

Ninety-Sixth Annual Report

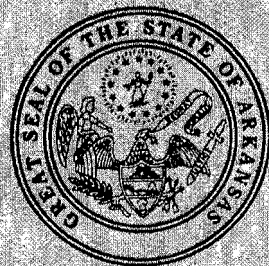
Year 1976

State of Arkansas

State Insurance

Department

Department of Commerce



HONORABLE DAVID PRYOR
GOVERNOR

W. H. L. WOODYARD, III
INSURANCE COMMISSIONER

State of Arkansas
State Insurance
Department

Department of Commerce

REPORT FOR PERIOD

JANUARY 1, 1976 TO DECEMBER 31, 1976



LITTLE ROCK, ARKANSAS

1976



**ARKANSAS
INSURANCE
DEPARTMENT**

400 University Tower Building • Little Rock, Arkansas 72204

W. H. L. Woodyard III
Insurance Commissioner

Ph. 501 371-1325

NINETY-SIXTH ANNUAL REPORT OF THE
INSURANCE COMMISSIONER OF THE
STATE OF ARKANSAS

The Honorable David Pryor
Governor of Arkansas
Little Rock, Arkansas

Dear Governor Pryor:

In accordance with the Arkansas Statutes, I am pleased to submit the Ninety-Sixth Annual Report of the State Insurance Department covering the business for the year 1976.

Besides the statistical information which comprises the bulk of the report, a brief description of each division within the Department is included to give the reader an idea of the structure and activities of the Department.

All of the regulatory activities described in this report demonstrate the commitment of the Arkansas Insurance Department to protect the public by regulating the insurance industry.

Respectfully submitted,

W. H. L. Woodyard, III
Insurance Commissioner

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INSURANCE DEPARTMENT STAFF

As of October 1, 1977

ADMINISTRATIVE DIVISION

W. H. L. Woodyard, III Insurance Commissioner
 W. R. Riddell Deputy Commissioner
 Ron Sheffield Consumer Relations Coordinator
 Suzanne Yancey Custodian of Securities
 Claudia Meeks Executive Secretary
 Jan Howell Secretary
 Carstone Truss Receptionist

LEGAL DIVISION

S. Doak Foster Chief Counsel
 Frank B. Sewall Counsel
 Rick Hallinski Counsel
 Gloria Kiger Legal Secretary
 Connie Hagemeyer Secretary

PROPERTY AND CASUALTY DIVISION

Reva Fletcher Assistant Commissioner
 Lucille Hurd Administrative Assistant
 Jack Parsons Administrative Aide
 Kenneth McIntosh Casualty Actuary
 Marsba McNeil Rate Analyst
 Jim Albritton Rate Analyst
 William Witsell, Jr. Chief Investigator
 Edward Gazette Investigator
 Dianne Rail Secretary
 Rhonda Henderson Secretary
 Connie McLain Secretary

LIFE AND HEALTH DIVISION

W. Keith Sloan Actuary
 Jeanne Gallman Administrative Aide
 Earl R. Wiseman Claims Attorney
 Louise Lincoln Policy Analyst
 Cathy Hildebrand Rate Analyst
 Donna Hannah Investigator
 Ernestine Godbey Secretary
 Cheryl Pool Secretary

AGENTS' LICENSE DIVISION

Lenita Blasingame Supervisor
 LaNora Chrouh Assistant Supervisor
 Margaret Bolin Secretary
 Paula Holliman License Examiner
 Betty Tittle Clerk
 Edith Roberts Clerk
 Sue Burcham Clerk
 Paula Simpson Clerk
 Joan May File Clerk

FINANCIAL EXAMINATION DIVISION

Franklin Seford Chief Examiner
 James Poole Senior Examiner
 William W. Barton, Jr. Senior Examiner
 J. D. Finnegan, Jr. Senior Examiner
 Q. D. Lamb Senior Examiner
 Gayle Perryman Examiner
 Mavis Smith Accountant

