

MAR 29 1999

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Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

Q & A with New Top Regulator

Montemayor Becomes Texas Commissioner

GOVERNOR GEORGE W. BUSH has appointed José Montemayor, associate commissioner of TDI's Financial Program since 1994, as Insurance Commissioner of Texas.

Montemayor, 48, succeeds Elton Bomer, who resigned as Commissioner to become both Secretary of State and the Governor's senior advisor. The transition occurred on January 11, 1999. Montemayor served out the final three weeks of Bomer's term and also was appointed to a full two-year term beginning February 1, 1999. The appointment is subject to confirmation by the Texas Senate.

"José Montemayor is a capable and experienced public servant," the Governor said. "José understands insurance issues and will be fair and even-handed as he balances the interests of industry and consumers."

Montemayor, a retired Air Force major, came to TDI in 1993 as director of the Insurer Services Activity. Bomer promoted him to associate commissioner of the Financial Program on February 14, 1994. Under Montemayor, the Financial Program received full accreditation from the NAIC and undertook a major program to assure that all insurance entities licensed in Texas—including companies domiciled in other states—are ready for the Year 2000. TDI's Y2K efforts won it the NAIC's "Technology of the Year" award in 1998.

The new Commissioner, a native of Brownsville, served 24 years in the Air Force. His military assignments included ICBM combat crew commander and logistics manager in the Peacekeeper and Minuteman ICBM programs and in the Air Force Security Assistance Program in Latin America.

He received a bachelor of science degree from St. Edward's University in 1975 and holds master's degrees in administration (Webster College, 1982), logistics management (Air Force Institute of Technology, 1985) and Accounting (Southwest Texas State University, 1996).

Montemayor and his wife, Dolores, have three adult children and two grandchildren.

Texas Insurance News interviewed Montemayor for his perspectives on regulation and management. Here are the questions and his answers.

Broadly, what can the insurance industry expect from you as Commissioner?

The insurance industry and our other constituencies, including policyholders and agents, have a right to expect fairness from us, and we will go out of our way to deliver it. Commissioner Bomer left us a legacy of being able to establish a level playing field and balance the often-conflicting interests of those constituencies in a most admirable way. I intend to do the same thing.

In general terms, what is your philosophy of insurance regulation?

In general terms, I would like for us to practice firm and fair regulation that is both effective and efficient. Those four elements are all interrelated, and they are all very important. There has to be an element of effectiveness as well as efficiency in regulating, yet it must always be fair and firm.

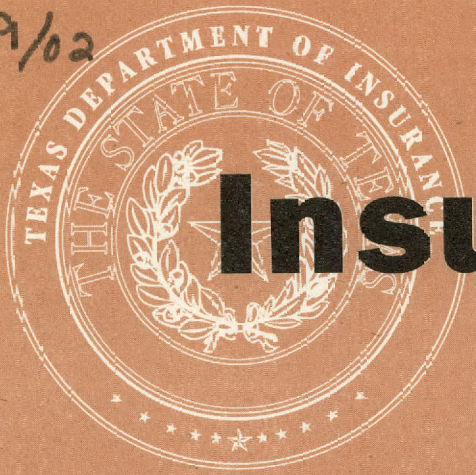
You have said you have no immediate plans to reorganize TDI or make executive staff changes. Are you aware of structural problems that probably should receive attention on down the line?

I'm not aware of any structural problems. However, I want to leave the door open for us to continuously evaluate how we do business. If there is a better or more effective or more efficient way to organize ourselves to serve our customers, I would like for us to explore it and be at liberty to do that.

You've seen all types of management styles at TDI. Can you give us a picture of how you intend to manage staff and deal with the entities we regulate?

Indeed, I have seen a number of management styles at TDI. Commissioner Bomer practiced a considerably enlightened leadership style. He trusted us as professionals and gave us the latitude to do our jobs without micromanagement. He is an outstanding leader, and I would do well to emulate his style. I intend to manage staff and deal with the entities we regulate along the lines I just

Please see **Montemayor** on page 4



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Texas Insurance News

is published each month. For a one-year subscription (12 issues), contact TDI's Publications Division at:

Texas Department of Insurance
Texas Insurance News/MC-9999
P.O. Box 149104
Austin, TX 78714-9104

Enclose a check for \$30 made out to the Texas Department of Insurance.

If you have questions about subscribing call Publications at (512) 322-4283.

Direct questions or suggestions about content to (512) 463-6425 or write:

Texas Insurance News, MC-113-1A,
P.O. Box 149104
Austin, TX 78714-9104

The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. Texas Insurance News should not be construed to represent the policy, endorsement or opinion of the Commissioner of Insurance or the Texas Department of Insurance.

By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the Texas Register.

To the best of the staff's ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.

News Briefs

Automobile Section Clarifies Death Benefit

TDI's AUTOMOBILE SECTION has notified an agent organization that Supplementary Death Benefit endorsements apply even when an airbag fails to activate.

