STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

A PERFORMANCE AUDIT
OF THE

DEPARTMENT OF INSURANCE CONSUMER COMPLAINT FUNCTION

DECEMBER 1980

A REPORT TO THE
ARIZONA STATE LEGISLATURE

REPORT 80-6

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

December 5, 1980

Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Department of Insurance, Consumer Complaint Function. This report is in response to Senate Bill 1078 of the 34th Legislature, Second Regular Session.

The blue pages present a summary of the report; a response from the Director of Insurance is found on the yellow pages preceding the appendices.

My staff and I will be pleased to discuss or clarify items in the report.

Respectfully submitted,

Douglas R. Norton
Auditor General

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Enclosure

OFFICE OF THE AUDITOR GENERAL

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SUMMARY

The Office of the Auditor General has evaluated the consumer complaint processes and procedures of the Department of Insurance. Consumer complaint processes were reviewed previously in the Auditor General Report No. 79-4, A Performance Audit of the Arizona Department of Insurance.

During our review, we found the Department has taken action to increase public awareness of its complaint services. Also, the Department has developed and analyzed complaint data against companies and has both publicized the data and used the data for regulatory action. We also found, however, the Department is still not monitoring total complaints by agent and Department investigators have been processing many complaints informally and not documenting such complaints. We recommend again that the Department develop and use data on total complaints against agents and that the Department investigators document all complaints processed.

We found the Department has gone beyond many of the recommendations in the previous audit to improve regulation of agents and companies and to assist consumers. More agent disciplinary hearings are held, more market conduct examinations of companies are made and a special advisory committee has been appointed to help control abuses in the sale of health insurance to the elderly.

Despite the actions the Department has taken to address consumer complaints, we found legislative changes are needed to enable the Department to address consumer complaint functions more effectively. We recommend Arizona adopt the provisions of the National Association of Insurance Commissioners (NAIC) Unfair Claims Settlement Practices Act and the accompanying regulation.

Finally, our review determined that screening procedures are needed to free investigators' time for more in-depth investigations. Much of the investigators' time is spent handling routine, informational phone calls. We found the Attorney General's Office has developed a system to screen calls and free its financial fraud investigators from such calls. We recommend a similar system be developed in the Department of Insurance.

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has evaluated the consumer complaint processes and procedures of the Department of Insurance in response to a June 10, 1980, resolution of the Joint Legislative Budget Committee. This evaluation was prepared under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §41-1279 et seq.

Consumer complaint processes were reviewed previously in the Auditor General Report No. 79-4, A Performance Audit of the Arizona Department of Insurance. That report noted that the consumer complaint section of the Department of Insurance annually receives and processes between 4,000 and 5,000 written complaints about insurance companies and agents and that the Department was generally effective in its actions with individual complaints. The report also noted, however, the Department needed to increase public awareness of its services and take several actions to use aggregate complaint data to regulate companies and agents effectively.

The objectives of the evaluation were to:

1. Determine if the recommendations in Report No. 79-4 have been implemented.

2. Determine if the Department has implemented procedures to improve its complaint processes in addition to those recommended in Report No. 79-4.

3. Determine what changes, if any, are necessary for the Department to perform its functions effectively in handling consumer complaints.

The Office of the Auditor General expresses gratitude to the Director of the Department of Insurance and his staff for their cooperation, assistance and consideration during the course of the audit.

FINDING I

THE DEPARTMENT OF INSURANCE GENERALLY HAS IMPLEMENTED THE RECOMMENDATIONS OF REPORT NO. 79-4 RELATING TO CONSUMER COMPLAINTS. HOWEVER, COMPLAINT DATA IS STILL NOT USED TO MONITOR AGENTS AND INVESTIGATORS DO NOT DOCUMENT ALL COMPLAINTS RECEIVED.

A major function of the Department of Insurance is the investigation and resolution of public complaints against insurance companies and agents. The Department has seven* full-time employees to investigate and process public complaints. The consumer complaint section of the Department annually receives and processes between 4,000 and 5,000 written complaints about insurance companies and agents.

The Auditor General Report No. 79-4 on the Department of Insurance noted that improvements were needed in the complaint-handling function in that: 1) the public was generally unaware that consumer complaint services were available to them, and 2) the Department failed to use complaint data to regulate companies and agents. It was recommended that the Department:

1. Actively seek to publicize its complaint services.

2. Develop and publicize data on the number of complaints received by companies for each $100,000 of premium volume.

3. Use complaint data to determine which companies should receive market conduct examinations.

4. Monitor total complaints by agent and investigate agents receiving more than a specified number of complaints.

* The Department has five investigators in Phoenix and two in Tucson.

We found the Department has implemented the recommended procedures except that total complaints against agents are not monitored or used as a basis for investigations. In addition, we found that investigators now handle an unknown number of complaints informally and do not document all complaints received.

The Department of Insurance Has Taken Action to Increase Public Awareness of the Department's Services

The performance audit report on the Department of Insurance concluded that the public is generally unaware of the Department's consumer complaint services. It was recommended that the Department actively seek to publicize its complaint services.

The Department has made efforts to make the public aware of its services through television and radio coverage, news releases and public speaking engagements. We found these efforts have increased public awareness of the services in that more people filing complaints with the Department now learn about the complaint services through the news media rather than by word of mouth. Report No. 79-4 noted that 55 percent of the complainants learned of Department services by word of mouth while fewer than ten percent learned of them through the news media. In a follow-up survey of 1980 complainants we found more than 42 percent of them had been made aware of the Department's services through the news media.

Television Coverage

During the first six months of 1980, the Department of Insurance used television several times to publicize its complaint services as shown in the following chart.

Television Coverage Regarding the
Department's Complaint Services From
January 1, 1980 to June 30, 1980

Television Station	Date	Time	Subject	Audience
KPNX-12 (Phoenix)	4/28-5/2	5 PM	"Policies and Promises" (five parts)	93,000*
KPNX-12 (Phoenix)	6/1	4-5 PM	A one-hour follow-up on "Policies and Promises"	34,000
KTVK-3 (Phoenix)	7/3	6:30 AM	"Generations" - a segment on Medicare supplemental insurance	10,000
KTVK-3 (Phoenix)	6/4	9:30 PM	Premium comparisons	53,000
KTVK-3 (Phoenix)	7/24	6 PM	"The Dread Disease Coverage" - a program on cancer policies	55,000*
KVOA-4 (Tucson)	5/7-5/11	5 PM	"Policies and Promises" (five parts)	65,000*
			Estimated viewing audience	310,000

The program "Policies and Promises," on a subject often referred to as "the Sting," proved to be particularly effective in increasing public awareness of fraudulent insurance practices and the Department's complaint services. The program was initiated jointly by KPNX-TV, Channel 12 in Phoenix and the Department of Insurance. The station set up a hidden camera in an elderly lady's home. The woman called 12 insurance agents who sold Medicare supplements.** The film showed eleven agents who misrepresented Medicare supplemental insurance. The Director of the Department of Insurance appeared in the film to explain implications of the false claims by agents. He also appeared, along with a University of Arizona professor and the president of the Arizona chapter, Life Underwriters Association, on a one-hour follow-up program, to respond to questions from the viewing public.***

* These programs were aired more than once. The number indicates the audience size for one segment.

