

Illinois Insurance

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Department seeks liquidation of American Health Care Providers

Director Nat Shapo has petitioned the Circuit Court of Cook County for the liquidation of American Health Care Providers, Inc. (AHCP), an Illinois domiciled health maintenance organization. Shapo's petition was filed February 15, 2000, but was sequestered by Court order until February 25. The Director's complaint for liquidation alleges that AHCP is statutorily insolvent. AHCP has appealed the petition and the matter is pending before the Court.

AHCP has been under a confidential order of conservation since February 2, 2000. The conservation order placed the company under the Director's control to preserve its records and assets for the benefit of its enrollees and creditors, and to allow the Director's staff to more fully determine the current financial position of the company.

AHCP primarily provides coverage in Northern and Central Illinois to commercial groups, state and federal employees, Illinois Department of Public Aid enrollees, and federal Medicare HMO enrollees. The HMO also wrote some business in Indiana and Arkansas. At December 31, 1999, the company reported approximately 90,000 enrollees. American Health Care Providers was originally incorporated and licensed in 1984 as American HMO. The company is a subsidiary of the First American Group of Companies Inc., an Illinois holding company located in Richton Park, IL.

Should liquidation be granted, the Illinois Health Maintenance Organization Guaranty Association will pay the eligible claims of AHCP enrollees who reside in Illinois, subject to a statutory limitation of \$300,000. The Illinois HMO Guaranty Association was statutorily created in July 1987 to protect Illinois residents enrolled in an HMO which becomes financially impaired or insolvent and unable to meet its contractual obligations.

Until the Illinois HMO Guaranty Association makes a final determination of its liability to the company's providers or until further order of the court, the existing conservation order, as well as any liquidation order that may be issued, prohibits all providers (doctors, hospitals, clinics, etc.) from seeking to recover directly from any enrollee any amount owed by AHCP. Enrollees are, however, responsible for applicable co-payments or deductibles for covered services, as well as fees for service not covered by AHCP. In addition, the Illinois HMO Act requires contracts between an HMO and a hospital to contain a clause to prohibit enrollees from being billed for outstanding claims unpaid by AHCP.

Director Shapo said that any enrollee being directly billed by a provider or collection agency should contact Sally Domark or Marilyn Elstad of the conservator's staff on site at American at (708) 503-5000.

The receivership proceedings are being handled on behalf of the Director of Insurance by the Office of the Special Deputy Receiver, 222 Merchandise Mart Plaza, Suite 1450, Chicago, IL 60654. Questions should be directed to Dick Darling at (312) 836-9500. ♦

Shapo represents NAIC in Tokyo

Illinois Insurance Director Nat Shapo was recently chosen to represent the National Association of Insurance Commissioners at an insurance conference with Japanese dignitaries. The U.S. delegation was headed by Amy Jackson, Office of the U.S. Trade Representative, and included officials from the U.S. Department of Commerce and the U.S. Embassy in Tokyo. The Japanese delegation included the Ministry of Foreign Affairs and officials from the Financial Supervisory Agency, Ministry of Finance, and Ministry of Posts and Telecommunications. The conference was held March 15-17 in Tokyo.

The purpose of the meeting was to review 1994 and 1996 bilateral insurance agreements between the two countries and to discuss U.S. proposals for modernizing and streamlining Japanese insurance regulation with respect to product approval and market oversight.

(continued on pg. 2)

IL hosts successful Spring NAIC meeting

The Illinois Department of Insurance recently hosted the 2000 Spring National Meeting of the NAIC in Chicago. Insurance Director **Nat Shapo** joined NAIC President and Kentucky Insurance Commissioner **George Nichols** in opening the meeting on Monday, March 13. Other keynote speakers included renowned author **Scott Turow**, a partner in the Chicago office of Sonnenschein, Nath & Rosenthal, an international law firm; **Senator Robert Madigan**, Chairman of the Illinois Senate Insurance and Pensions Committee; and **Representative Frank Mautino**, Chairman of the Illinois House Insurance Committee.