Endorsements 573A (private passenger) and TE 99 60A (commercial auto) supplement medical payments, PIP and/or auto death indemnity coverage with a death benefit when a person dies in an auto accident while protected by a seat belt or airbag. The supplementary death benefit is equal to the limits of the applicable coverages, with a \$10,000 maximum.

The Texas Association of Insurance Agents informed TDI that several member agents had reported instances in which insurers refused to pay claims under the endorsements when airbags failed to activate in rollover accidents.

The Automobile Section replied that TDI's position is that "a person is 'protected by an airbag' when a functioning airbag fails to activate in a rollover accident." The division added that a different result could apply if a person had rendered an airbag inoperative or had impaired it in some way. ★



New Auto Ownership Rules Take Effect on February 1

STARTING FEBRUARY 1, 1999, insurers may provide coverage for private passenger autos jointly owned by persons other than married couples.

Deputy Commissioner David Durden of the Automobile and Homeowners Division reminded insurers of the revised manual rules by issuing Commissioner's Bulletin B-0083-98 on December 17, 1998.

The changes in coverage eligibility were made by amendments to *Texas Automobile Rules and Rating Manual Rules* 55, 71, 72, 74 and 75.

Previously, the rules required that a jointly owned auto be owned by husband and wife. The rule changes allow personal auto coverage for an auto or autos jointly owned by two or more individuals who are residents of the same household.

In addition, personal auto coverage may be written for joint named insureds who are related by

blood, marriage or adoption and who are not residents of the same household, even if they do not jointly own the auto or autos if:

- 1 the auto is owned by one or more of the joint named insureds who are residents of the household address shown in the policy and
- 2 the joint named insured who is a resident of a different household is the primary operator of the auto. ★

TDI Advises Insurers on New U. S. Medigap Laws

THE DEPARTMENT has issued a bulletin (B-0081-98) advising insurers of the need to comply with Medicare supplement changes mandated by the federal Balanced Budget Act of 1997.

The bulletin notifies insurers that those who have not done so already should submit all filings necessary to bring their forms into compliance, amend their procedures as necessary and meet all notice requirements.

TDI will propose changes to its own Medicare supplement rules to bring them into conformity with the new federal requirements. Until then, insurers can be guided by amendments to the NAIC Model Medicare Supplement Regulation, which were adopted by the NAIC on April 29, 1998.

The more significant changes made by the Balanced Budget Act of 1997 include:

- Guaranteed issue of Medicare supplement coverage for eligible persons.
- Waiver or reduction of pre-existing condition limitations for individuals with creditable coverage.
- The addition of two new high-deductible plans.

Compliance questions may be directed to the Life/Health Division (512 322-3409) or the HMO/URA Division (512 322-4266). ★

Annual Report Published

TDI's ANNUAL REPORT for Fiscal Year 1998 is now on sale through the Publications Distribution Section for \$10.

Orders and checks should be sent to the following address:

**Texas Department of Insurance
Distribution** (MC 9999)
P.O. Box 149104
Austin, TX 78714-9104 ★

Data Call Reminders

(Failure to comply with TDI's reporting requirements may result in disciplinary action)

Quarterly Closed Claims Reports

Reports for claims closed during the first quarter of 1999 are due April 10, 1999.

TDI contact is Paul Vestal, 512 475-3024. E-mail address: paul_vestal@tdi.state.tx.us or Nita Rene Smith, 512 475-1999. E-mail address: nita_rene_smith@tdi.state.tx.us

Call for Quarterly Experience

The Call for Fourth Quarter 1998 Experience, Commissioner's Bulletin #B-0086-98, was mailed the end of December 1998, and is due February 15, 1999. TDI contact is Vicky Knox, 512 475-1879. E-mail address: vicky_knox@tdi.state.tx.us

Call for Quarterly Experience, Workers' Compensation Deductible Plans

The Call for Fourth Quarter 1998 Experience, Commissioner's Bulletin #B-0086-98, was mailed the end of December 1998, and is due February 15, 1999. TDI contact is Vicky Knox, 512 475-1879. E-mail address: vicky_knox@tdi.state.tx.us

Disallowed Expense Report

TDI contact is Julie Jones 512 475-3030. E-mail address: julie_jones@tdi.state.tx.us

Texas Title Insurance Agent Statistical Report

A Commissioner's Bulletin for the title agent statistical data call for calendar year 1998 will be issued during February. The due date and all pertinent information will be included in the bulletin. TDI contact is Michael Davis 512 322-5029. E-mail address: michael_davis@tdi.state.tx.us

Texas Title Insurance Company Statistical Report

A Commissioner's Bulletin for the title insurance company statistical data call for calendar year 1998 will be issued during February. The due date and all pertinent information will be included in the bulletin. TDI contact is Betty Flores 512 475-1877. E-mail address: betty_flores@tdi.state.tx.us

Texas Workers' Compensation Financial Call (TXWCFC)

The Texas Workers' Compensation Financial Call is due April 1, 1999. Contact Peter Langdon with NCCI at 561 997-4395 for information regarding distribution of the call. TDI contact is Irene Cipriano at 512 322-3563. E-mail address: irene_cipriano@tdi.state.tx.us ★



TAIPA Rates Cut By 27.4 Percent

FORMER COMMISSIONER ELTON BOMER reduced rates for drivers covered through the Texas Automobile Insurance Plan Association (TAIPA) by an average 27.4 percent.

