training at the NAIC and various state insurance departments.

"The growth, development and potential of the Chinese financial services market, and the insurance market in particular, is remarkable. More and more American companies are beginning to operate in emerging markets, such as China," Commissioner Pickens said. "One of our goals was to develop relationships of mutual respect and trust and to provide any assistance our foreign regulatory colleagues may want or need. We had some excellent high level meetings and discussions in Beijing, Shanghai and Hong Kong. I believe we accomplished that."

Leo Yanqi Liu, a Chinese native and American citizen who is the Manager of Financial Analysis at the Arkansas Insurance Department, was very instrumental in coordinating meetings with the CIRC. He acted in the capacity of both regulator and interpreter during the trip.

Others traveling in the delegation to China were Cathy Weatherford, NAIC Executive Vice President and CEO; Tom Gallagher, Chief Financial Officer of the Florida Department of Financial Services; Montana Commissioner of Insurance John Morrison; and George Brady NAIC International Counsel.



Commissioner Pickens and Mr. Kemu Li, Vice Chairman of the China Insurance Regulatory Commission (CIRC), pause after a meeting with the CIRC.



Commissioner Pickens and NAIC Delegation meet with China Insurance Regulatory Commission.



Commissioner Pickens and NAIC Delegation pose with students at Peking University after participating in a Symposium.

# Arkansas Insurance Regulator Tapped for Presidential Appointment

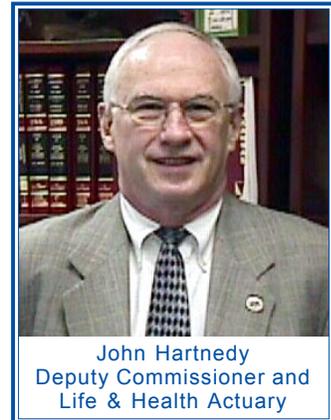


President George W. Bush has appointed the Insurance Department's Deputy Commissioner John Hartnedy to the Department of Defense Retirement Board of Actuaries. As part of a three-member panel board, Mr. Hartnedy will serve the remainder of a 15-year term, which will expire September 2014.

"John Hartnedy is one of the most knowledgeable and experienced actuaries in the country," Commissioner Mike Pickens said. "I am not at all surprised that his talent has been recognized and honored by our President. The Insurance Department, every insurance consumer in the State of Arkansas, and now citizens throughout America are fortunate to have the benefit of John's wisdom and expertise."

Mr. Hartnedy began his career with the Arkansas Insurance Department in 1996, where in addition to his duties as Deputy Commissioner, he serves as the Department's Chief Life and Health Actuary. Prior to joining the Department, he worked in senior management positions for various high profile insurance companies. He is a member of the American Academy of Actuaries and the Fellow Society of Actuaries.

"I am extremely honored and humbled by President Bush's appointment to this position," Mr. Hartnedy said. "I am committed to use my skills to offer the best counsel possible to benefit the citizens of this great country."



As a member of the Board, Mr. Hartnedy will be charged with providing actuarially sound determinations to sustain the Department of Defense Military Retirement Fund. The mission of the Board is to assist and advise the President, Secretary of Defense and the U. S. Congress on actuarial matters relative to the Fund. The Fund was created to finance liabilities of the Department of Defense under the military retirement and survivor benefit programs.

A Little Rock resident Mr. Hartnedy and his wife Bonnie have five (5) sons and nine (9) grandchildren.

## State Works to "ASSURE" State-based Regulation Remains Alive

Arkansas is one of the first states to join the **Alliance for Sound State Uniform Regulatory Efficiency (ASSURE)**, a national, non-profit coalition, whose goal is to defend state regulation.

State insurance regulators are organizing coalitions in their states, which will work to support maintaining and improving state regulation. Arkansas, South Carolina, and Louisiana have established extensive coalitions consisting of members representing insurers, business, medical, and insurance industry trade groups, according to ASSURE.

For more information on ASSURE visit the organization's Web site at [www.assureusa.org](http://www.assureusa.org).