Over 150 sessions were held throughout the five-day meeting. Among the highlights were:

- Approval of the *Statement of Intent: The Future of Insurance Regulation*, a blueprint of goals for state insurance regulation signed by forty-nine insurance commissioners, including Illinois;
- Appointment of nine new working groups to implement the Gramm-Leach-Bliley Financial Services Modernization Act;



Speakers at the 2000 Spring National Meeting of the NAIC included (from left to right): Senator Robert Madigan, IL Insurance Director Nat Shapo, and Representative Frank Mautino

- Adoption of a white paper entitled *Regulatory Access to Insurer Information: the Issues of Confidentiality and Privilege*;
- Approval of the Office of Thrift Supervision information-sharing agreement structure;
- Adoption of an issue paper on the sale, delivery and service administration of insurance products and services using electronic means;

- Adoption of a white paper on consumer complaints by the Market Conduct and Consumer Affairs (D) Subcommittee; and
- A public hearing to discuss the Consumer Privacy Provisions of the Financial Services Modernization Act.

Tokyo (continued from pg. 1)

In addition to the trade talks, Director Shapo also met privately with Masaharu Hino, Commissioner of the Japanese Financial Services Agency; listened to the concerns of American and Japanese companies; and was interviewed by *The Nikkei Kinyu*, a major Japanese financial newspaper.

In an information exchange about the respective insurance markets, Director Shapo provided an overview of the U.S. insurance regulatory system, including the impact of the Financial Services Modernization Act on insurance regulation and the Statement of Intent recently signed by forty-eight insurance commissioners. The statement fosters the states' cooperative effort to provide "efficient, market-oriented regulation of the business of insurance." Director Shapo has been a leader in the NAIC movement to work with Congress and federal bank regulators to implement financial services reforms. ♦

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IL Department joins international effort to settle Holocaust victim insurance claims

Illinois Director of Insurance Nat Shapo joined with insurance regulators around the country in mid-February to announce an opportunity for Illinois residents to benefit from a comprehensive international effort to resolve outstanding claims on insurance policies held by victims of the Holocaust. The Illinois Department is working in partnership with the International Commission on Holocaust Era Insurance Claims (ICHEIC) and the National Association of Insurance Commissioners. Shapo is the Vice-Chair of the NAIC International Holocaust Commission Task Force.

"Approximately 1,310 Illinoisans have registered as Holocaust survivors with the U.S. Holocaust Memorial Museum," Shapo said. "It is my sincere hope that they, as well as any other Illinois citizens who have Holocaust-related insurance claims, will participate in this claims process and reclaim what is rightfully theirs. Illinois residents who previously filed claims with the Holocaust Claims Processing Office (HCPO) in New York do not have to file again because, if they gave their consent, HCPO will transfer their files to ICHEIC," he said.

Shapo also noted that Illinois Holocaust survivors or heirs who recover insurance assets will not be required to claim the proceeds as income on their Illinois income tax returns. The tax relief measure (PA 91-676) was signed by Governor George H. Ryan on December 23, 1999.

Beginning February 15, 2000, the families of those who are believed to have held active dowry, education and life insurance policies that were affected by the Holocaust can submit claims directly to the International Commission on Holocaust Era Insurance Claims. As part of the program:

- The ICHEIC and participating insurers will accept claims for review and comparison to a list of known outstanding policies that has been compiled from existing documentation.
- The process will include a review of pertinent documentation and interviews with families to determine legitimate claims in need of settlement.

- Additionally, the ICHEIC and participating insurers have established a \$90 million humanitarian fund to provide additional support for claimants. The Dutch Association of Insurers has been operating a separate restitution process in the Netherlands and recently announced its proposal to join ICHEIC.

The ICHEIC has set up a process to handle claims fairly and make it as easy as possible to make a claim. There is no charge to claimants to file, and it is not necessary to retain a lawyer. All claims must be filed by February 1, 2002, and will be resolved within two years of filing. **Individuals who believe they may have unpaid insurance claims can request a claims packet by:**

1. Writing the International Commission, PO Box 1163, Wall Street Station, NY, NY 10268 USA;
2. Visiting the ICHEIC website at www.ICHEIC.org. (Note: the ICHEIC website now includes a list of potential policyholders' names. The list is not all inclusive and will be updated periodically.)
3. In the United States calling toll free, **1-800-957-3203**;
4. Visiting the IL Department of Insurance website at www.state.il.us/ins/holocaustclaims.htm.

The following agencies can provide claim forms assistance:

- Council for Jewish Elderly—773-508-1000
- Jewish Family and Community Service, Central District—312-263-5523
- Jewish Family and Community Service, Northern District—773-274-1324
- Jewish Family and Community Service, Niles Township District—847-568-5200
- Jewish Family and Community Service, North Suburban District—847-831-4225

- Jewish Family and Community Service, North West Suburban District—847-392-8820
- Hebrew Immigrant Aid Service—312-357-4666. ♦

Rules review

The full text of Department rules is printed in the *Illinois Register* published weekly by the Illinois Secretary of State's Index Department, 111 E. Monroe St., Springfield, IL 62756. Subscriptions are available from that source for an annual fee of \$290. Issue numbers and a Department contact person are listed below after each rule summary.