The new rates will take effect March 1, 1999.

Percentage reductions for each coverage available through TAIPA are as follows:

Bodily injury liability (basic limits only)	-41.1 percent
Property damage liability (basic limits only)	+2.0 percent
Personal injury protection (PIP)	-21.2 percent
Uninsured/Underinsured Motorists	-41.3 percent

Three of the four parties in the TAIPA rate hearing recommended reductions. The Office of Public Insurance Counsel recommended an overall 30.3 percent reduction, TDI staff a 13.3 percent reduction and the Center for Economic Justice a 36.9 percent reduction. TAIPA asked for a 1.6 percent increase. Administrative law judges who heard the case recommended a 26.9 percent rate cut.

TAIPA is the state's assigned risk plan for basic auto liability coverages. All rate-regulated auto insurers operating in Texas must participate.

To be eligible for coverage, an applicant must have been rejected for coverage by at least two auto insurers. About 80,000 Texas drivers currently obtain their liability insurance through TAIPA. ★

Personal Notes

Patterson Named Chief of Financial; Saenz Will Head Financial Monitoring

COMMISSIONER JOSÉ MONTEMAYOR has named Betty Patterson as the new associate commissioner of the Financial Program, which was his position prior to his appointment by Governor George W. Bush. Patterson then named Danny Saenz to replace her as director of Financial Monitoring.

Patterson's appointment was effective on January 11 and Saenz' on January 18.

Patterson has worked at TDI for 11 years, holding the positions of life analyst and supervising property and casualty analyst before becoming director of Financial Monitoring in 1994.

"Betty's education, background in accounting, first-hand knowledge of the industry and professional designations make her uniquely qualified for this key position," Montemayor said upon making the appointment. He described her as "a key member of the financial leadership team. Additionally, she was the lead analyst in a number of nationally significant transactions."

Patterson, a CPA, holds a bachelor of business administration from the University of Texas at Austin, with a major in accounting.

Saenz, the new chief of Financial Monitoring, joined TDI on May 1, 1988. For the past several years he has served as associate chief examiner in charge of market conduct examinations. A native of Edinburg, Saenz graduated from UT Pan American in Edinburg with a bachelor's of business administration degree in accounting. He is a Certified Financial Examiner and is pursuing his CPA designation.

Financial Monitoring has about 60 employees. Each year it analyzes approximately 10,000 financial statements and processes about 700 transactions under the Texas Insurance Holding Company System Regulatory Act. ★

Annual Report Snapshots

Companies and TPAs Organized or Admitted September 1, 1997, through August 31, 1998

	DOMESTIC	FOREIGN	TOTAL
Stock Life Insurance Companies	2	4	6
Stock Fire & Casualty Ins. Companies	2	8	10
Mutual Fire & Casualty Ins. Companies		1	1
Stock Casualty Insurance Companies	3	4	7
Lloyds	1		1
Reciprocal Exchange		1	1
Health Maintenance Organizations	5		5
Joint Underwriting Association		1	1
Third Party Administrators	37	59	96
Total	50	78	128

Summary of Activity—Insurance Fraud Unit

	FY97	FY98
Cases Received	1,221	1,619
Cases Closed	584	456
Cease and Desist Orders	9	9
Other Enforcement Orders	17	6
Assurances of Voluntary Compliance	5	11
Monetary Forfeiture/Restitution Orders	10	36
Forfeitures/Assessments/Restitution*	\$14,303,069	\$1,649,498
Cases Referred to Attorney General/District Attorneys†	165	88
Indictments‡	69	79
Convictions	38	54

* \$13 million of the FY97 total came from consent orders against rental car firms that used unlicensed agents to sell supplemental liability coverage.

† The 88 referrals in FY98 involved 141 individuals.

‡ The 79 indictments in FY98 involved 52 individual subjects.

Montemayor... *from page 1*

described, in terms of trying to balance all the competing interests and be very, very fair.

Does your military background affect how you tackle problems and manage people?