** The consumer complaint section of the Department of Insurance provided the agents' names.

*** KPNX-TV indicated that more than 100 people telephoned, an unusually high number for this type of program.

Radio Coverage

Since January 1980, the Director has had various radio interviews covering the following subjects:

1. Open competition,
2. The rating law,
3. The Unfair Claims Settlement Practice Act,
4. The sale of Medicare supplemental policies, and
5. The regulation of public adjusters.

News Releases

The Department has made public awareness efforts in the area of news releases. Following is a list of 1980 news releases resulting in articles published in The Arizona Republic.*

Date	Subject
4/23	Formation of a Senior Citizen Health Insurance Advisory Committee was announced.
4/28	The conclusion of "the Sting" operation was announced and described briefly.
5/07	Announcement was made of four agent disciplinary hearings as a result of the Department's "Sting" operation and the withdrawal of approval from Christian Heritage's Medicare supplemental policy.
5/29	The adoption of a Department procedure to regularly govern the sale of Medicare supplemental policies was announced.
6/2	A premium rate comparison of 28 companies for auto insurance was printed.
7/2	Complaint ratios were publicized for 38 companies writing personal lines of insurance (auto, home, fire on private dwellings).
7/3	An error in the total policies and complaint ratio for Farmers Insurance Company was corrected.

See Appendix for copies of these news releases.

* Daily circulation of The Arizona Republic and The Phoenix Gazette is 346,514.

Public Speaking Engagements

The Department has made efforts to increase public awareness by providing speakers at public meetings. During 1979-80, the Director, Assistant Director and consumer complaint investigators have spoken at 14 public or consumer group meetings.

At the time of our previous report, we found there were few public addresses made by the Department's staff and that speeches were made primarily to insurance industry audiences, not public groups.

The Department Has Developed and Publicized Complaint Ratio Data

Report No. 79-4 noted that developing and publicizing complaint ratio data on insurance companies can provide a powerful regulatory tool in that public disclosure of complaint data provides an added incentive for companies to reduce the number of and to resolve complaints. It was recommended that the Department develop and publicize data on companies regarding the number of complaints for each $100,000 of premium volume.

The Department subsequently determined that data based on the number of complaints for each 1,000 policies in force would be more objective than on premium volume, because of the skewing effects of large commercial policies. Using that basis, the Department developed complaint ratio data by personal lines of insurance such as auto, homeowner and fire for 41 companies that write approximately 96 percent of personal lines insurance in Arizona. It released the data on July 2, 1980. It is interesting to note that the ratio of complaints for each 1,000 policies ranged from 0.25 to 15.71, indicating significant differences in policyholder satisfaction with companies. (The complaint ratio data is included in the Appendix.)

The Department plans to release similar complaint ratio data for health insurance companies at a later date.

Complaint Ratio Data Is Used to Determine Market Conduct Examinations

Report No. 79-4 also noted that the Department did not use consumer complaint data to select companies for market conduct examinations. As a result, such examinations, which are designed to determine how companies treat policyholders, were not conducted on those companies which had the highest ratios of complaints to insurance in force. It was recommended that the Department use such complaint data to select companies for market conduct examinations or possible investigation.

According to the Director of Insurance complaint ratio data will be used to select companies for market conduct examinations. The Director has established that any company with a ratio of one or more complaints for each 1,000 policies is a candidate for a market conduct examination.

Complaint Data Is Not Used to Monitor and Regulate Agents

Report No. 79-4 stated that Arizona did not formally monitor total complaints about agents, despite the fact that it is rare for insurance agents in Arizona to have any complaints filed against them. During 1978, less than four percent of the agents in Arizona had a complaint filed against them, and only .08 percent had three or more. However, during that same year 14 agents received three or more complaints, of which only two were brought before formal hearings.

The Department still has not established a procedure to monitor total complaints against agents. During our 1980 review, we identified 12 agents who received three or more complaints during fiscal year 1979-80. One of them had ten complaints. However, no procedure had been established to identify and review the conduct of these agents to determine if investigations and hearings should be conducted.

We also found the Department does not maintain a copy of each complaint against an agent in that agent's file. Some complaints are placed in a miscellaneous file, and others are placed in the file of the agent's company. Thus, a review of an agent's file may not disclose how many and what types of complaints have been filed against him. Such information may be vital for investigative and enforcement purposes.

Investigators Do Not Document
All Complaints Received

The Department of Insurance receives approximately 24,000 telephone calls a year, the majority of which are handled by the consumer complaints section. Although many of these calls are routine or simply seek information, others are consumer complaints. We found the investigators have changed procedures since Report No. 79-4, and now handle telephone complaints rather than require that complaints be in writing. Further, we found many of the telephone complaints are processed informally by the investigators, and no record is made of them.

Although receiving and processing complaints by telephone may reduce paperwork for investigators and inconvenience for consumers, failure to document such complaints may produce two undesirable consequences. One is that there is no way to determine the total number of complaints processed. Such information is important for measuring public awareness of consumer services, analyzing trends in complaint data and projecting workloads. A second is that failure to record all complaints may produce a significant bias in the Department's use of complaint-ratio data to regulate companies and agents. If the practice of not documenting each complaint is continued, complaint ratios developed by the Department will be subject to serious question as to their completeness, reliability, validity and fairness.

CONCLUSIONS

1. Although the Department has generally implemented the recommended procedures of Report No. 79-4, the Department can do still more to increase its regulatory effectiveness by using complaint data to monitor agent conduct.

2. Failure to document every complaint jeopardizes the integrity of the complaint-ratio data developed by the Department and results in incomplete data for management purposes.

3. Failure to maintain a copy of each complaint against an agent in the agent's file may impair the Department's ability to investigate and regulate agent conduct.

RECOMMENDATIONS

It is recommended that:

1. The Department use data on total complaints about agents to monitor and regulate agent conduct.

2. The Department document every complaint received, including telephone complaints.

3. The Department place a copy of each complaint against an agent in that agent's file.

FINDING II

IN SOME AREAS THE DEPARTMENT OF INSURANCE HAS GONE BEYOND RECOMMENDATIONS IN THE PREVIOUS AUDIT TO IMPROVE REGULATION OF AGENTS AND COMPANIES AND TO ASSIST CONSUMERS. MORE AGENT DISCIPLINARY HEARINGS ARE HELD, MORE MARKET CONDUCT EXAMINATIONS OF COMPANIES ARE MADE AND A SPECIAL ADVISORY COMMITTEE HAS BEEN APPOINTED TO CONTROL ABUSES IN THE SALE OF HEALTH INSURANCE TO THE ELDERLY.