Copies of rules are also available upon written request to the Department of Insurance at a \$1 per page charge. Adopted rules are codified in Title 50 of the Illinois Administrative Code.

Rule 916 (Policy Forms) was amended effective February 18, 2000, to expand Exhibit B to include new codes for various new products, delete obsolete codes which will now be contained in Exhibit C, and add more specific product designations in some areas.

Beginning in January 2001, the Department will also require companies to electronically submit all transmittal filing forms made pursuant to this rule. Until then, electronic filing is optional for companies. In July of 2000, the Department will mail to all companies our software program along with instructions and specifications necessary to successfully make electronic transmittal filings.

The Department is also making two housekeeping changes. P.A. 90-372 repealed the Pharmaceutical Service Plan Act, effective July 1, 1998, and P.A. 90-177 repealed the Vision Service Plan Act, effective July 23, 1997. As a result, the Department is deleting all references to these two Acts throughout our rule. (Vol. 24, #10; Gary Brooks)

(continued on page 4)

Proposed budget emphasizes managed care reform and financial surveillance programs

Governor George H. Ryan has proposed a Fiscal Year 2001 budget of nearly \$30.4 million for the Illinois Department of Insurance, including funding to carry out the mandates of the Managed Care Reform and Patient Rights Act and to step up its financial surveillance programs. Less than 1.6 percent of the total amount proposed would come from the General Revenue Fund.

The appropriation includes \$28.7 million from fees paid by the insurance industry to fund the Department's financial solvency and consumer protection programs; \$474,300 from public pension regulation fees and \$478,600 from general revenues to oversee public pension funds for local government employees and suburban and downstate police and firefighters; and a \$700,000 federal grant for the Senior Health Insurance Program.

The Managed Care Reform and Patient Rights Act (PA 91-617) signed by Governor Ryan in August required the Department of Insurance to establish the Office of Consumer Health Insurance effective January 1, 2000, and to register and monitor the statutory compliance of utilization review firms beginning July 1, 2000. "The fiscal 2001 budget will fully fund the Office of Consumer Health Insurance and allow the Department to add the staff necessary to regulate the activities of utilization review companies," Governor Ryan said. "Both are essential consumer protection features of Illinois' managed care reform initiatives."

Insurance Director Nat Shapo said the budget proposal will also enable the agency to expand its financial surveillance staff to keep pace with the growing demand for more in-depth reviews of insurers' financial performance. "New legislation, as well as significant changes in the insurance market place, require a greater degree of financial scrutiny over insurance entities than ever before," Shapo said. Among the factors contributing to the need for additional staff are:

- Enactment of the Protected Cell Company Act (PA 91-278) which allows insurance companies to securitize insurance risks against catastrophic losses such as natural disasters;

- Enactment of the Small Employer Health Insurance Rating Act (PA 91-510) which establishes rating classes for small group plans based on expected claims experience and requires carriers to justify the actuarial basis for their rating practices;

- Implementation of risk based capital laws which require insurance companies to calculate and maintain a minimum level of capital specific to the unique risk inherent in their operations;

- Formation of larger, more complex holding company systems, including the growing number of insurer affiliations with banks and other financial institutions expected to result from the enactment of S. 900, the federal Financial Services Modernization Act of 1999;

- Growth in the number of new property and casualty companies domiciled in Illinois; and

- Expanded financial regulation of group self-insured workers compensation pools.

Shapo said that an adequate financial regulatory staff is also essential to retaining the Department's accreditation with the National Association of Insurance Commissioners and to effectively monitoring the Illinois domestic industry. "Since 1993, the assets of Illinois based insurers have grown by 37 percent and premium volumes have increased by 28 percent," he noted.