My military background always comes to bear, and how could it not? I spent 24 years in that environment. One of the biggest lessons carried forward from my military experience is the need to carry out an action in an integrated fashion. From that perspective, a thorough analysis of the objective is always a good idea, along with allocating sufficient resources to meet that objective. In terms of how we attacked a particular objective and target, in the military it was always missiles first, bombers next, and then the ground troops. You can see from that sequence how lack of integration would be a disaster. My expectation is that in regulation you start with diplomacy first. You attempt to work out problems at the operational divisions. If that fails, you follow through with enforcement actions. I'm going to be looking for efficiency and effectiveness in our actions.

What about TDI makes you proud? Is there anything that you would like to see done better?

I have seen a wonderful evolution at TDI. There was a time not so long ago when resources were allocated very inefficiently and it was extremely hard for our customers to do business with us. Company licenses used to take a couple of years. Enforcement actions would go into a black hole and never come out. Financial examinations would often lag a year or two behind where they should have been. We have gotten much, much better over the last four or five years. But that's not to say I would not like to see us improve even further. It's a good machine, but I would like to see us push the envelope of performance even further.

After four years in charge of solvency regulation, what is your general view of the industry's financial condition and the effectiveness of TDI in regulating it?

I think the industry's financial condition, and TDI's effectiveness in regulating it, are better than ever. Certainly a good economy and a good stock market have gone a long way to help us there. But in addition to that, advances in technology and other regulatory tools have given us a phenomenal capability in solvency monitoring. We practice a philosophy of early intervention, and we're able to detect and respond to potential problems faster than ever before. Our troubled company procedures were recognized by the NAIC accreditation team as being the best they have seen. The Texas Insurance Code affords us a marvelous range of

possible responses, and we can custom fit a regulatory response to almost any situation very, very fast. We've been highly successful in bringing about the merger of weaker insurers into stronger ones in lieu of receiverships, saving Texas taxpayers millions of dollars. That has happened about two dozen times in the past 24 or 30 months.

When Commissioner Bomer hired me as associate commissioner, I told him I wanted us to be the very best financial regulatory team, not only in the country, but in the world. I told him I would do that by recruiting and training outstanding people and by being very focused on our mission. I believe we accomplished that, and we are recognized nationally and internationally as a very fine group of regulators—in my opinion, the best group of regulators anywhere.



Do you anticipate a heavy wave of mergers and acquisitions because of the Year 2000 problem?

I anticipate some, but "heavy wave" may be a little overstated. We have a very active program to ascertain the state of readiness of the industry—all licensees in Texas, not just our domestics—and we have taken a lot of actions to assure that everybody has a plan for the Year 2000. We're quite prepared to intervene when companies can't get ready and treat them the same as any other companies that are in potentially hazardous financial condition by encouraging them to merge or sell. Such mergers and acquisitions protect policyholders and avoid guaranty fund hits, which are funded dollar for dollar with tax money.

Do you anticipate another wave of lawmaking and rulemaking on health care like we saw in 1995-98?

I cannot imagine another wave of lawmaking and rulemaking on health care like what we have seen recently. Those new laws and rules are very comprehensive and very substantial. Of course changing conditions could necessitate further changes, but I cannot imagine anything of that magnitude or depth being on the horizon.

What about HMO solvency regulation?

We have asked the Legislature for a stronger minimum surplus requirement. This would involve counting all of an HMO's liabilities, covered or not, in the computation of its statutory surplus. We've also asked for a risk-based capital law that would enable us to require an HMO to increase its

capital levels beyond the minimum requirements, based on risk taken. This is a rather thinly capitalized industry, and its operating losses amounted to approximately twice its current net worth over the 2½ year period into mid-1998. HMO losses in Texas during that 10-quarter period were approximately \$650 million on a pre-tax basis. Compare those losses to a net worth of just over \$300 million when all liabilities are included and you can easily see my concern. The losses are obviously being made up by parental guarantees. I would like to see more underlying strength in the HMO industry in general. I'd like to see more of a safety net in terms of the surplus available.

Combating insurance fraud has been a top priority at TDI for almost four years. How high does it rank in your scale of priorities, and are there additional things you would like to see done on your watch?

Fraud will continue to be a high priority for this department and certainly for me. It does rate very high on my scale of priorities. I know that we have established some good vehicles of communication across division lines at TDI and with outside agencies that have a responsibility for combating fraud. I would like to see us continue to improve on that.

Some say the present benchmark and flex band system for regulating auto and residential property insurance rates is cumbersome and too slow. Do you have any thoughts about whether this system should be eliminated or preserved and strengthened in some way?

I think the Legislature may take a closer look at the flex-rating system, but I don't have any specific ideas or proposals to offer for changing it. It is worthwhile to review its validity because it is an expensive system yet fewer and fewer policyholders are covered by flex-rated companies.

What is your opinion about no-fault car insurance?

No-fault has had varying degrees of success in the states that adopted it. However, there are some good ideas in it, and we probably would do all right by exploring some of them further to see if we could apply them here in Texas. But I don't see us going to a no-fault type of insurance any time soon.

Where do you think TDI should go next in dealing with personal lines availability and affordability problems in the "underserved" areas?