## Bill Scrimager Earns CFE Designation

Bill Scrimager recently received the designation of Certified Financial Examiner (CFE), a title bestowed upon him by the Society of Financial Examiners after successfully completing extensive training and exams. A Senior Insurance Examiner with the Finance Division, Mr. Scrimager has worked for the Insurance Department since 1981. He holds the distinct honor of being the only examiner in the State of Arkansas to hold both a CFE and CIE (Certified Insurance Examiner) designation.





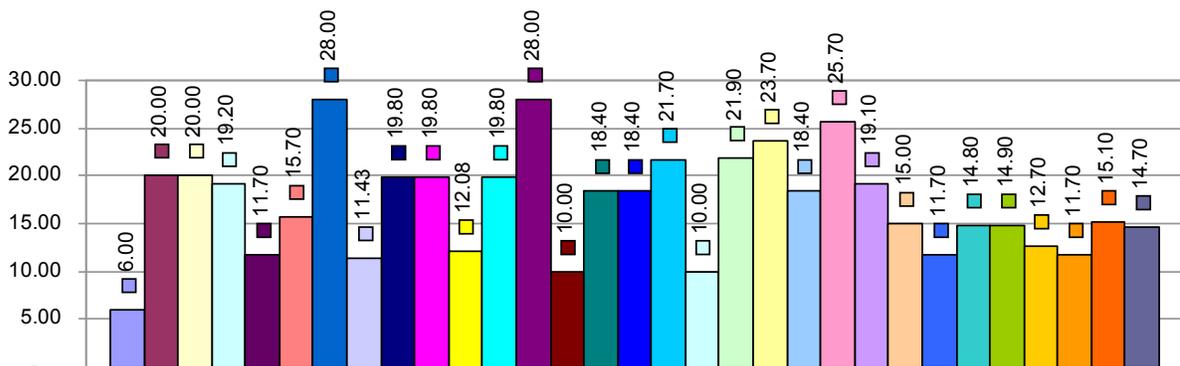
# The Rate Report



The following property and casualty rates are provided to you as a service of the Property and Casualty Division of the Arkansas Insurance Department. The rates listed in this report reflect rate increases and decreases that have been filed with the Department from February 1, 2003 through August 31, 2003. The market, not the State, sets the rates in Arkansas. We will utilize this section of the newsletter to keep you informed of rate changes as they occur and are released through the Department.

## Homeowners Rate Changes 2/1/03 to 8/31/03

Company	Percent of Increase/Decrease	Effective Dates	
		New Business	Renewals
Aegis Security Insurance Co.	+6.0	07/01/2003	08/01/2003
American National General Insurance Co.	+20.0	05/10/2003	05/10/2003
American National Property & Casualty Co.	+20.0	05/10/2003	05/10/2003
Amica Mutual Insurance Co.	+19.2	05/01/2003	05/01/2003
Automobile Insurance Co. of Hartford CT	+11.7	07/25/2003	07/25/2003
Cameron Mutual Insurance Co.	+15.7	05/12/2003	05/12/2003
Centre Insurance Co.	+28.0	02/01/2003	02/01/2003
Cincinnati Insurance Co.	+11.43	05/01/2003	05/01/2003
Continental Insurance Co.	+19.8	08/15/2003	08/15/2003
Encompass Insurance Co. of America	+19.8	08/15/2003	08/15/2003
Farm Bureau Mutual Insurance Co.	+12.08	07/01/2003	07/01/2003
Fidelity & Casualty Co. of New York	+19.8	08/15/2003	08/15/2003
Fidelity & Deposit of Maryland	+28.0	02/01/2003	02/01/2003
The First Liberty Insurance Corp.	+10.0	05/12/2003	
First National Insurance Co. of America	+18.4	02/20/2003	04/01/2003
General Insurance Co. of America	+18.4	02/20/2003	04/01/2003
Hartford Insurance Co. of the Midwest	+21.7	03/04/2003	03/04/2003
Liberty Mutual Fire Insurance Co.	+10.0	05/12/2003	
Property and Casualty Insurance Co. of Hartford	+21.9	03/04/2003	03/04/2003
Prudential Property & Casualty Insurance Co.	+23.7	06/20/2003	08/08/2003
Safeco Insurance Co. of America	+18.4	02/20/2003	04/01/2003
Security National Insurance Co.	+25.7	08/15/2003	08/15/2003
Sentry Insurance A Mutual Co.	+19.1	08/10/2003	
Southern Pilot Insurance Co.	+15.0	04/01/2003	04/01/2003
Standard Fire Insurance Co.	+11.7	07/25/2003	07/25/2003
State Auto Property & Casualty Insurance Co.	+14.8	05/17/2003	05/17/2003
State Automobile Mutual Insurance Co.	+14.9	05/17/2003	05/17/2003
State Farm Fire & Casualty Co.	+12.7	06/01/2003	07/15/2003
Travelers Indemnity Co. of America	+11.7	07/25/2003	07/25/2003
United Services Automobile Association	+15.1	02/01/2003	02/01/2003
USAA Casualty Insurance Co.	+14.7	02/01/2003	02/01/2003