The final bill, House Bill 4437, has passed both Houses and will be sent to the Governor. ♦

Company action

New Admissions

American Sentinel Insurance Company, PA, 12/31/99
 Anesthesiologists' Professional Assurance Company, FL, 12/31/99
 Avomark Insurance Company, IN, 12/31/99
 Capital City Insurance Company, Inc., SC, 12/31/99
 Concert Health Plan Insurance Company, IL, 3/29/00
 Home-Owners Insurance Company, MI, 12/31/99
 MGIC Mortgage Reinsurance Corporation, WI, 12/31/99
 MGIC Residential Reinsurance Corporation, WI, 12/31/99
 Professionals Advocate Insurance Company, MD, 12/31/99
 The Travelers Indemnity Company of Missouri, MO, 12/31/99

Terminations

American Chambers Life Insurance Company, OH, Certificate of Authority suspended 3/24/00
 Washington Security Life Insurance Company, MO, Certificate of Authority revoked 3/28/00 ♦

rules review (cont'd)

Rule 945 (Admitted Assets) was adopted on an emergency basis to clarify the definition of "admitted assets" as used in financial statements required by the Illinois Insurance Code and Health Maintenance Organization Act. The emergency rule is effective until June 26, 2000. A proposed rule was initiated simultaneously. A copy of the emergency rule is posted on the Department's web site at <http://www.state.il.us/ins/industryinfo.htm>. (Vol. 24; #7; Denise Hamilton or Chuck Feinen)

Rule 5420 (Managed Care & Patient Rights) was adopted effective February 10, 2000, to implement Public Act 91-617, the Managed Care Reform and Patient Rights Act, to assure the proper provision of information to enrollees by health care plans; the proper treatment of enrollees by health care plans; the proper treatment of health care providers by health care plans; and the proper oversight of health care plans by the Department of Insurance. (Vol. 24, #9; David Grant) ♦

Producer regulatory action

(Copies of regulatory orders are available upon written request to the Producer Regulatory Unit, for \$1/page. The number of pages are indicated in parentheses following the effective date.)

Stipulation and Consent Order—Civil Forfeiture Paid

American Consumer Insurance Group, Ltd.
722 South Milwaukee Avenue
Wheeling, IL 60090
Effective 12/20/99 (3)

American Equine Ins. Group
5005 Newport Drive, Suite 600
Rolling Meadows, IL 60008
Effective 12/16/99 (4)

Matteo Cacucciolo
9639 West Pacific Apt. 2 South
Franklin Park, IL 60131
Effective 2/7/00 (5)

Central Insurance and Bonding Agency, Inc.
2420 East Calumet Street
PO Box 1777
Centralia, IL 62801-1777
Effective 12/10/99 (4)

Corporate Benefit Specialist
1855 Rohlwing Road, Suite E
Rolling Meadows, IL 60008
Effective 1/4/00 (6)

Darline Easter
235 Beaver Creek Drive
Bolingbrook, IL 60440
Effective 12/23/00 (3)

Early American Insurance Agency, Inc.
7366 North Lincoln Avenue
Lincolnwood, IL
Effective 1/26/00 (4)

Hallmark Equine Insurance Agency, Inc.
5005 Newport Drive, Suite 500
Rolling Meadows, IL 60008
Effective 12/13/00 (4)

John R. Hart
319 Briarwood
Palatine, IL 60067
Effective 12/13/00 (4)

Jerome L. Gray
#7 Lakewood Drive
Centralia, IL 62801
Effective 12/10/99 (4)

Mitchell Little
1755 Hartford Lane
Crystal Lake, IL 60014
Effective 1/4/00 (6)

Lonnie R. Miley
5010 East Shea Blvd., #A217
Scottsdale, AZ 85254
Effective 1/5/00 (3)

Barry J. Powitz
15608 West Pope Blvd.
Deerfield, IL 60015
Effective 12/20/99 (3)

Arnold Ira Redman
9125 North Kilbourne
Skokie, IL 60076
Effective 1/26/00 (4)

Ian Fredrick Turner
8 Regatta Bay Court
Lake St. Louis, MO 63367
Effective 2/24/00 (3)

Corrections:

The following were incorrectly listed in the February 2000 issue under the caption "Stipulation and Consent Order—No Civil Forfeiture." We apologize for the error.