I think that what you are seeing currently in the area of affordability and availability is the result of a combination of factors such as premium financing, agent commission rates and the ability of customers to get on, fall off, get on and fall off again by purchasing short-term policies. I think the

rate-regulated companies should make themselves more available in the underserved areas, and I am going to ask for the cooperation of those companies. The single most important answer we have currently is the Market Assistance Program for automobile insurance, and I think we should do our best to promote it. People should not have to pay more because of where they live. This is flat wrong.

I think we need to go out of our way to promote the MAP. We have some of our most creative people working on this now. They are considering in typical "think tank" fashion all sorts of things such as billboards and putting MAP reminders in utility bills. I am anxious to hear their recommendations.

Are there areas of financial regulation you would like to see strengthened?

Absolutely. We definitely need legislation to strengthen the financial underpinnings of HMOs. We have taken some regulatory actions already, such as our new rules requiring premium deficiency reserves (See November 1998 *Texas Insurance News*, page 7-8). We've also engaged in friendly persuasion through management conferences, saying, "You really are undercapitalized and you really need to capitalize at higher level." We secured a commitment from one of our larger HMOs to raise its capitalization to \$50 million, when the statutory requirement is only \$1.5 million. That's six months' worth of projected losses for that particular HMO. Unfortunately, however, many HMOs resist such suggestions.

At this point in time, we have the technology, the laws, the regulations, the trained people and the regulatory will to carry out our regulatory responsibilities better than ever before in our history. Of all of those resources and assets, the greatest one is our people. I think we need to continue to be very active in recruiting, training and retaining topflight people. In terms of "do we have what we need in financial regulation?" I think so, with the exception of HMOs.

Were there lessons you learned as head of Financial that you would like to carry over into other areas of the agency?

I took to heart what Commissioner Bomer said when he was sworn in four years ago, that respect for the individual is essential, and that we would all do well as managers to exercise and carry that code forward. The notion of teamwork is critical, but it's all cosmetic unless we truly value individuals for who they are and for the contribution they make to the organization. Management teams have a particularly tough task in developing and challenging our people. We certainly have work-

ed hard at that in Financial, and I consider that management team to be in charge of probably the most formidable group of men and women in financial regulation in the whole world.

Do you have any plans to get better acquainted with TDI employees through small group meetings, breakfasts, etc.?

Yes. We started off with all-employee meetings on January 14. I intend to visit each of our associates with their managers in their work areas to get better educated about what they consider their challenges and listen to their suggestions about how to be better regulators. I do anticipate spending time actually watching employees do their work in the trenches. We learn a lot by hanging around in the trenches, we really do. During the first week after I was hired as associate commissioner of Financial, I went out with the conservation team and delivered conservation orders at the company site. I also went out to a couple of companies that had examinations in progress, grabbed a checklist and did a little of the examination work myself. I wanted to become my own best examiner and my own best analyst and my own best technician, and you really can't do that from the office. You have to go where the work is taking place. I don't know that I can do that for the entire agency. It's probably not realistic, but I would sure like to hang around the trenches a little more because it helps me to understand what is happening.

Do you intend to continue the practice of standing delegation orders that authorize associate commissioners to sign certain kinds of orders, such as those approving mergers?

I think it's imperative that we continue the process of delegation orders. It's not reasonable to expect the Commissioner to be a functional expert in all areas of the Department. He must be able to delegate the authority to the appropriate level of responsibility. In other words, the managers who are responsible for the work also must have the authority to carry it out. I have all the confidence in the world in this management team.

What are your thoughts about the future of the Internet as a regulatory tool?

I think the Internet is here to stay. I believe to ignore it, to pretend it's not there or to resist it is a huge mistake. I expect more and more regulatory functions to make use of the Internet, not the least of which is the filing of financial statements, maybe policy forms, and maybe licensing. It's got many applications, and I think we would do well to embrace it, explore it, regulate it and steer it rather than try to avoid it and be in denial of it. ★

EnforcementAction

Mid-Century Agrees to \$750,000 in Restitution

MID-CENTURY INSURANCE COMPANY OF TEXAS has agreed to refund approximately \$750,000 to drivers placed in a higher-priced sister company because they wanted to buy extra liability insurance without also buying physical damage coverage.

The refunds will be the difference between the auto liability premium the drivers paid as policyholders of Texas Farmers Insurance Co. and the lower premiums they would have paid as customers of Mid-Century, the Farmers Insurance Group's preferred company in Texas.

Some 3,450 drivers covered by Texas Farmers instead of Mid-Century since September 1, 1995, will receive the premium refunds.

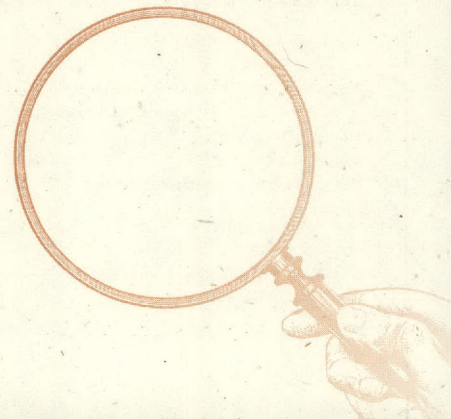
Mid-Century also will reimburse the state \$150,000 for legal and investigative expenses incurred by TDI.

The company agreed to a consent order without admitting to any violations of Texas insurance laws.

Since September 1, 1995, TDI rules have prohibited auto insurance underwriting guidelines based in whole or in part on whether a driver buys kinds or amounts of coverage exceeding the minimum required by Texas law.

Mid-Century required customers who wanted more than Texas' mandatory 20/40/15 liability coverage to buy physical damage insurance on at least one car. Those who would not buy the physical damage coverage were placed in Texas Farmers Insurance Co., the Farmers group's standard company in Texas.

As part of its agreement with TDI, Mid-Century will notify people who receive refund checks that they need no longer purchase physical damage insurance as a condition for buying extra liability coverage through Mid-Century. In addition, many insureds of Texas Farmers Insurance Co. will be eligible to move into Mid-Century. ★



RuleMaking

HEALTH CARE

APA Adoptions

Medical Child Support

■ Former Commissioner Elton Bomer adopted amendments to 28 TAC §§ 21.2001, 21.2004 and 21.2010 concerning medical child support orders. The changes implement Senate Bill 29 of the 75th Legislature and bring Texas into compliance with the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Key provisions of the amendments follow.

If the applicable policy provides coverage of dependent children, the carrier or HMO must automatically enroll a child who is the subject of a medical support order for the first 31 days after the employer or carrier or HMO receives the order or a notice of the order.

As a condition for permanently enrolling a child, a carrier or HMO may require the parent subject to the medical support order to enroll—if not already enrolled—in the health coverage plan within 31 days after the employer or carrier or HMO receives the order or notice of the order.

If a carrier or HMO does not enroll the child on a permanent basis, it must report the reasons in accordance with Family Code, Chapter 154, Subchapter D.

When a child lives outside a carrier or HMO's service area, the carrier or HMO may not use the child's status as the subject of a medical support order to charge a higher premium

than it charges for coverage of other dependent children under the policy.

When a child under a medical support order lives outside the carrier or HMO's service area, but within the United States, the carrier or HMO must either:

- Insure the child under coverage for which the parent subject to the court order is eligible and not enforce policy provisions that would deny, limit or reduce payment for the child's claims or
- Provide coverage through an alternative delivery system such as reciprocal agreements with indemnity insurers or HMOs.

When an alternative delivery system is used, the carrier or HMO must certify to TDI that the coverage is identical to, greater than or comparable to coverage received by other dependent children under the policy. If the coverage is not identical, the insurer must provide a certification by a qualified actuary or a company officer that the coverage is at least actuarially equivalent.

If a policy contains preferred provider provisions and the insurer does not provide coverage under an alternative delivery system, reimbursement for a child subject to a medical support order and living outside the insurer's service area must be provided at the preferred provider level of benefits.

Publication: 24TexReg388, January 22, 1999
Effective date: January 31, 1999
Further information: 512 463-6327

Mental Health Parity

■ Former Commissioner Elton Bomer adopted new 28 TAC §§ 21.2401-21.2407, concerning parity between mental health benefits and medical/surgical benefits. The rules require that a group health plan's annual dollar limits or lifetime aggregate dollar limits for mental health benefits be no less than its limits for medical/surgical benefits. If no limits are placed on medical/surgical benefits, none may be imposed on mental health benefits.

The rules implement the Federal Mental Health Parity Act and are necessary to maintain the Department's regulatory authority over carriers that issue group health plans in Texas.

Neither the federal statute nor the new rules require a plan to provide mental health benefits. Other than requiring parity of annual and aggregate lifetime limits, the federal statute and the new TDI rules do not mandate terms

and conditions relating to the amount, duration or scope of mental health benefits available under a plan.

The Mental Health Parity Act includes an exemption for small employers and for group health plans whose costs would increase by at least 1 percent because of the parity requirement. If a group health plan offers participants and beneficiaries two or more benefit package options, the statute's requirements apply separately to each benefit package.

Publication: 24TexReg393, January 22, 1999
Effective date: January 31, 1999
Further information: 512 463-6327

Childbirth Benefits Under Small Employer Plans

■ Commissioner José Montemayor has adopted an amendment to 28 TAC § 26.14, requiring small employer health benefit plans to comply with *Texas Insurance Code* Article 21.53F if a plan provides maternity coverage, including benefits for childbirth.

The rule implements provisions of House Bill 102 of the 75th Legislature and a federal law requiring that new mothers and their babies receive post-delivery inpatient care of at least 48 hours following an uncomplicated normal delivery and 96 hours following an uncomplicated caesarian birth.