■ Aegis Security Ins Co	■ American Natl General Ins Co	■ American Natl Property & Cas Co
■ Amica Mutual Ins Co	■ Automobile Ins Co of Hartford CT	■ Cameron Mutual Ins Co
■ Centre Ins Co	■ Cincinnati Ins Co	■ Continental Ins Co
■ Encompass Ins Co of AM	■ Farm Bureau Mutual Ins Co	■ Fidelity & Cas Co of NY
■ Fidelity & Deposit of MD	■ First Liberty Ins Corp, The	■ First Natl Ins Co of AM
■ General Ins Co of AM	■ Hartford Ins Co of Midwest	■ Liberty Mutual Fire Ins Co
■ Prop & Cas Ins Co of Hartford	■ Prudential Prop & Cas Ins Co	■ Safeco Ins Co of AM
■ Security Natl Ins Co	■ Sentry Ins A Mutual Co	■ Southern Pilot Ins Co
■ Standard Fire Ins Co	■ State Auto Prop & Cas Ins Co	■ State Auto Mutual Ins Co
■ State Farm Fire & Cas Co	■ Travelers Indemnity Co of AM	■ United Services Auto Assoc
■ USAA Cas Ins Co		

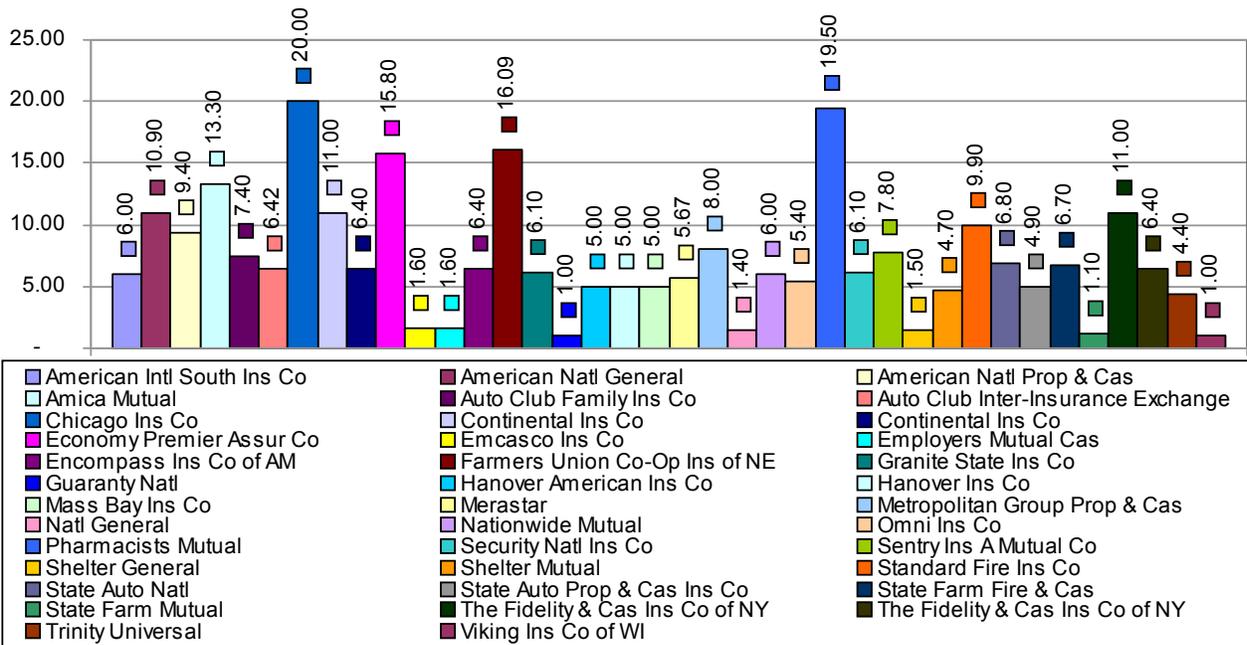


# The Rate Report (Cont.)



## Personal Auto Rate Changes 2/1/03 to 8/31/03

Company	Percent of Increase/Decrease	Effective Dates	
		New Business	Renewals
American International South Insurance Co.	+6.0	06/23/2003	07/18/2003
American National General	+10.9	02/15/2003	02/15/2003
American National Property & Casualty	+9.4	02/15/2003	02/15/2003
Amica Mutual	+13.3	07/01/2003	07/01/2003
Auto Club Family Insurance Co.	+7.4	08/01/2003	08/01/2003
Automobile Club Inter-Insurance Exchange	+6.42	08/01/2003	08/01/2003
Chicago Insurance Co.	+20.0	02/15/2003	02/15/2003
Continental Insurance Co.	+11.0	05/01/2003	05/01/2003
Continental Insurance Co.	+6.4	08/15/2003	08/15/2003
Economy Premier Assurance Co.	+15.8	06/04/2003	06/04/2003
Emcasco Insurance Co.	+1.6	02/01/2003	02/01/2003
Employers Mutual Casualty	+1.6	02/01/2003	02/01/2003
Encompass Insurance Co. of America	+6.4	08/15/2003	08/15/2003
Farmers Union Co-Operative Insurance Co. of NE, Inc.	+16.09	03/01/2003	03/01/2003