The Department of Insurance is responsible for regulating the conduct of licensed agents and companies authorized to transact business in Arizona. Since our previous audit, the Department has increased regulatory activity on agent and company misconduct. More agents are called in for formal disciplinary action, and more companies are reviewed through market conduct examinations. In addition, the Director has appointed a ten-member advisory committee to study ways to control abuse in the sale of health insurance to the elderly.

The Number of Agent Hearings Has Increased

The number of agent disciplinary hearings held monthly by the Department of Insurance has increased sharply since 1978. As shown in Table 1, 25 formal disciplinary hearings involving agents were held during the seven-month period from January through July 1980.

TABLE 1

NUMBER AND OUTCOME OF AGENT DISCIPLINARY HEARINGS

	1978	1979	January through July 1980
License revoked	5	8	5
License suspended	0	1	2
Fined	2	0	4
License revoked/suspended and fined	1	3	5
No license application to be accepted	0	3	2
No penalty	3	0	1
Disposition unknown at time of audit	0	0	6
TOTAL	11	15	25

By contrast, 15 agent disciplinary hearings were held in 1979, and eleven in 1978.

Similarly, disciplinary actions against agents also have increased. For example, only eight agents had their licenses suspended or revoked, or were fined, as a result of formal hearings in 1978; however, 16 agents were subjected to such discipline during the first seven months of 1980.

Most of the agents called in and disciplined by the Department in 1980 had misrepresented benefit amounts, levels of coverage or other policy provisions involved in the sale of insurance. Misrepresentation and fraud in the sale of insurance policies to the public have been established by tne Department as top priorities for investigation and disciplinary action.

The Number of Market Conduct Examinations Has Increased

The Department of Insurance makes market conduct examinations to review insurance company practices in such areas as sales and advertising, marketing, claims-handling and treatment of policyholders. Such examinations may be conducted either in conjunction with the regular financial examination of the company or as a result of consumer complaints.

At the time of our previous audit, the Department of Insurance had made eight market conduct examinations as a result of consumer complaints. As shown in Table 2, the number of market conduct examinations made by the Department increased significantly in 1979 and 1980.

TABLE 2

NUMBER OF MARKET CONDUCT EXAMINATIONS
INVOLVING CONSUMER COMPLAINTS CONDUCTED DURING
1978, 1979 AND THE FIRST SIX MONTHS OF 1980

	1978	1979	January through June 1980
Number of examinations	8	13	7

Two full-time staff members currently are assigned to make market conduct examinations, an increase of one full-time position over 1978. In addition, two persons assist with such examinations part-time.

Finally, while making a recent market conduct examination of one of the major insurers in Arizona, the Department of Insurance expanded significantly the amount and scope of examination as compared to previous years. Further, the Department now plans to release to the public the results of market conduct examinations.

Advisory Committee Appointed To Study Health Insurance Abuses

In April 1980, the Director of Insurance appointed a ten-member Senior Citizen Health Insurance Advisory Committee. The Committee is comprised of both industry and public representatives. Its purpose is to provide the Department with recommendations regarding public information programs, regulations and legislation needed to eliminate and control abuses and deceptive practices involved in the sale of health insurance to the elderly.

The Committee met twice in May 1980 to organize and formulate its activities. Two public hearings are tentatively planned, one in Phoenix, the other in Tucson, to allow senior citizens to discuss problems they have encountered in health insurance areas. Issues expected to be raised at the hearings include Medicare supplemental insurance, hospital indemnity plans and cancer policies.

After hearing the testimony, the Committee will recommend action to remedy identified problems. A similar committee, established in Illinois, made a variety of recommendations aimed at protecting the elderly from fraudulent sales practices and other abuses.

CONCLUSION

In addition to implementing most of the recommendations of Report No. 79-4 regarding consumer complaints, the Department of Insurance has increased significantly its disciplinary hearings and market conduct investigations.

FINDING III

ADDITIONAL CHANGES ARE NEEDED IN LEGISLATION TO ADDRESS THE CONSUMER COMPLAINT FUNCTION EFFECTIVELY.

Although the Department of Insurance has implemented most of the recommendations in Report No. 79-4, additional changes are needed to increase the Department's effectiveness in its consumer-complaint function. Such changes include additional legislation to regulate unfair claims-handling practices and the authority to fine companies if they violate such statutes.

The Department of Insurance Needs Additional Legislation to Strengthen Its Regulation of Unfair Claims-handling Practices

As was noted in Report No. 79-4, Arizona has not enacted provisions of the National Association of Insurance Commissioners (NAIC) model, Unfair Claims Settlement Practices Act, and its accompanying regulation. The Act and regulation establish standards relating to misrepresentation of policy provisions, communication with policy holders, investigation and settlement of claims and other matters which, if violated "...with such frequency as to indicate a general business practice...", constitute an unfair company practice. Repeated violations of the Act could result in disciplinary action by the Department of Insurance if the model Act were in effect.

It appears that such legislation still is needed in Arizona because:

1. Although the Department has limited statutory authority to regulate this area, claims-handling practices continue to be the major sources of complaints received by the Department.

2. Most states which have enacted the Unfair Claims Settlement Practices Act claim it is an effective tool to control and regulate company claims-handling practices.

Arizona Lacks Authority to Regulate the Most Frequent Source of Consumer Complaints: Claims-handling Practices

Under current law, the Department of Insurance has authority to address company claims-handling practices in two circumstances only:

1. "...if the insurer usually compels claimants under its policies to accept less than the amount due them or to bring suit against it to secure full payment thereof." [A.R.S. §20-220(47)]

2. If an insurer fails to make a life insurance settlement within two months after receiving proof of death. (A.R.S. §20-1215)

There is no provision in Arizona law addressing company claims-handling responsibilities with regard to communication with policy holders, investigation of claims and delays in handling claims. However, these claims-handling practices are the major sources of complaints received by the Department. A computer analysis of complaints for fiscal year 1979-80 revealed that 59 percent of all complaints received by the Department involve claims-handling practices. Further, delays in claims handling account for nearly one of five consumer complaints. A review of claims-handling complaints revealed that many would constitute violations if Arizona enacted the NAIC Act and the accompanying regulation.

Under the NAIC Act and regulation, insurers are required to acknowledge receipt of a claim within ten working days and to complete an investigation of the claim within 30 days if reasonably possible. If investigations cannot be completed within 30 days, insurers are required to advise claimants at 45-day intervals of the reasons the investigation has not been completed.