Projected publication date: January 29, 1999
Further information: 512 463-6327

Mandatory Benefits Under Large Employer Health Plans

■ Commissioner José Montemayor has amended 28 TAC § 26.305, which requires large employer health plans to provide certain benefits. The amendment is necessary to implement House Bill 864, Senate Bill 54 and Senate Bill 258 of the 75th Legislature.

If a large employer plan conditions coverage of children 21 and older on enrollment in an educational institution, it must comply with *Texas Insurance Code* Article 21.24-2.

A large employer plan that covers diagnostic medical procedures must provide male enrollees benefits for an annual prostate cancer examination, in accordance with *Texas Insurance Code* Article 21.53F.

An HMO large employer plan must allow female patients direct access to obstetrical or gynecological care without the necessity of a gatekeeper, in accordance with *Texas Insurance Code* Article 21.53D.

HOW APA WORKS

The Administrative Procedure Act (APA) requires agencies to publish both proposed and adopted rules in the Texas Register.

The entire text of a proposed rule will appear in the Texas Register after an agency's governing body or officer approves it for publication. This appearance marks the first day of a mandatory 30-day comment period. Only after that period has elapsed may the agency adopt the proposed rule unless it is an emergency rule.

After adopting a rule, the Agency must publish notice of its action in the Register. Rules become effective 20 days after the date on which they are filed with the Register.

Rule Making

Projected publication date: January 29, 1999
Further information: 512 463-6327

Drug Formularies

■ Commissioner José Montemayor has adopted an amendment to 28 TAC § 11.506, concerning changes in HMO drug formularies. The rule change was initiated because of enrollee complaints that they chose particular HMOs because they covered specific drugs but lost coverage for those drugs when the HMOs changed their formularies.

Under the new rule, HMOs must give 90 days' notice to affected enrollees, physicians and providers before removing a prescription drug from their formularies. The notice must contain information about using the appeal process prescribed in *Texas Insurance Code* Article 20A.12 to seek continued coverage of the drug in question. The notice may be sent separately to individuals or it may be included in a regular publication of the HMO, such as an enrollee newsletter, if prominently displayed and titled to indicate a potential change in drug benefits.

Projected publication date: February 5, 1999
Further information: 512 463-6327

APA Proposals

Preferred Provider Plans

■ The Department has proposed amendments to 28 TAC §§ 3.3701—3.3704 and new §§ 3.3705 and 3.3706, concerning preferred provider plans. The Department also proposes repeal of the current version of § 3.3705.

The amendments and new sections are necessary to implement the following bills passed by the 75th Legislature: Senate Bill 383, which added a separate article, 3.70-3C, on preferred provider benefit plans; House Bill 2846, which includes advanced practice nurses and physicians assistants in preferred provider plans; and Senate Bill 786, dealing with immunizations under managed care plans. In addition, the proposals reorganize the rules to make them easier to read and understand.

Key provisions are summarized below.

The rules would enable insurers to treat advanced practice nurses and physician assistants as preferred providers.

Insurers marketing preferred provider benefit plans would be required to contract with physicians and health care providers to assure that all services covered by a health care plan will be provided in a manner that as-

sure availability and accessibility of adequate personnel, specialty care and facilities.

Insurer contracts with preferred providers:

- Would have to include reasonable due process for resolving complaints initiated by insureds or providers.
- Could not include hold harmless clauses that shift to the preferred provider an insurer's tort liability resulting from the insurer's acts or omissions.
- Would have to include a provision requiring a preferred provider who is compensated by the insurer on a discounted fee basis to bill the insured only on the discounted fee and not the full charge.
- Would have to comply with *Texas Insurance Code* Article 3.70-3C provisions on continuity of care, communication with patients, economic profiling and quality assessment.
- Could not require physicians to issue protocols for immunizations or vaccinations to be administered to insureds by pharmacists nor prohibit pharmacists from administering immunizations or vaccinations that are done in compliance with the Texas Pharmacy Act.
- Would have to inform providers of their responsibility to notify insureds if the providers voluntarily terminate their preferred provider contracts.
- Would be required to disclose the provider's right to notice and review if terminated by the insurer.

Freedom of choice provisions in existing rules would be reorganized and restated. New provisions would require compliance with *Texas Insurance Code* Article 3.70-C language mandating continuity of care and establishing a statutory right to emergency care in non-preferred facilities at the preferred level of benefits when a patient cannot reasonably reach a preferred provider.

Insurers offering preferred provider plans would be required to make a good faith effort to have a mix of for-profit, non-profit and tax-supported institutional providers under contract in a service area unless such a mix is unfeasible because of geographic, economic or other operational factors. Insurers would be required to give special consideration to contracting with teaching hospitals or hospitals that provide care for indigent or uninsured persons as a significant percentage of their patient load.