Granite State Insurance Co.	+6.1	06/23/2003	07/18/2003
Guaranty National	+1.0	06/23/2003	07/07/2003
Hanover American Insurance Co.	+5.0	03/01/2003	03/01/2003
Hanover Insurance Co.	+5.0	03/10/2003	03/01/2003
Massachusetts Bay Insurance Co.	+5.0	03/01/2003	03/01/2003
Merastar	+5.67	06/01/2003	06/01/2003
Metropolitan Group Property & Casualty	+8.0	03/01/2003	04/05/2003
National General	+1.4	05/20/2003	06/01/2003
Nationwide Mutual	+6.0	06/19/2003	06/19/2003
Omni Insurance Co.	+5.4	02/11/2003	03/13/2003
Pharmacists Mutual	+19.5	08/15/2003	08/15/2003
Security National Insurance Co.	+6.1	06/15/2003	06/15/2003
Sentry Insurance A Mutual Co.	+7.8	06/02/2003	06/02/2003
Shelter General	+1.5	02/27/2003	03/19/2003
Shelter Mutual	+4.7	02/27/2003	03/19/2003
Standard Fire Insurance co.	+9.9	08/20/2003	08/20/2003
State Auto National	+6.8	05/17/2003	05/17/2003
State Auto Property & Casualty Insurance Co.	+4.9	05/17/2003	05/17/2003
State Farm Fire Casualty	+6.7	07/01/2003	07/01/2003
State Farm Mutual	+1.1	07/01/2003	07/01/2003
The Fidelity & Casualty Insurance Co. of NY	+11.0	05/01/2003	05/01/2003
The Fidelity & Casualty Insurance Co. of NY	+6.4	08/15/2003	08/15/2003
Trinity Universal	+4.4	06/15/2003	06/15/2003
Viking Insurance Co. of Wisconsin	+1.0	06/23/2003	07/07/2003





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## Mission Statement:

**The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.**

**The primary mission of the State Insurance Department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.**

*To add or remove your name from our mailing list, please contact Sandy Currington at (501) 371-2620. You can view The AID Newsletter on the Department's web site at [www.state.ar.us/insurance](http://www.state.ar.us/insurance).*