In reviewing claims-handling complaints, we found that some companies seldom meet the guidelines established by the NAIC Act. For example, we found instances in which insurers did not acknowledge or respond to claims for as long as 180 days. Although such delays are exceptional, most companies do not appear to respond within ten working days. An analysis of a sample of claims revealed that the average time between a complaint and a company's response was 42 days.

Unfair Claims-practices Law
Appears Effective in other States

Twelve states which have adopted the NAIC Unfair Claims Settlement Practices Act or similar provisions were contacted to determine the effectiveness of such a law. As shown below insurance officials in nine of the states contacted (75 percent) consider the law a useful and effective regulatory tool.

States which Rate the NAIC Act Effective	States which Rate the NAIC Act Ineffective
Delaware	Nebraska
Virginia	North Dakota
New Hampshire	Wisconsin
Ohio	
Texas	
Pennsylvania	
Illinois	
New York	
California	

The following positive comments were made by officials who rate the NAIC Act effective:

- Companies respond to claims-handling complaints more readily because of the law. (Delaware)
- Companies appear to be more "claims conscious" as a result of the law. (New Hampshire)
- The law has a deterrent effect on companies. (Ohio)
- The law has had an impact on companies called in for violations. (Pennsylvania)
- The law is useful in market conduct examinations. (Illinois)
- The law is useful in processing complaints because it specifies company responsibilities. (New York)

States which rated the law ineffective did so primarily because of difficulty in defining and proving a pattern of behavior or "general business practice." Several states suggested that the Act and regulation be amended to allow action on single instances of unfair claims practices when warranted.

Authority to Fine
Companies Is Needed

If unfair claims-settlement legislation is enacted consideration also should be given to providing the Director of Insurance with authority to fine companies who violate the statute. As noted in Report No. 79-4 the Director of Insurance lacks authority to fine companies for violations of insurance statutes. Thus the Director has two disciplinary options only: 1) remove the company's authority to do business in Arizona or, 2) do nothing at all. Either option seems too extreme to be effective as a method of enforcing an unfair claims-handling statute.

Report No. 79-4 also noted that: (a) 24 other states have the authority to fine companies and consider this an effective means of obtaining compliance with statutes, and (b) the Director of Insurance can and does fine agents for violations of insurance statutes.

CONCLUSION

The Department of Insurance lacks statutory authority to regulate company practices that are the major sources of consumer complaints.

RECOMMENDATIONS

It is recommended that:

1. Arizona adopt the provisions of the NAIC Unfair Claims Settlement Practices Act and the accompanying regulation.

2. Consideration be given to amending the Act and regulation to allow action on single instances of violations when warranted.

3. The Director be given authority to fine insurance companies for violations of the Act or other insurance statutes.

FINDING IV

SCREENING PROCEDURES ARE NEEDED TO FREE INVESTIGATORS' TIME FOR IN-DEPTH INVESTIGATIONS.

The Department of Insurance's increased emphasis on enforcement and disciplinary actions has led to a need for more in-depth field investigations of complaints. Having recognized this need, tne Director of Insurance has issued a policy stating that:

> "The investigators are specifically encouraged to go into 'the field' to develop evidence which can be used at a hearing."

However, it appears that investigators generally are unable to get out of the office and into the field due to their high volume of routine work, particularly the handling of routine phone calls. It should be noted that the Attorney General's Office has established a system to screen routine work and free its personnel for in-depth investigations. Such a system could be established in the Department of Insurance as well.

Routine Phone Calls

Department investigators spend much of their time handling routine telephone calls. It is estimated that the Department receives 24,000 consumer calls a year, and that investigators handle 95 percent of them. As a result, investigators spend up to 75 percent of their time on calls. Further, as public awareness of the Department's consumer services increases it seems likely that the number of phone calls will increase as well.

Most phone calls are of a general or informational nature. For example, investigators have received a large number of calls regarding: 1) the complaint ratio data information (see Appendix), 2) rate increases, and 3) common policy provisions. Such phone calls cause investigators to spend an estimated 90 percent of their time in the office rather than in the field.

The Attorney General's Office Screens Calls to Investigators

The Attorney General's financial fraud division is responsible for responding to consumer complaints involving misrepresentation and deceptive sales practices prohibited by A.R.S. §44-1521. In fiscal year 1980, the division processed 3,534 formal complaints, and received and handled approximately 30,000 phone calls. However, due to a screening procedure used by the division, only five percent of such calls required the attention of an investigator. This is in sharp contrast with the Department of Insurance's approximate 24,000 consumer calls during 1979, of which 95 percent required the attention of an investigator.

The Attorney General's screening system works as follows: calls are received initially and screened by consumer specialists who provide general answers and comment as to the advisability of filing formal complaints. Using a call-sequencer system, the consumer specialists handle an estimated 125 calls a day, or 2,500 a month. An "attorney of the month" is available to help the consumer specialist with difficult or technical questions.

About 25 percent of all calls received by consumer specialists result in formal written complaints. When a written complaint is received it is reviewed by a legal assistant who handles initial written communication with companies and businesses. If written complaints indicate a serious problem, the legal assistant meets with the chief counsel, who may assign an investigator to the case. These procedures allow approximately 95 percent of consumer calls to be handled without the attention of an attorney or investigator.

Insurance departments in other states report using similar systems to free investigators for in-depth investigations. In Texas, for example, in-office complaint-handlers process phone calls and routine paperwork, while field investigators spend nearly all of their time out of the office conducting interviews and gathering information.

According to the Director of Insurance, the Department is planning to establish a consumer-specialist position to handle routine calls.

CONCLUSION

Much of the Department investigators' time is not spent conducting investigations but rather on routine and informational work that could be handled by less highly-trained persons.

RECOMMENDATION

It is recommended that the Department continue its efforts to review and implement a system similar to the system developed by the Attorney General's financial fraud division to screen and handle routine consumer calls.

BRUCE BABBITT
GOVERNOR

STATE OF ARIZONA
DEPARTMENT OF INSURANCE
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J. MICHAEL LOW
DIRECTOR OF INSURANCE

November 28, 1980

Douglas R. Norton, CPA
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Dear Mr. Norton:

I have received a copy of the preliminary draft report regarding your office's audit of the consumer complaint function of the Arizona Department of Insurance. In the main, I am in agreement with most of the findings and recommendations set forth in your report. I believe that the report fully documents the many significant actions recently undertaken by the Department with respect to publicizing its existence and willingness to assist policyholders, cracking down hard on fraudulent and misleading activity on the part of selling agents and informing the public on a number of topical insurance subjects, such as the publication of a personal lines complaint ratio and an auto insurance premium comparison.

While I believe the overall report reflects positively on the Department's commitment to assist Arizona policyholders and claimants, I do feel compelled to briefly comment upon two of the areas where certain deficiencies were indicated. The first is the statement that the Department has not established a procedure to monitor total complaints against agents. Indeed, one of the examples described in the report referred to an agent who purportedly had ten complaints pending against him without any disciplinary proceeding being noticed for hearing by the Department. I am attaching hereto a copy of my memorandum of March 20, 1980, to the Investigations Section and Hearing Division of the Department. As you can see, that memo unequivocally requires an investigation of any agent who has more than one complaint pending against him. Additionally, the memo clearly states that agents who are guilty of making misrepresentations, particularly in the sale of medicare supplement policies to the elderly, should automatically be referred for a disciplinary hearing before the

Hearing Division of the Department. It is my understanding that the Investigations Section is following the directive laid down in my memo of March 20, 1980. Indeed, it should be apparent that the large increase in the number of agents' hearings, which is commented upon in the report, is due to the directive laid out in my memo. Parenthetically, we have endeavored to determine the identity of the agent who the report describes as having ten complaints pending against him. While the name of the agent was not identified by your staff, based upon the name of one of the complainants involved in this situation (the name of one of the complainants was given to us by your staff), it appears that the Department recently concluded a hearing where two of the agents involved in this matter were disciplined. One had his license revoked, while the other had it suspended for a period of six months. Regardless, we are committed to the prompt and effective enforcement of the insurance laws, through disciplinary hearings based upon complaint data and our investigative activity. I believe that my memo of March 20, 1980, provides firm standards for the investigators in their use of the complaint data.

The second area of deficiency pointed out in the preliminary draft report involves the failure of the investigators to document all consumer complaints received by the Department. Specifically, the investigators are criticized for failing to log in the telephone call complaints which this Department routinely receives. I am in basic agreement with your conclusion and recommendation in this regard. Effective December 1, 1980, the investigators will begin to log in the telephone call consumer complaints. It should be noted that the Department scrupulously records and monitors all written consumer complaints which are filed with this agency. Indeed, many consumers are encouraged over the phone to file a written complaint with the Department in order to assist investigators in reviewing and, hopefully, resolving the particular complaint. As the report indicates, the investigators are literally overwhelmed with upwards of 175 telephone calls a day. Many of these calls are of informational nature and can be handled easily. Others fall into the category of a consumer complaint and, in the past, the Department has either encouraged the filing of a written complaint or it has referred the complainant to a claims supervisor with the insurer complained about in order to give that company one last opportunity to satisfactorily handle the matter. I initiated this

latter procedure following a speech which I gave to the Phoenix Claims Managers' Council. At that time, I was requested by the various claims supervisors to permit them the opportunity to review a consumer complaint before it is formally filed with this office. This procedure was initiated based upon my belief that not only would much of the workload of the Department be reduced in this area, but also that this suggestion from the insurance industry itself was really in the best interest of the policyholder and could provide a far speedier resolution of the particular policyholder's complaint. I still think that this program is a good one and I am personally pleased at industry's effort in this regard. Regardless, we will initiate telephone logging procedures which should provide us with firm information about the number of consumer complainants who do indeed receive a satisfactory resolution of their complaint through this program.

I am in complete accord with the recommendation regarding the adoption of the Unfair Claim Settlement Practices Act and the accompanying regulation. The Department will be proposing this legislation during the next session of the Arizona Legislature. I also completely agree with the statement that the Unfair Claim Settlement Practices Act should permit action on single instances of violations where warranted. I also believe that the recommendation regarding the Department's effort to implement a system whereby the investigators are freed up to concentrate upon investigations as opposed to handling consumer telephone calls is a good one. Although I am not persuaded that the analogy to the Attorney General's Financial Fraud Division is entirely valid (it should be noted that I was previously the assistant chief counsel for that division in the Attorney General's office), there is a need to separate the functions of processing consumer complaints and investigating violations of the insurance laws. We have endeavored to do just that during the past six months. Specifically, certain investigators focus upon field investigations, while others try to assist consumer complainants with their problems. It should be noted that unlike the typical phone calls to the Financial Fraud Division of the Attorney General's office, many insurance inquiries require that the person responding to the question have a detailed knowledge of an oftentimes technical and complicated contract, i.e., the insurance policy. Regardless, we have requested a position for

a consumer specialist as part of our proposed 1981-1982 budget. This position will then be principally responsible for handling the consumer complaints. Hopefully, this should permit the investigators to concentrate upon their primary mission of investigating violations of the Arizona Insurance Laws.

I would like to conclude by complimenting your fine staff on the work they have done during this performance audit. Specifically, I would like to commend both Jerry Mills and Bill Thomson for their constructive attitude and problem-solving approach to this examination. I am reminded somewhat of the 19th century English essayist, Carlyle, who entitled his philosophical musings Sartor Resartus (the tailor mended). Carlyle was concerned with who would patch up the tailor. In this instance, I can say that your office has been a competent and helpful "seamstress" for this Department.

Sincerely,

J. Michael Low
Director of Insurance

JML:ph
Encl.

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

MEMO TO: Jerry Wilson
Jim Smith
Jeff Larson

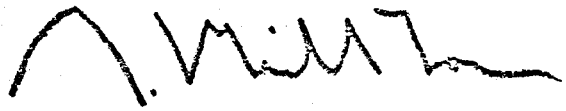
FROM: J. Michael Low

DATE: March 20, 1980

RE: Agents' Hearings

I have reviewed several of the complaint files relating to the sale of Medicare supplement policies and other health coverages to the elderly. I am astounded that evidently there are several repeat offenders still doing business as insurance agents in this state. I suggest that anytime an agent has more than one complaint pending against him, he is probably a fit subject for a disciplinary hearing. Additionally, some of the allegations are serious enough to automatically take before a hearing officer.

It is simply not enough to obtain a refund from the insurance company and then treat the matter as closed. We have a continuing regulatory responsibility to guarantee that any agent who is making misrepresentations becomes the subject of a prompt and meaningful disciplinary proceeding. Obviously, we might utilize some of these agents in our upcoming operation; however, that should not in any way limit the Department's continuing regulatory activity against agents who have a history of complaints relating to misrepresentations.



APPENDIX

PRESS RELEASES OF THE
DEPARTMENT OF INSURANCE

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

Contact: J. Michael Low
Director of Insurance
1601 West Jefferson
Phoenix, Arizona 85007

80-1

FOR IMMEDIATE RELEASE
April 23, 1980

DIRECTOR OF INSURANCE ANNOUNCES FORMATION OF
SENIOR CITIZENS HEALTH INSURANCE ADVISORY COMMITTEE

The Arizona Director of Insurance, J. Michael Low, today announced the formation of a Senior Citizens Health Insurance Advisory Committee. The Committee, which is composed of interested citizens from around the state, will assist the Arizona Department of Insurance in formulating an effective strategy to curb abuses that take place in the sale of health insurance products, such as Medicare supplement policies and cancer policies, to the elderly. It is expected that the Committee will recommend rules for adoption by the Department, propose legislation and coordinate public information programs.

According to Director Low, "The top priority confronting the Department is to develop an overall program of effective enforcement and public education relating to the sale of Medicare supplement policies and dread disease coverages. The Committee will conduct public hearings in order to receive substantial input from senior citizens, thereby, profiling the problems in this area in a visible

(continued, page 2)

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way. The formation of this Committee is part of the Department's commitment to crack down on fraudulent activity and deceptive practices in the marketing of health insurance coverages to the elderly."

"I expect an active and aggressive Committee," said Low, "therefore, I have sought out competent and concerned citizens to sit on this body." The ten-member Committee consists of the following individuals:

The Honorable Rod McMullin of Phoenix, Arizona State Senator;

The Honorable Sister Clare Dunn of Tucson, Arizona State Representative;

Benjamin N. Brook of Tucson, Member of the Governor's Advisory Council on Aging and the Executive Vice President of the Jewish Community Foundation;

Chester Flaxmayer of Phoenix, a Special Deputy Director of Insurance and a former insurance company executive;

Cyrus E. Magnusson of Sun City, a former Minnesota Commissioner of Insurance;

Harry R. Pinney of Sun City, a Consultant to the Arizona Life and Disability Insurance Guaranty Fund;

Charles R. Pyle of Tucson, an attorney with Southern Arizona Legal Aid;

N. C. (Nick) Ragus of Globe, Chairman, Gila County Planning and Zoning Commission;

Martha M. Tosti of Phoenix, member of the Governor's Advisory Council on Aging, and

Gwen M. Bedford of Phoenix, Research Analyst for the Area Agency on Aging.

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

Contact: Hearing Division
Department of Insurance
1601 West Jefferson
Phoenix, Arizona 85007

80-2

FOR IMMEDIATE RELEASE
April 28, 1980

DEPARTMENT OF INSURANCE ANNOUNCES SUCCESSFUL CONCLUSION OF MEDICARE SUPPLEMENT STING OPERATION; HEARINGS NOTICED

The Arizona Department of Insurance announced today that it had successfully concluded a sting operation relating to the sale of Medicare supplement insurance policies. The sting involved the video taping of actual sales presentations of agents selling Medicare supplement coverages in a prospective policyholder's home.

The Arizona Director of Insurance, J. Michael Low, indicated that an undercover video taping operation was used because of the difficulty in investigating and proving oral misrepresentations in Medicare supplement cases. According to Director Low, "These hearings are part of the Department's enforcement effort to curb deceptive practices in the sale of Medicare supplement policies to the elderly."

Agents Howard Wasserman, Mike Braunberger, and Harold Archer, all of Christian Heritage Life Insurance Company, were noticed for hearing by the Department, together with agents Robert Parrish of Pioneer Life Insurance Company of Illinois, and Robert Madden of American Guaranty Life Insurance Company.

(continued, page 2)

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Specific information regarding the allegations and subject matter of the notices of hearings may be obtained from the Hearing Division of the Department of Insurance. However, it is generally alleged that these agents failed to explain benefits or misrepresented the true nature of the benefits payable under the policies they were selling. Additionally, it is generally alleged that these agents failed to disclose or misrepresented the waiting periods for preexisting conditions in said policies. Also, it is generally alleged that these agents misrepresented benefits under an existing policy for the purpose of inducing a person to lapse or not renew that policy. One agent allegedly stated that a stroke or heart attack was an accident and would therefore be covered immediately under a policy provision providing benefits for accidents. The Department is aware of no insurer which has ever considered a stroke or a heart attack as an accident. These hearings may result in cease and desist orders, suspension or revocation of licenses and the imposition of monetary penalties.

Also noticed for hearing is Christian Heritage Life Insurance Company. The Department has alleged that the company's executive officer is aware of deception by agents in avoiding an explanation of the preexisting clause in its Medicare supplement policy and that the agents are trained to only briefly and inadequately explain medical and surgical

(continued, page 3)

benefits. Additionally, it is alleged that an officer of the company failed to disclose to a prospective policyholder that there was a waiting period before that prospective policyholder's preexisting condition would be covered. This hearing may result in the suspension or revocation of the company's Certificate of Authority and the imposition of cease and desist orders. Again, specific information regarding the allegations and the subject matter of the Christian Heritage Life Notice of Hearing can be obtained from the Hearing Division of the Department of Insurance.

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

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Department of Insurance
1601 West Jefferson
Phoenix, Arizona 85007

80-3

FOR IMMEDIATE RELEASE
May 7, 1980

MORE HEARINGS NOTICED IN MEDICARE SUPPLEMENT STING OPERATION; MEDICARE SUPPLEMENT INSURANCE POLICY DISAPPROVED

The Arizona Department of Insurance announced today that four more agents have been noticed for hearing as a result of a sting operation conducted by the Department in conjunction with KPNX-TV of Phoenix, Arizona. KPNX-TV, working with the Department, videotaped the actual sales presentations of the agents.

The agents named in this second wave of hearings are Alice Greylock, Casper Kuntz, Hugh Hillburn and Dennis Tagas, representing respectively, Union Fidelity Life Insurance Company, Reliable Life and Casualty Insurance Company, Equitable Life and Casualty Insurance Company and United Founders Life Insurance Company. The notices generally allege that these agents failed to explain benefits or misrepresented the true nature of the benefits payable under the policies they were selling. Additionally, it is generally alleged that these agents misrepresented benefits under an existing policy for the purpose of

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inducing a person to lapse or not renew that policy. Specific information regarding the allegations and subject matter of the notices of hearings may be obtained from the Hearing Division of the Department of Insurance.

The Department also issued an order withdrawing approval of the Medicare supplement insurance policy sold by Christian Heritage Life Insurance Company. The Department alleges that the purchase of the policy is being solicited by false, deceptive or misleading misrepresentations in violation of Arizona law. The effect of the Department's action is that the policy cannot be issued or used in the State of Arizona. Specific information regarding the allegations and subject matter of the order may be obtained from the Hearing Division of the Department of Insurance.

The Arizona Director of Insurance, J. Michael Low, thanked KPNX-TV for its assistance, noting that an undercover videotaping operation is the best method of proving oral misrepresentations in Medicare supplement cases.

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

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80-4

FOR IMMEDIATE RELEASE
May 29, 1980

DIRECTOR OF INSURANCE ANNOUNCES ADOPTION
OF MEDICARE SUPPLEMENT POLICY REGULATION

The Arizona Director of Insurance, J. Michael Low, announced today that he has adopted a comprehensive regulation relating to the sale of Medicare supplement insurance policies. The regulation, which takes effect July 1, 1980, is similar to a model rule proposed by the National Association of Insurance Commissioners. The Arizona rule makes it unlawful for an insurer or an agent to represent that the company or the agent is sponsored by the federal government or affiliated with Medicare. It also expressly prohibits any misleading description of Medicare benefits or the benefits provided by the Medicare supplement policy.