ACCOUNTING AND PERSONNEL DIVISION

Max Moore Chief Accountant
 Pam Davis Accountant
 Martha Burgener Secretary

LIQUIDATION DIVISION

Max R. Sears Liquidation and Rehabilitation Officer

IN MEMORIAM

W. R. PINCKNEY, JR. and
 MAY ROGERS

**SUMMARY OF THE ACTIVITIES OF THE
ARKANSAS INSURANCE DEPARTMENT IN 1976****LEGAL DIVISION AND CONSUMER PROTECTION DIVISION**

W. R. "RANDY" RIDDELL, Deputy Commissioner

The Legal Division is charged with the responsibility of representing the Commissioner in legal actions, providing opinions to the Commissioner and staff, drafting legislation and regulations, conducting all hearings, reviewing all filings required by statute, and overseeing the regulation of insurance holding companies. Additionally, the Legal Division provides legal counsel concerning insurance matters to other state agencies.

In 1976, the Legal Division continued interim legislative participation by presentation before and cooperation with the Legislature's committees and staff. The Division also prepared legislation for the 1977 Session of the General Assembly.

The Division represented the Commissioner in 43 quasi-judicial hearings on rate request filings, violations of the Arkansas Insurance Code by companies and agents, solvency of companies and other legal matters. The Division also represented the Commissioner and the State of Arkansas in numerous court cases in Circuit and Chancery Courts. The Legal Division drafted 3 Rules and Regulations concerning various insurance topics in 1976.

The Consumer Protection Division is headed by the Deputy Commissioner. The primary function of this Division is to solicit and take action on complaints from all segments of the public. This Division was organized during December 1972, in order to improve the Insurance Department's ability to handle the consumer complaints and inquiries. Many of the complaints received by the Department can be resolved by correspondence and by telephone. However, field investigations are often made in cases where there is evidence that insurance laws of this State have been violated. The Department received approximately 4,104 complaints during 1976, concerning accident and health, life, property and casualty insurance.

In addition to processing complaints, the Consumer Protection Division has produced a number of consumer brochures designed to help the public in the field of insurance.

PROPERTY AND CASUALTY INSURANCE DIVISION

REVA FLETCHER, Assistant Commissioner

Regulation of the property and casualty insurance industry in Arkansas is the responsibility of this Division of the Insurance Department.

All licensed property and casualty insurance companies are required to submit to this Department all rate and form filings for approval or disapproval. During the period January 1, 1976 through December 31, 1976, this Division processed 3,909 such filings.

All companies are required to file a financial statement as of December 31st each year. This statement must be audited and approved before the company's license to transact business in Arkansas is renewed. 541 such annual statements were reviewed by this Division in 1976, as well as 44 examination reports of foreign companies licensed in this State.

As of December 31, 1976, there were 38 companies authorized to write surplus line coverage in this State with 42 licensed Surplus Line Brokers. For each policy written in a surplus line company, the broker must file an affidavit showing the coverage written, the premium charged. This Division received 8,589 affidavits during 1976 and collected \$150,344.38 in taxes.

Eighteen (18) property and casualty insurance companies applied for admission to the State of Arkansas during 1976. Thirteen (13) were admitted to do business.

The Chief Investigator received and processed 1,192 complaints from the public. Additionally, 7,246 inquiries from the public were answered by the Division.

LIFE AND HEALTH INSURANCE DIVISION

W. KEITH SLOAN, F.C.A., Actuary

Review of policy forms was still a major activity for this Division, involving a total of 8,111 filings in 1976, as follows:

Life insurance forms	4,450
Health insurance forms	2,585
Credit insurance forms	192
Variable life and annuity forms	49
Group master policies	312
Group certificates	523

A substantial portion of the filings in individual health insurance and in group insurance involved accommodations of two regulations which became effective in 1976, one regarding unfair discrimination with respect to the sex of the insured, the other relating to coordination of benefits in group health insurance. A closely related activity is the review of rates for individual health insurance. A total of 299 rate filings were reviewed in their entirety in 1976 (in addition to the rates filed as part of the filing of health insurance forms), of which 39 were disapproved.

This Division is increasingly involved in direct response to consumers' insurance problems. In 1976, a total of 3,806 inquiries were answered by regular division personnel and action completed on 471 of the 614 formal complaints which were referred to this Division. A related activity is review of advertising, and the Division reviewed a total of 124 pieces of various types of sales material. Additionally, the Claims Attorney for this Division received and processed 1,262 complaints from the public.

Members of this Division participated in a total of 44 meetings of various sorts, ranging from consumer workshops to meetings of technical associations.

The Division participated in six of the examinations of companies performed by the Examination Division, and conducted one special market conduct examination.

As the year closed, a relatively new problem became one of major concern. In addition to "multiple employer trust" forms of group insurance, some of which have been found to be soliciting Arkansans for coverage either by non-admitted companies or on forms which do not comply with Arkansas Law, a number of "ERISA Trusts" began solicitation of Arkansans. These are usually totally uninsured, with no financial margins but the ability to raise rates and make assessments. Although they purport to be regulated by the Department of Labor (Federal), there has yet been no actual regulation other than registration.

AGENTS LICENSING DIVISION

LENITA BLASINGAME, Supervisor

There are approximately 14,000 resident and 6,000 non-resident insurance agents and brokers licensed to sell insurance in the State of Arkansas. The examination and licensing of these agents is the responsibility of the Agents Licensing Division of the Insurance Department. This Division also issues licenses to Independent Insurance Adjusters, Bail Bondsmen and Insurance Vending Machines.

To insure that an agent has a sound basic knowledge of his product and the insurance laws of Arkansas, a detailed examination must be passed by the prospective agent. The examinations are administered by this Department on a weekly basis at a location in Little Rock. More than 3,000 examinations are given each year.

The examination and licensing procedure also applies to Bail Bond Agents. There are approximately 125 bondsmen licensed by this Department and registered in the various counties.

The licensing and examination fees collected by this Division totaled \$323,505.00 in 1976.

EXAMINATION DIVISION

FRANKLIN SEFORD, Chief Examiner

During the year 1976, the Examination Division was staffed by five full-time Field Examiners. The function of the Field Examiners is to conduct an examination of domestic insurance companies at their Home Offices at least once every three years and more often as the Commissioner deems necessary. The examination includes the verification and valuation of all assets and verification that all liabilities of the company have been reported in the last filed annual statement. The Examiners report to the Commissioner by means of a written Report of Examination that varies from forty to one hundred twenty pages in length.

The Examination Division also makes an audit of the

annual financial statements which are filed annually by all insurers. This audit is designed to detect any failure on the part of the company to comply with Arkansas laws governing the operations of insurance companies.

The Examination Division is consulted by officers and attorneys of domestic and foreign life insurance companies regarding accounting practices and other administrative matters including the preparation of the annual statement blank.

Another function of the Examination Division is the review of applications for admission from foreign life insurance companies who wish to conduct the business of life and disability insurance in this State.

The division reviewed a total of 20 applications for admission from foreign life insurance companies of which 8 were approved for admission.

ACCOUNTING DIVISION

MAX MOORE, Chief Accountant

The Accounting Division maintains internal financial accounts for the Insurance Department, collects, verifies and processes all taxes and fees, computes Firemen's Relief and Pension Fund Tax turnback to cities and towns, compiles statistical data for various reports. The Financial Statement shows taxes collected as \$16,518,472.24 and fees collected as \$571,046.80, or total collections for 1976 of \$17,089,519.04 compared to total collections in 1975 of \$13,869,780.16, or an increase of \$3,219,738.88. The principal area of increase was in the Premium Tax as a result of the enactment of Act 450 of 1975, which increased the tax rate from 2% to 2½%, for all lines except Life, Accident and Health which were already taxed at the higher rate.

LIQUIDATION AND REHABILITATION DIVISION

MAX SEARS, Liquidation Officer

During the year 1976, three receiverships were terminated and five insurance companies were placed into receivership. Of the five companies placed into receivership, three were life insurance companies and two wrote only fire and casualty insurance. One life insurance company and one fire and casualty insurance company were domiciled in Arkansas.

Terminated Receiverships

Name of Company	Distribution
National American Life Insurance Company	Rehabilitated
Standard Life & Accident Insurance Company	Rehabilitated
United Bonding Insurance Company	100%

Liquidation or Rehabilitation in Process

Name of Company	State of Domicile
Citizens Casualty Company	New York
Imperial Insurance Company	California
Main Insurance Company	Illinois

Missouri General-Medallion Ins. Co.	Missouri
Mobile Insurance Company	Texas
National Fraternity Life Ins. Co.	Arkansas
National Security Life Ins. Co.	Arkansas
Northeastern Life Insurance Company	New York
Riceland National Life Inc. Co.	Arkansas
Seaboard Life Insurance Company	Florida
Southern Mutual Insurance Company	Arkansas
Summit Insurance Company	New York

**INSURANCE COMPANY DEVELOPMENTS IN
ARKANSAS FOR THE YEAR 1976**

Property and Casualty Insurance Companies Admitted:	Date
Allied Fidelity Insurance Company P. O. Box 20112 Indianapolis, Indiana	December 17, 1976
American Alliance Insurance Company 580 Walnut Street Cincinnati, Ohio	December 30, 1976
American Centennial Insurance Company 55 Madison Avenue Morristown, New Jersey	December 3, 1976
Dependable Insurance Company, Inc. 1929 Gulf Life Tower Jacksonville, Florida	September 13, 1976
Economy Fire and Casualty Company 535 West Stephenson Freeport, Illinois	October 11, 1976
Federated Reinsurance Corporation 160 Water Street New York, New York	December 29, 1976
Leatherby Insurance Company 1400 North Harbor Boulevard Fullerton, California	April 30, 1976
Munich American Reinsurance Company 410 Park Avenue New York, New York	September 15, 1976
Prudential Reinsurance Company 213 Washington Street Newark, New Jersey	December 1, 1976
Shell Motorists Club, Inc. 8500 North Michigan Road Indianapolis, Indiana	May 26, 1976
Surety Insurance Company of California 2250 West Whittier Boulevard LaHabra, California	December 3, 1976
Ticor Mortgage Insurance Company 5900 Wilshire Boulevard Suite 2205 Los Angeles, California	December 1, 1976
Life Insurance Companies Admitted:	Date
Aetna Variable Annuity Life Insurance Company 151 Farmington Avenue Hartford, Connecticut	June 30, 1976
Amoco Life Insurance Company 306 South 15th Street Omaha, Nebraska	December 15, 1976
The Chesapeake Life Insurance Company 527 South Paul Street Baltimore, Maryland	December 17, 1976
Cologne Life Reinsurance Company 1200 Bedford Street Stamford, Connecticut	July 6, 1976

Forward Life Insurance Company 151 Farmington Avenue Hartford, Connecticut	June 30, 1976
Intramercia Life Insurance Company 555 Madison Avenue New York, New York	January 7, 1976
MIC Life Insurance Corporation 3411 Silverside Road Wilmington, Delaware	October 11, 1976
Southern Life Insurance Company 330 South Greene Street Greensboro, North Carolina	July 6, 1976
Standard Life and Accident Insurance Company (New Company) Standard Life Building 421 Northwest 13th Street Oklahoma City, Oklahoma	September 29, 1976

Withdrawals and Mergers:

- Aetna Variable Annuity Life Insurance Company, Little Rock, Arkansas, changed its state of domicile to Hartford, Connecticut, effective July 1, 1976, and merged into Forward Life Insurance Company with the surviving company known as Aetna Variable Annuity Life Insurance Company, effective December 31, 1976.
- The American Family Life Insurance Company, Madison, Wisconsin, withdrew from Arkansas and returned Certificate of Authority for cancellation effective May 1, 1976.
- American Public Life Insurance Company, Jackson, Mississippi, Certificate of Authority not renewed effective April 30, 1976.
- American Reliable Insurance Company, Phoenix, Arizona, voluntarily surrendered Certificate of Authority for cancellation effective June 2, 1976.
- Cologne Life Reinsurance Company, Richmond, Virginia, changed state of domicile to Stamford, Connecticut, and merged into Cologne Life Reinsurance Company, effective March 31, 1976.
- Farm and Home Life Insurance Company, Phoenix, Arizona, voluntarily withdrew from Arkansas and surrendered Certificate of Authority for cancellation effective September 29, 1976.
- First Equity Life Insurance Company of Missouri, Jefferson City, Missouri, Certificate of Authority cancelled effective June 30, 1976.
- Great American Insurance Company, New York, New York, merged with and into American Continental Insurance Company, Cincinnati, Ohio, and Certificate of Authority for American Continental Insurance Company was returned for cancellation effective September 30, 1976.
- Horace Mann Mutual Insurance Company, Springfield, Illinois, 100% reinsured by INA Reinsurance Company, Phila-

- delphia, Pennsylvania, and ceased writing in Arkansas effective October 1, 1976.
- Leatherby Insurance Company, New York, New York, changed its state of domicile to Fullerton, California, and merged into Leatherby Insurance Company effective April 30, 1976.
- Life Insurance Company of Florida, South Miami, Florida, voluntarily dissolved in its domiciliary State of Florida, and Globe Life Insurance Company, Chicago, Illinois, re-insured and assumed all outstanding policies and liabilities of Life Insurance Company of Florida effective September 30, 1976.
- Pioneer Insurance Company, Lincoln, Nebraska: Certificate of Authority returned for cancellation and all business reinsured by Life of Nebraska Insurance Company (a non-admitted company) effective January 1, 1976.
- Provident Alliance Life Insurance Company of Delaware, Wilmington, Delaware, voluntarily returned their Certificate of Authority for cancellation effective June 30, 1976.
- Seaboard Life Insurance Company of America, Miami, Florida: bulk reinsured by Protective Life Insurance Company, Birmingham, Alabama, effective April 1, 1976.
- Southwest Underwriters Insurance Company, Fayetteville, Arkansas, voluntarily dissolved and the assets and liabilities were assumed by Motors Finance Company effective June 17, 1976.
- Standard Life and Accident Insurance Company (Old Company), Oklahoma City, Oklahoma, reorganized and formed Standard Life and Accident Insurance Company (New Company), effective June 1, 1976.
- Tennessee Life Insurance Company, Houston, Texas, merged into Philadelphia Life Insurance Company, Philadelphia, Pennsylvania, and Tennessee Life Insurance Company returned their Certificate of Authority for cancellation effective January 2, 1976.

Reactivations and Name Changes:

- American International Insurance Company, New York, New York, changed name to AIU Insurance Company effective October 26, 1976.
- Educator and Executive Insurers, Inc., Westerville, Ohio, changed name to J. C. Penney Casualty Insurance Company effective January 1, 1976.
- The General Fire and Casualty Company, Los Angeles, California, changed name to Allianz Insurance Company effective September 15, 1976.
- Manhattan Fire and Marine Insurance Company, Stamford, Connecticut, changed name to Puritan Insurance Company effective October 1, 1976.

- Mohawk Insurance Company, Allentown, Pennsylvania, changed name to National American Insurance Company of New York effective July 6, 1976.
- USLIFE Life Insurance Company of Texas, Dallas, Texas, changed name to Great National Life Insurance Company effective February 9, 1976.