Insurance Solutions Group, Inc.
3133 North Woodford, Suite 1C
Decatur, IL 62524
Effective 11/16/99 (4)

David C. Kau
3915 Camelot Drive, Apt. 301
Decatur, IL 62526
Effective 11/16/99 (4)

Stipulation and Consent Order— No Civil Forfeiture

Roosevelt Martin III
5351 South Shields
Chicago, IL 60609
Effective 1/26/00 (3)

John A. Wease
1203 Commanche
Auburn, IL 62615
Effective 11/24/99 (3)

Revocation of Licensing Authority

Richard E. Jones Agency, Inc.
7939 South Cottage Grove 2C
Chicago, IL 60619
Effective 2/16/00 (10)

Voluntary Revocation

Cheryl D. Buchanan
PO Box 312
Wayne City, IL 62895
Effective 2/7/00 (1)

Charley M. Clark, Jr.
9017 South Ellis Avenue
Chicago, IL 60619
Effective 2/8/00 (1)

Karen A. Dallas
8332 South Cottage Grove Avenue
Chicago, IL 60619
Effective 2/2/00 (1)

Joel D. Steelman
961 Huber Street
Jacksonville, IL 62650
Effective 2/23/00 (1)

Order of Suspension

Ronald L. Dobervich
939 North Marsha Drive
Palatine, IL 60067
Effective 1/18/00 (2)

Fred A. Gittens
2529 Spring Street, Apt. 2705
Woodridge, IL 60517
Effective 1/26/00 (7)

Lawrence E. Selcke
507 South Main Street
Benton, IL 62812
Effective 1/24/00 (2)

Martin K. Tipsord
RR 1 Box 29
Saybrock, IL 61770
Effective 1/31/00 (9)

Order of Suspension Lifted

Abdulle R. Finner
3411 Adams Street
Bellwood, IL 60103
Effective 1/31/00

Denial of Request for License

Randall Paul Ewing, Sr.
9545 Cross Creek Drive
Greenville, IN 47124
Effective 12/29/99 (2)

Hearings

Completed Hearings:

Roy A. Alford
Hearing No. 3703
Licensing authority suspended
3/8/00

Linda Barsky
Teachers Insurance Co.
Hearing No. 3760
Cancellation effective 3/8/00

Phillip James Campbell
Hearing No. 3721R
Licensing authority suspended
3/8/00

Central United Assurance Group,
Inc.
Hearing No. 3757
Cease and Desist Order made
permanent 3/17/00

Fred A. Gittens
Hearing No. 3734
Licensing authority suspended
1/26/00

Robert & Janelle Gryzmala
State Farm Fire & Casualty Co.
Hearing No. 3761
Cancellation effective 2/16/00

Heisler Green Chemical Co.
National Council on Compensation
Insurance
Hearing No. 3714
Decision not to overturn Board's
decision affirmed 2/22/00

Richard E. Jones Agency, Inc.
Hearing No. 3751
Registration of agency revoked
2/16/00

Thomas W. LaFrancis
Hearing No. 3728
Order of Revocation rescinded
1/31/00

Martin K. Tipsord
Hearing No. 3740
Licensing authority suspended
1/31/00

Scheduled Hearings:

IL Grocers Risk Management Assoc.
4/5/00 Hearing No. 3772
Corrective Order

Peoria Area Chamber of Commerce
Trust
4/5/00 Hearing No. 3771
Corrective Order

American Unified Life & Health
Ins. Co.
American Health Care Providers,
Inc.
4/12/00 Hearing No. 3767
Cease and Desist

Illinois Non Profit Management
Assoc.
4/12/00 Hearing No. 3770
Corrective Order

Michael Korich
Constitutional Casualty Co.
4/13/00 Hearing No. 3774
Nonrenewal

United Health Care Insurance Co.
4/18/00 Hearing No. 3775
Retaliatory Tax Penalty Protest

Aknni W. Adegbite
4/27/00 Hearing No. 3773
Denial for Request of License

Matters Settled without Hearing:

Ann Royster
State Farm Fire & Casualty Co.
Hearing No. 3759
Hearing dismissed 3/14/00

Exam reports filed

Financial

Acstar Insurance Company
02/22/00
Concordia Mutual Life Association
02/22/00
Farmers Mutual Fire and Lightning
Insurance Company of Fairfield, Wayne
County, Illinois
03/09/00
Sugar Creek Township Mutual Fire
Insurance Company
02/17/00
Third Coast Insurance Company
01/14/00
Triad Guaranty Assurance
02/03/00
Triad Guaranty Insurance Corporation
02/03/00
Westervelt Mutual Insurance Co.
02/22/00

Market Conduct

Federal Kemper Life Assurance Co.
01/12/00
Illinois Founders Insurance Co.
02/07/00
American National Insurance Co.
02/08/00
American Community Insurance
Company
02/08/00
Intercargo Insurance Company
03/13/00
Grinnell Mutual Insurance Co.
03/13/00 ♦

Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

Address Service Requested

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Permit No. 821

Department rules review