The regulation further requires that an insurer or an agent must provide a prospective policyholder with a Medicare supplement insurance guide, which explains what Medicare pays and doesn't pay, and an outline of coverage, which specifically contrasts the benefits provided by the proposed policy with the Medicare benefits. The outline of coverage also informs the prospective policyholder

(continued, page 2)

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as to the particular expenses which the policyholder must pay because such expenses are not covered by the policy.

According to Director Low, "This rule hopefully will ensure that senior citizens will receive complete and accurate information as to what a proposed policy will cover at the time a solicitation is made." Director Low further cautioned that a senior citizen should not purchase a Medicare supplement policy until he or she has had the opportunity to thoroughly review both the guide and the outline of coverage for the particular policy being sold.

Any interested person who would like to receive the Medicare supplement insurance guide should contact the Consumer Affairs Division of the Arizona Department of Insurance.

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

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Property & Casualty Division
Arizona Department of Insurance
1601 West Jefferson
Phoenix, Arizona 85007
(602) 255-5422

80-5

FOR IMMEDIATE RELEASE
June 2, 1980

DEPARTMENT OF INSURANCE
PUBLISHES AUTO INSURANCE PREMIUM COMPARISON

The Arizona Director of Insurance, J. Michael Low, announced today that the Department of Insurance has published an auto insurance premium comparison for the twenty-six companies that write over 90% of the private passenger automobile insurance in Arizona. The premium comparison sets forth the base rates for a 35 year-old policyholder with a clean driving record. The rates for both Phoenix and Tucson are included in the comparison.

According to Director Low, "Arizona has recently enacted an open competition rating law which will take effect on July 31,1980; thereafter, auto insurers will be able to charge premium rates without the prior approval of the Insurance Department. In order to assist the public's awareness of price competition in this market, the Department will provide Arizona consumers with periodic premium comparisons."

Director Low further stated that the competitive rating law should work to the public's benefit provided that consumers

(continued, page 2)

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shop for the best insurance coverage for their premium dollar. The Department will attempt to revise the premium comparison at least once every three months. Additionally, Director Low indicated that a consumer complaint index for auto insurers was being prepared at the Department and would be published in the near future. Such an index will provide a rating of insurers based upon the total number of complaints contrasted with the amount of premium written in Arizona.

Any interested person who would like to receive a copy of the Private Passenger Automobile Premium Comparison should contact the Consumer Affairs Division of the Arizona Department of Insurance. A copy of the premium comparison is attached hereto.

PRIVATE PASSENGER AUTOMOBILE PREMIUM COMPARISON

This premium comparison is based on a hypothetical insured (male or female) age 35 who is the only operator and has no chargeable accidents or traffic convictions. The auto is used for pleasure only. The premiums shown are based on financial responsibility required limits of 15,000/30,000 for bodily injury, 10,000 for property damage and 15,000/30,000 uninsured motorist coverage unless otherwise noted. The premiums do not include other coverages such as comprehensive or collision. All premiums are shown as 6 month premiums, although some companies write only annual policies. Individual policy premiums will vary greatly depending on many rating factors not included in this comparison and other coverages provided may differ substantially between insurers. Some insurers have more than one rating territory within a geographical area. Where this occurs, the highest rated territory has been used for comparison. Some insurers also pay dividends which would modify the ultimate premium charged.

		SEX	PHOENIX	TUCSON
FARMERS INSURANCE CO.		M&F	91.30	80.40
STATE FARM MUTUAL	(13)	M&F	64.20	57.82
ALLSTATE		M	110.50	100.50
		F	95.50	86.50
SENTRY INS., A MUTUAL CO.	(1)	M&F	157.00	118.00
UNITED SERVICES AUTO.		M&F	67.00	64.00
USAA CASUALTY INS. CO.		M&F	78.00	73.00
SAFECO		M&F	72.00	67.00
HOME INSURANCE CO.	(2) (10)	M	65.60	67.20
(Gold Key)		F	59.04	60.48
HARTFORD CASUALTY	(12)	M&F	98.00	82.00
LIBERTY MUTUAL FIRE	(3) (10)	M&F	105.00	72.00
CONTINENTAL		M&F	79.00	66.00
GOVERNMENT EMPLOYEES	(10)	M&F	73.40	68.21
COLONIAL PENN	(5) (10)	M&F	81.00	67.50
NATIONWIDE MUTUAL FIRE		M&F	63.00	56.70
NATIONWIDE MUTUAL INS.		M&F	"	"
ASSOCIATED INDEMNITY	(4)	M	121.00	108.00
		F	110.00	98.00
EQUITABLE GENERAL	(11)	M&F	87.00	70.00
TRANSAMERICA	(6)	M	77.00	81.00
		F	69.00	73.00
AETNA CAS. & SURETY	(7)	M	97.00	88.00
		F	88.00	80.00

		SEX	PHOENIX	TUCSON
LUMBERMEN'S MUTUAL CAS.	(8)	M&F	118.00	89.50
AMERICAN MOTORISTS	(8)	M&F	"	"
CIVIL SERV. EMPLOYEES		M&F	69.90	60.80
PRUDENTIAL PROP. & CAS.		M&F	85.00	64.00
INS. CO. OF NORTH AMERICA	(9)	M	90.00	79.00
		F	80.00	69.00
TRAVELERS INDEMNITY		M&F	60.00	57.00
AUTOMOBILE CLUB		M	81.00	65.50
		F	73.50	59.50
WESTERN AGRICULTURE		M&F	86.80	79.10
OHIO CASUALTY	(10)	M&F	96.00	90.50

(1) Sentry minimum limits are $50,000 Single Limit for BI and PD and includes Med. Pay.
(2) The Home writes annual policies - Coverage Pkg. includes Med. Pay. and Accidental Death.
(3) The Liberty Mutual provides minimum limits at BI, PD, UM Single Limit $40,000 and includes Med. Pay.
(4) Associated Indemnity minimum limits are $50,000 Single Limit BI/PD and $30,000 Single Limit UM.
(5) Colonial Penn BI includes Med. Pay.
(6) Transamerica minimum limits are $40,000 Single Limits BI/PD. 15/30 UM includes Underinsured Motorist coverage.
(7) Aetna Cas. & Sur. minimum limits are $40,000 Single Limit BI/PD including Med. Pay. and 15/30 UM.
(8) The Lumbermen's Mut. Cas. and American Motorists minimum limits are $50,000 Single Limit BI/PD.
(9) INA Packages the coverages with minimum limits of 50/100 BI, 25 PD, 15/30 UM and includes Med. Pay.
(10) Writes Annual Policies only.
(11) Rates effective 6-1-80.
(12) The Hartford provides a minimum $40,000 Single Limit.
(13) A 10.4% rate increase will become effective 6-20-80; the rates will then be $68.00 for Phoenix and $51.60 for Tucson.

