

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF
THE LIMITED SCOPE MARKET
CONDUCT EXAMINATION OF
EQUITY INSURANCE

AID NO. 2005- 039

ADOPTION ORDER

Now on this day the matter of the Limited Scope Market Conduct Examination ("Examination") of Equity Insurance Company ("Company"), of Waco, Texas, NAIC # 28746, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by Associate Counsel Sara Farris and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts, matters and other things before her, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. The Company is a Texas-domiciled insurer authorized to transact marine and property and casualty insurance in the State of Arkansas.
3. Pursuant to Ark. Code Ann. §23-61-201, *et seq.*, and other applicable laws, the Commissioner authorized and directed the Department to participate in a targeted market conduct Examination of the Company. The goal of the Examination was to assess whether the Company is appropriately protecting the privacy of personal information in its possession on policyholders and applicants, in accordance with Title V of the Gramm-Leach-Bliley Act of 1999.

4. The draft Examination Report was submitted to the Department on June 8, 2005; it was forwarded to the Company via email on June 8, 2005.

5. The Company sent the Department a response to the Examination Report on June 20, 2005, a copy of which is attached.

6. The Examination Report contains three (3) Findings on discrepancies or deficiencies concerning the Company's operations under the NAIC Model Privacy Act of 1982 ("1982 Model"). Two (2) of these Findings state that:

A. The Company has not provided evidence of relevant policies that ensure that requests to access information as outlined in section [sic] 8 are appropriately dealt with. The Company has described their internal practices for adhering to Section 8's requirements; however, documented policies do not exist; and

B. The Company has not provided evidence of relevant policies that ensure that requests to correct, amend or delete information as outlined in Section 9 are appropriately dealt with. The Company has described their internal practices for adhering to Section 9's requirements; however, documented policies do not exist.

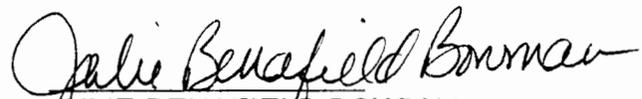
7. The Company states in its response letter that it has cured the Findings contained in the Examination Report.

8. Arkansas has not enacted the 1982 Model, but Arkansas Insurance Department Rule and Regulation 77 requires each licensee to implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information.

THEREFORE, pursuant to the provisions of Ark. Code Ann. §23-61-205, the Commissioner hereby orders:

1. The Examination Report, as filed with the Department and after correction of minor typographical errors, is hereby adopted;
2. The Company shall send the Department a copy of the written procedures the Company states it has implemented as a result of the Examination Report.
3. The Department shall forward a copy of this Order and the adopted Examination Report, as filed and corrected, to the Company, certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledgement of receipt of the adopted Examination Report and this Order;
4. Within twenty (20) days of receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report, pursuant to Ark. Code Ann. §23-61-205(b)(1);
5. The adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.

IT IS SO ORDERED this 22nd day of July, 2005.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS