



# The AID

## Newsletter



**Mike Huckabee**  
Governor

**Mike Pickens**  
Commissioner

Fall/Winter 2004

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

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## Unsatisfied Insurance Consumers To Have Claims Reassessed

A Settlement Agreement has been reached with UnumProvident insurance companies, which requires a reevaluation of certain consumer-disputed disability insurance claims. According to the terms of the Agreement, consumers who filed claims during a specified period and which claims yielded unsatisfactory results can have those claims reassessed. The companies participating in the Settlement Agreement include Unum Life Insurance Company of America; The Paul Revere Life Insurance Company; Provident Life and Accident Insurance Company; and Provident Life and Casualty Insurance Company.

“According to our research, more than 2,000 Arkansas consumers could be affected by this agreement,” Commissioner Pickens said. “The UnumProvident companies have agreed to review denied claims dating back as far as 1997.”

Insurance consumers, who had disability claims denied by the UnumProvident companies since Jan-

uary 2000, should receive a notice from the company advising them of their options to have those claims reassessed. However, the companies have made provisions for consumers with denied claims in 1997 through 1999.

Consumers are not required to accept the companies’ offer for claims reassessment. Participation in the Settlement Agree-

ment is strictly voluntary, including any acceptance of settlement offers. After claims have been reheard, consumers maintain the right to accept or reject UnumProvident’s offer. If offers from the companies are not accepted, consumers also retain the right to pursue legal action against the companies.

UnumProvident consumers may call the company’s toll free number, 1-866-278-4641 to have questions answered regarding the Settlement Agreement. Arkansas consumers may also call the Insurance Department’s Consumer Services Division at 1-800-852-5494 with questions regarding the Settlement options.

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**For more information, visit our web site at [www.arkansas.gov/insurance](http://www.arkansas.gov/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.



## Consumer Alert

Commissioner Pickens has issued an alert, which warns consumers to be on the lookout for potentially fraudulent insurance activity from a company called *Nations Hazard Insurance* and an individual using the names **Michael Napadow** and **Michael Holland**.

According to investigators with the Arkansas Insurance Department's Fraud Investigation Division, a Web site, where Napadow is the suspected operator, was involved in issuing fraudulent commercial liability policies to individuals involved in the home inspection business.

The Nations Hazard Insurance company, which does not appear to be licensed to operate in the State of Arkansas, is reportedly selling fraudulent professional liability insurance, also called Errors and Omissions (E&O). The Nations Hazard Web site ([www.nationshazard.com](http://www.nationshazard.com)) said that the company offers a plan, which "protects an individual or a documented entity (corporation, limited liability corporation, and/or documented partnership) from claims alleging failure or error in the providing of services that result in financial damages to their clients."

While E & O coverage is a legitimate insurance product, the policies offered by Nations Hazard Insurance are not

legitimate and the Fraud Division of the Arkansas Insurance Department is currently investigating the sale of these policies.

"We are especially concerned about this operation and the sale of these policies since a telephone number listed for the company is reported to contain a 501 area code," Commissioner Pickens said. "We believe the company is actively soliciting business in the State of Arkansas."

The Department's Fraud Investigators have been told that in addition to the name Nations Hazard Insurance, Napadow and/or Holland has claimed to be associated with Hartford, Lloyds, and Liberty Mutual insurance companies.

Insurance consumers are cautioned not to purchase commercial liability policies offered through Nations Hazard Insurance or Michael Napadow or Michael Holland. Anyone with information on this company or individual is asked to contact Dave Roff or Faith Chamberlain in the Insurance Fraud Investigation Division of the Arkansas Insurance Department at **(800) 660-0888** or **(501) 371-2790**.

## Commissioner Addresses Producer Compensation

Commissioner Mike Pickens recently issued Bulletin 13-2004, which addresses the compensation limitations and obligations of insurance producers. The Bulletin was issued in light of a complaint filed by New York Attorney General Eliot Spitzer wherein Marsh & McLennan Companies, Inc., (Marsh) the world's largest insurance broker, is accused of "bid-rigging."

According to Mr. Spitzer's complaint, Marsh allegedly would steer business toward certain insurers at designated prices and then solicit false or inflated quotes from other insurers to give the appearance of real competition for the business, the Bulletin said.

"The Arkansas Insurance Department has begun a general investigation into the insurance practices of Arkansas insurance brokers and companies," Commissioner Pickens said. "We want to determine whether or not similar activities are taking place in Arkansas. An insurance producer's

compensation should never negatively influence his or her recommendations to insurance consumers."

Providing false or inflated quotes to eliminate competition in the State of Arkansas would be considered a fraudulent insurance act under Arkansas Insurance Code.

"We certainly do not expect that this kind of illegal activity is occurring in Arkansas," Commissioner Pickens continued. "Nonetheless, we are exercising our fiduciary duty to protect Arkansas consumers. We will not tolerate an insurance producer placing his or her own financial interest above that of his client."

In addition to the new Bulletin, the Insurance Department is drafting a Regulation to impose additional compensation disclosure requirements upon insurance producers acting as brokers.

# Commissioner's Comments



## Thank You!

On November 15, 1996, I was recovering from neck surgery, looking forward to getting to know my new colleagues at the Arkansas Insurance Department, and beginning to chart the Department's course for the future. Commissioner Lee Douglass left me a great, well-respected Department with wonderful people. Still, working with my new friends at the Department, we were determined to make the Department even better, the best it could possibly be.

Now, I have had the privilege of being your State Insurance Commissioner for eight (8) years. As I prepare to leave the Department, I must say, I am sad. I am sad to leave some of the best folks I have ever worked with, both in Arkansas and out. I am sad to leave a job I have grown to love and feel comfortable in.

I am also happy and very hopeful, looking forward to moving on to a new phase in my family's life, to staying involved in insurance in Arkansas, and to continuing to work with you to make Arkansas the best insurance environment in the country for both consumers and companies.

Most importantly, I am thankful. I am thankful to all the wonderful people here at the Department for working so hard to improve in the areas we needed to improve, for implementing many reforms that benefit both consumers and companies, and for making the prospect of federal regulation less likely in the near future.

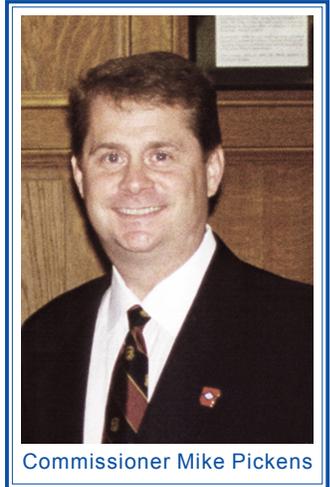
In 1997 we made you some promises. We promised we would work hard to make this agency more efficient and responsive to all our fellow consumers; that we would facilitate good business practices and help folks stay in business, not put them out of business; and that we would protect our fellow insurance consumers as our top priority. I believe we have kept our promises. I hope and trust you believe it, too.

Beginning in 1997, we strengthened our Finance Division, the division responsible for monitoring insurer solvency and market conduct. We brought in new leadership in this area who has worked hard to improve our procedures, training and personnel qualifications. We now have a number of CPAs working in this division, and our examiners continue to gain education and certifications that make them better at what they do, and improve the overall professionalism of the division. Undoubtedly, Arkansas consumers now enjoy the best, most effective solvency and market conduct protection ever.

We have increased the use of technology throughout the Department, purchasing new hardware and software that make us more effective and efficient. We have worked hard to improve the service our Consumer and License Divisions provide. Very soon we hope to have in place a system that will allow agents to interact with the License Division — to conduct all their business — including paying license renewal and

other fees, on-line with a credit card.

We have strengthened our Fraud Investigation Division. Our investigators have full law enforcement authority, allowing them to serve warrants, make arrests and carry weapons to protect themselves in the ever-increasingly dangerous line of duty. The Fraud Division now has the authority to investigate not only workers' compensation, but all types of insurance fraud. We have conducted a number of fraud operations that have put those who steal from consumers, and help increase the cost we must pay for insurance, behind bars.



In the last eight (8) years we have passed over 100 laws, some new, some amendments of existing laws. In a massive effort in 2000, we updated our obsolete Insurance Code, first passed in 1959, and modernized it.

We have worked with our high school teachers, and colleges and universities to improve education insurance and knowledge. In this way, we have helped consumers learn to make good choices, to protect their own interests. Well-informed, knowledgeable consumers can protect their own interests better than the government ever can.

We have worked both on the national and international levels to improve, simplify and coordinate insurance regulation, to maintain state control, responsiveness and accountability, and to fend off federal regulation. State regulators are more effective in protecting our fellow consumers than any federal regulator could ever be.

In these and many other ways our family at the Arkansas Insurance Department has worked hard to protect your families and our own, and to create a fair competitive environment that provides us consumers a wide array of products and services, and contributes to Arkansas's overall economic development.

We could not have accomplished all this without your help and support. We appreciate you more than words can say. We have always done our best to prove that "we work for you!" We will continue to do so in the future.

I personally want to thank each and every one of you for your support, and especially your friendship. I look forward to working with you in the future. Please continue to support our fantastic folks here at the Department.



## Governor Names Insurance Commissioner



Julie Benafield Bowman

Governor Mike Huckabee has named Julie Benafield Bowman of Little Rock as the state insurance commissioner. The governor made the announcement during a news conference at the state Capitol.

Ms. Bowman, 41, was appointed chief executive officer of the state Workers' Compensation Commission in May, 1998. Before joining the commission, she was the general counsel for the Arkansas Development Finance Authority from 1996-98, the attorney supervisor for the workers' compensation fraud investigation unit of the state Insurance Department from 1993-96 and a deputy prosecuting attorney in the state's Sixth Judicial District from 1989-93.

Ms. Bowman received her bachelor's degree from Ouachita Baptist University at Arkadelphia in 1985 and her law degree from the University of Arkansas at Little Rock School of Law in 1989.

"There were several outstanding candidates to take the position of insurance commissioner," the governor said. "But Julie had a solid track record of managing a large state agency and of being an attorney. She brings years of experience in state government, a commitment to

conservative business principles and excellent leadership skills. Mike Pickens has helped make Arkansas a national leader in properly regulating the insurance industry. Julie will be able to build on the great work Mike has done with the help of the quality staff that's already in place at the Insurance Department."

Ms. Bowman served on the Pulaski County Bar Association board in 2002-003 and is now serving on the board of the Pulaski County Bar Foundation. At the Workers' Compensation Commission, she was instrumental in developing a series of seminars across the state for small business owners. She expanded the services of the commission's health and safety division, redesigned forms used by the commission and revised several rules.

Ms. Bowman is a member of the executive board of the International Association of Industrial Accident Boards and Commissions. She became president-elect of the organization in August. The IAIABC addresses concerns such as employee benefits, medical costs, education, adjudication, safety, self-insurance and legislation.

Ms. Bowman also is a past president of the Southern Association of Workers' Compensation Administrators. She was listed in 2001 by Arkansas Business as one of the state's most outstanding leaders younger than 40.

Ms. Bowman's appointment becomes effective January 15, 2005.

**85th Session of the Arkansas General Assembly  
Begins January 10, 2005**



# Operation Home Front

Southern Guaranty Insurance Company, along with 11 insurance agencies representing the company, gathered at the Arkansas Insurance Department recently to present a check for \$10,000 to **Operation Home Front**.

**Operation Home Front** is a part of the Arkansas Reserve Component Emergency Relief Fund. The Fund provides financial assistance for the needs of Guard and Reserve families with members on long-term deployment.

The Fund was established in October 2003 by a donation from the United Way.

“I am honored to be a part of efforts to assist the military families of those deployed overseas,” Commissioner Pickens said. “I am very proud of our men and women serving abroad. While in Iraq, I saw first hand what a great job they do.”



Bottom Row: State Insurance Commissioner Appointee-Julie Benafield Bowman • Jim Woods, Southern Guaranty Insurance • State Insurance Commissioner Mike Pickens • John Lazzaro, United Way • Sergeant Major Collins • B.J. Bowen, United Way

Top Row: Jay Hollowell, HNB Insurance • Chris Sensabaugh, Sensabaugh Insurance • Ralph Haymond, Hamond James Insurance • Ron St. John, Merchants & Planters Bank • Randy McElhanon, McElhanon Insurance • Bob Pugh, Roy Borden Insurance • Al Lynch, Alliance Insurance • Atty Woods, Good Shepherd Ecumenical

Other Participants Not Pictured: Roger Droste, Southern Guaranty Insurance • Dale Kocher, Southern Guaranty Insurance • Floyd Morgan, Harold Jarvis Insurance • Steve Standridge, Steve Standridge Insurance • Gary Hegi, United Insurance • Jeff Block, MF Block Insurance • Reverend Don Porter, Christ Lutheran Church and School



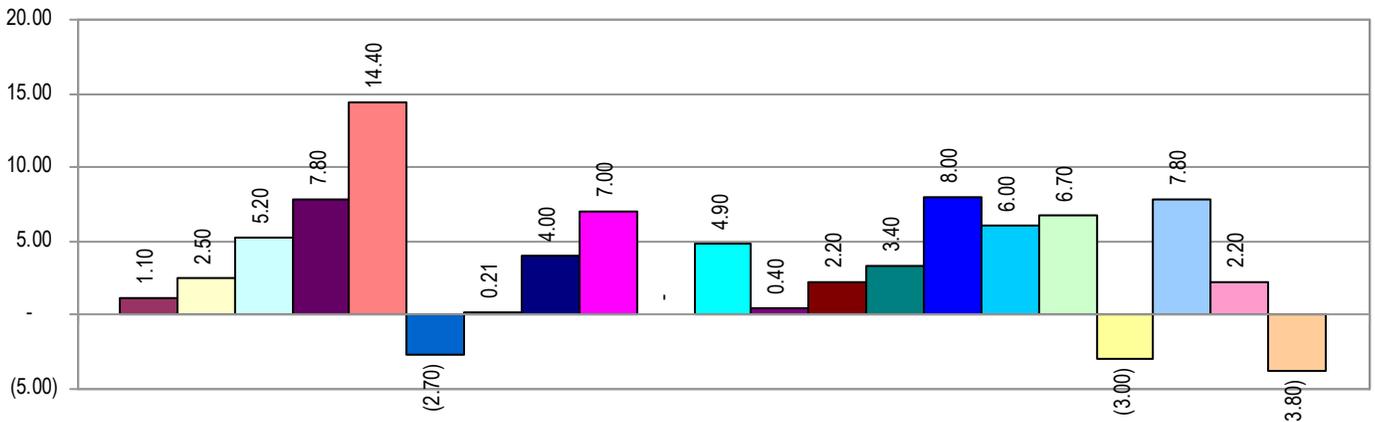
# The Rate Report



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 August 1, 2004 through January 1, 2005. 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 8/1/04 to 1/1/05

<b>Company</b>	<b>New Business Effective Date</b>	<b>Renewal Effective Date</b>	<b>Overall Rate Change</b>
AMERICAN NATIONAL GENERAL INSURANCE COMPANY	11/25/2004	11/30/2004	1.1
AMERICAN NATIONAL PROPERTY & CASUALTY COMPANY	11/25/2004	11/30/2004	2.5
AMICA MUTUAL INSURANCE COMPANY	08/01/2004	08/01/2004	5.2
AUTOMOBILE INS CO OF HARTFORD CT	11/12/2004		7.8
COLUMBIA MUTUAL INSURANCE COMPANY	12/15/2004	01/15/2005	-1.7
COLUMBIA MUTUAL INSURANCE COMPANY	11/01/2004	11/01/2004	16.1
COLUMBIA NATIONAL INSURANCE COMPANY	12/15/2004	01/15/2005	-2.7
FOREMOST INSURANCE COMPANY	08/01/2004	09/01/2004	0.21
HANOVER AMERICAN INSURANCE COMPANY	11/01/2004		4.0
HANOVER INSURANCE COMPANY	11/01/2004		7.0
MASSACHUSETTS BAY INSURANCE COMPANY	11/01/2004		4.9
NATIONWIDE MUTUAL FIRE INSURANCE COMPANY	10/01/2004	10/01/2004	0.4
SECURITY NATIONAL INSURANCE COMPANY	09/01/2004		2.2
SHELTER MUTUAL INSURANCE COMPANY	08/25/2004	09/29/2004	3.4
STANDARD FIRE INSURANCE COMPANY	11/12/2004		8.0
STATE AUTO PROPERTY & CASUALTY I C	11/15/2004	11/15/2004	6
STATE AUTOMOBILE MUTUAL INSURANCE COMPANY	11/15/2004	11/15/2004	6.7
TOWN & COUNTRY MUTUAL INSURANCE COMPANY	01/01/2005		-3.0
TRAVELERS INDEMNITY COMPANY OF AMERICA	11/12/2004		7.8
TRINITY UNIVERSAL INSURANCE COMPANY	01/01/2005		2.2
USAA CASUALTY INSURANCE COMPANY	10/01/2004		-3.8



American National General Ins Co	American National Property & Cas Co	Amica Mutual Ins Co	Automobile Ins Co of Hartford CT
Columbia Mutual Ins Co*	Columbia National Ins Co	Foremost Ins Co	Hanover American Ins Co
Hanover Ins Co	Homesite Ins Co of the Midwest	Massachusetts Bay Ins Co	Nationwide Mutual Fire Ins Co
Security National Ins Co	Shelter Mutual Ins Co	Standard Fire Ins Co	State Auto Property & Cas Ins Co
State Automobile Mutual Ins Co	Town & Country Mutual Ins Co	Travelers Indemnity Co of America	Trinity Universal Ins Co
USAA Casualty Ins Co			

\*Total of all rate changes for this company 8/1/04 to 1/1/05.

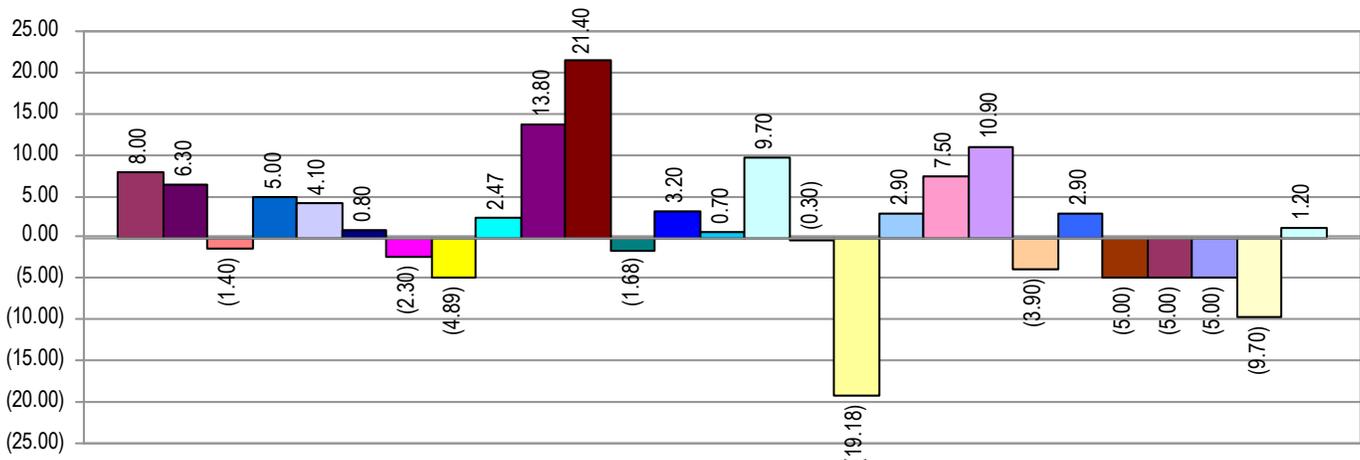


# The Rate Report



## Private Passenger Auto Rate Changes 8/1/04 to 1/1/05

Company	New Business Effective Date	Renewal Effective Date	Overall Rate Change
AMERICAN FIRE AND CASUALTY COMPANY	12/01/2004	01/15/2005	0.8
AMERICAN NATIONAL GENERAL INSURANCE COMPANY	10/01/2004	10/01/2004	6.3
AMERICAN NATIONAL PROPERTY & CASUALTY COMPANY	10/01/2004	10/01/2004	-1.4
AMERICAN UNDERWRITERS INSURANCE COMPANY	10/01/2004		5
AUTO CLUB FAMILY INSURANCE COMPANY	08/01/2004	08/01/2004	4.1
AUTOMOBILE CLUB INTERINSURANCE EXCH	08/01/2004	08/01/2004	0.8
CAMERON MUTUAL INSURANCE COMPANY	09/01/2004		-2.3
CAMERON NATIONAL INSURANCE COMPANY	09/01/2004		-4.89
CINCINNATI INSURANCE COMPANY	09/01/2004		2.47
FOREMOST INSURANCE COMPANY	08/01/2004	09/01/2004	13.8
FOREMOST SIGNATURE INSURANCE COMPANY	08/01/2004	09/01/2004	21.4
GRAIN DEALERS MUTUAL INSURANCE COMPANY	10/01/2004		-1.68
NATIONAL GENERAL INSURANCE COMPANY	12/15/2004	01/15/2005	3.2
OHIO CASUALTY INSURANCE COMPANY	12/01/2004	01/15/2005	0.7
PHARMACISTS MUTUAL INSURANCE COMPANY	09/01/2004		9.7
PROGRESSIVE CASUALTY INSURANCE COMPANY	10/10/2004		-0.3
SAGAMORE INSURANCE COMPANY	10/21/2004		-19.18
SECURITY NATIONAL INS COMPANY	09/01/2004		2.9
STANDARD FIRE INSURANCE COMPANY	08/22/2004	08/22/2004	7.5
STATE AUTO PROPERTY & CASUALTY INSURANCE CO	12/30/2004		10.9
STATE FARM MUTUAL AUTO INSURANCE COMPANY	12/01/2004		-3.9
TRINITY UNIVERSAL INSURANCE COMPANY	09/01/2004		2.9
UNITED SERVICES AUTOMOBILE ASSOCIATION	10/31/2004		-5
USAA CASUALTY INSURANCE COMPANY	10/31/2004		-5
USAA GENERAL INDEMNITY COMPANY	10/31/2004		-5
VIKING INSURANCE COMPANY OF WISCONSIN	08/16/2004		-9.7
WEST AMERICAN INSURANCE COMPANY (INACTIVE)	12/01/2004	01/15/2005	1.2



American Fire & Cas Co	American Natl General Ins Co	American Natl Property & Cas Co	American Underwriters Ins Co
Auto Club Family Ins Co	Automobile Club Interinsurance Exch	Cameron Mutual Ins Co	Cameron National Ins Co
Cincinnati Ins Co	Foemost Ins Co	Foremost Signature Ins Co	Grain Dealers Mutual Ins Co
National General Ins Co	Ohio Casualty Ins Co	Pharmacists Mutual Ins Co	Progressive Casualty Ins Co
Sagamore Ins Co	Security National Ins Co	Standard Fire Ins Co	State Auto Property & Cas Ins Co
State Farm Mutual Auto Ins Co	Trinity Universal Ins Co	United Services Auto Assoc	USAA Casualty Ins Co
USAA General Indemnity Co	Viking Ins Co of WI	West American Ins Co (Inactive)	



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# **Arkansas** **Insurance Department**

**We work for you!**

**Mike Huckabee**  
**Governor**



**Mike Pickens**  
**Commissioner**

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*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.arkansas.gov/insurance](http://www.arkansas.gov/insurance).*