BI means bodily injury.

PD means property damage.

Med. Pay. means medical payments.

UM means uninsured motorist.

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

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Arizona Department of Insurance
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Phoenix, Arizona 85007
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80-6

FOR IMMEDIATE RELEASE
July 2, 1980

DEPARTMENT OF INSURANCE PUBLISHES COMPLAINT RATIOS FOR PERSONAL LINES INSURERS

The Arizona Director of Insurance, J. Michael Low, announced today that the Department of Insurance has published the complaint ratios for the 41 companies that write approximately 96% of the personal lines insurance in Arizona. The personal lines involved in these ratios include private passenger automobile insurance, homeowners insurance and fire insurance on private dwellings. The ratios consist of the number of written complaints received by the Department per 1,000 policies in force during 1979. The total number of personal lines policies in force and the total number of written complaints logged in by the Department during 1979 are similarly included in the publication.

According to Director Low, "The complaint ratios are designed to assist Arizona consumers by providing information regarding the respective complaint histories for companies selling personal lines coverages. However, it is important to realize that the complaint figures used do not reflect a determination on the part

(continued, page 2)

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of the Department that such complaints were valid. The complaint figures merely represent written complaints which were received by the Department during 1979."

Director Low further stated that the complaint ratios will be used by the Department for purposes of determining which insurers will be examined with respect to their claim paying practices and procedures. Director Low announced a new Department policy under which any company having more than 5,000 policies in force in Arizona with a complaint ratio in excess of 1.00 would be a possible candidate for such a market conduct examination.

Director Low noted that the Department is presently conducting an examination of the claims paying practices of Farmers Insurance Company. The results of that examination should be made public in about one month. "Hopefully, the publication of these complaint ratios, and the Department's use of them in determining likely candidates for market conduct examinations, will encourage companies to be more responsive to policyholder complaints," Director Low said.

Any interested person who would like to receive a copy of the personal lines complaint ratios should contact the consumer affairs division of the Arizona Department of Insurance. In Phoenix, the telephone number is 255-4783. In Tucson, the telephone number is 882-5386. A copy of the complaint ratios is attached hereto.

ARIZONA PERSONAL LINES 1979
RATIO COMPLAINTS PER 1,000 POLICIES

Rank	Company	No. Policies In Force 1979	Complaints	Complaints Per 1,000 Policies
1	Continental Group	32,022	8	0.25
2	Westfield Companies	16,928	5	0.30
3	Home Insurance Group	45,951	16	0.35
4	USAA	28,717	11	0.38
5	Firemen's Fund	33,400	13	0.39
6	Safeco	48,454	21	0.43
6	Transamerica	20,747	9	0.43
7	Allstate	322,715	160	0.49
8	Royal Globe	14,915	8	0.54
9	St. Paul Insurance Co.	10,714	6	0.56
10	CNA	16,506	10	0.61
10	U.S.F. & G.	9,817	6	0.61
11	State Farm Mutual & State Farm Fire & Cas.	405,745	259	0.64
12	Hartford Group	28,543	19	0.67
12	Travelers	17,830	12	0.67
13	Horace Mann	8,091	7	0.86
14	AAA	8,939	8	0.90
15	Commercial Union	8,036	9	1.13
16	Central National	7,792	9	1.15
17	Farmers Group	272,357	315	1.16
18	Aetna Life & Casualty	20,945	26	1.24
19	Prudential Prop. & Cas.	11,463	15	1.30

Rank	Company	No. Policies In Force 1979	Complaints	Complaints Per 1,000 Policies
20	Metropolitan Prop. & Cas.	3,751	5	1.32
21	Nationwide Insurance Co.	16,205	22	1.35
22	Summit Home	10,162	14	1.37
23	Ohio Casualty	12,079	17	1.40
24	Preferred Risk	6,796	10	1.47
25	Ambassador Insurance Co.	3,796	6	1.50
26	AID Insurance Co.	3,372	6	1.76
27	Colonial Penn Insurance Co.	18,308	34	1.86
28	Colonial Insurance Co. (L.A.)	8,141	16	1.98
29	INA	7,914	17	2.15
30	Dairyland	24,110	58	2.41
31	Equitable General	12,450	32	2.56
32	Civil Service Insurance Co.	4,390	16	3.64
33	Employers (Wausau)	1,889	7	3.68
34	Motors Insurance Co.	2,145	9	4.29
35	American Bankers	1,361	6	4.40
36	Globe American	6,500	36	5.54
37	Integrity Insurance Co.	1,050	8	7.27
38	Heritage Insurance Co.	743	11	15.71
	ALL COMPANIES	1,532,372	1,282	0.84

PRESS RELEASE

J. MICHAEL LOW
DIRECTOR OF INSURANCE

ARIZONA DEPARTMENT OF INSURANCE

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Arizona Department of Insurance
1601 West Jefferson
Phoenix, Arizona 85007
(602) 255-5422

80-6A

FOR IMMEDIATE RELEASE
July 3, 1980

CORRECTION IN TOTAL POLICIES AND COMPLAINT RATIOS
FOR FARMERS INSURANCE COMPANY

The Arizona Department of Insurance has issued a correction in the complaint ratios which were published by the Department yesterday. The correction involves the Farmers Group. The number of policies in force for 1979 should be 415,694 and not 272,357 as reflected in yesterday's press release. The complaints per 1,000 policies for Farmers should be 0.76 and not 1.16 as reflected in yesterday's release.

The correction means that Farmers has an overall complaint ratio of less than 1.00; thus, Farmers would not automatically be a candidate for examination by the Department because of an excessive complaint ratio. However, Director Low indicated that an examination of the claims paying practices of Farmers has been taking place over the past two months. "That examination will continue until completed and the results will be made public," Director Low said.

The total figures for the policies in force in 1979 as set forth in the complaint ratios were verified with each individual company

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by Emil Barberich, the Chief of the Property and Casualty Division of the Department. It is believed that the error with respect to the number of Farmers policies was due to a misunderstanding on the part of a company official whom Mr. Barberich contacted. Regardless, according to Director Low, "It is important that the Department quickly correct this error."

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ARIZONA PERSONAL LINES 1979
RATIO COMPLAINTS PER 1,000 POLICIES

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31	Equitable General	12,450	32	2.56
32	Civil Service Insurance Co.	4,390	16	3.64
33	Employers (Wausau)	1,889	7	3.68
34	Motors Insurance Co.	2,145	9	4.29
35	American Bankers	1,361	6	4.40
36	Globe American	6,500	36	5.54
37	Integrity Insurance Co.	1,050	8	7.27
38	Heritage Insurance Co.	743	11	15.71
	ALL COMPANIES	1,679,126	1,282	0.76