The proposed rules include expedited review of insurer decisions to terminate physicians and practitioners from a preferred provider plan. A physician or practitioner would have five business days after receiving a termination notice to request expedited review. He or she would have to furnish relevant documentation to the insurer within 10 business days of receiving the notice. The expedited process, including consideration by an advisory review panel and the insurer's final decision, would have to conclude within 30 calendar days.

An insurer could not notify a terminated physician's patients before the effective date of the termination or the date of a review panel's recommendation, whichever comes first. If a physician or other provider terminates the relationship, the insurer would be required to help the physician or provider in notifying patients.

Publication: 24TexReg234, January 8, 1999
Earliest possible adoption: February 7, 1999
Further information: 512 463-6327

Dental HMO Point-of-Service Plans

■ The Department has proposed amendments to 28 TAC § 11.2200 and new § 11.2206, concerning dental HMOs. The rules would implement provisions of Senate Bill 385 of the 75th Legislature, which requires dental HMOs with more than 10,000 Texas enrollees to offer point-of-service plans to employers, associations or other private group arrangements with 25 or more employees or members.

The rules would define point-of-service plan as a plan provided through a contractual arrangement under which an insurance company provides indemnity benefits for the cost of non-emergency dental care in conjunction with corresponding benefits arranged or provided by a dental HMO and under which an enrollee may choose to obtain benefits or services under either the indemnity plan or the HMO plan.

Point-of-service enrollment applications would be required to include a readable and understandable disclosure statement. Contents of the disclosure would have to include:

- A statement that the dental indemnity benefits are provided through an insurer and that the dental care services are offered or arranged by the HMO.
- The name of the insurer and the name of the dental HMO.

Continued on page 8

RuleMaking

- An explanation that **1)** to receive benefits from the HMO, an enrollee must use network providers (except for emergency care) and pay the copayments specified in the evidence of coverage and **2)** to receive benefits under the indemnity plan, an enrollee may use any provider but first must pay required deductibles and coinsurance amounts.
- Separate listings of the premium for the indemnity coverage and the premium for the HMO evidence of coverage.

A dental HMO offering a point-of-service plan would be required to keep on file an officer's certification that the plan includes dental indemnity benefits that correspond to the benefits shown in the HMO evidence of coverage.

Publication: 23TexReg13012, December 25, 1998
Earliest possible adoption: January 24, 1999
Further information: 512 463-6327

PROPERTY

APA Adoption

Building Code Changes

- Former Commissioner Elton Bomer amended 28 TAC § 5.4008 by adopting changes in the new *Building Code for Windstorm Resistant Construction*. The changes, recommended by the Building Code Advisory Com-

mittee, were in effect on an emergency basis starting September 3, 1998.

The changes include provisions that:

- Exempt historic buildings from building code requirements.
- Increase the permissible roof span of one- and two-story buildings from 36 to 48 feet.
- Allow builders to connect building components such as wall studs, top plates and sole plates with plywood sheathing, appropriately nailed, rather than with metal framing connectors. The special nailing requirements are designed to assure adequate wall bracing and resistance to uplift due to the effects of hurricane-force winds.
- Add new provisions giving builders guidance on the design of recessed front entryways.

Publication: 23TexReg12921, December 18, 1998
Effective date: December 21, 1998
Further information: 512 463-6327

APA Proposal Inland Marine Coverage Of Electronic Equipment

- The Department has proposed an amendment to 28 TAC § 5.5002 making electronic equipment protection coverage a class of inland marine coverage for which rates, rules and

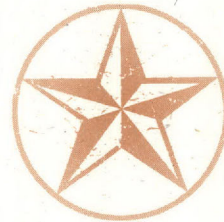
forms must be filed with TDI for approval.

Insurers also could sell such coverage as commercial property insurance.

The Texas Insurance Organization petitioned for rules allowing electronic equipment insurance to be written as inland marine. The coverage is treated as inland marine in most other states, and TDI staff believes it would be cost-effective for insurers to write it as such in Texas.

Under the proposed rule, an electronic equipment protection policy could cover data processing equipment and components, connections, extensions and systems; electronic media including converted data; and the extra expense incurred to restore operations that were interrupted as a result of an insured loss. The policy would have to provide coverage of electronic equipment while in transit.

Publication: 24TexReg370, January 22, 1999
Effective date: February 21, 1999
Further information: 512 463-6327 ★



Millers Demutualization OKd Pending Policyholder Approval

FORMER COMMISSIONER ELTON BOMER signed a consent order authorizing the demutualization of The Millers Mutual Insurance Co. of Fort Worth.

Still needed is approval of the demutualization plan by two-thirds of the eligible policyholders or their proxies.

Millers' conversion to a stock company is the first under *Texas Insurance Code* Article 15.22, the demutualization law enacted by the 75th Legislature in 1997.

Millers, founded in 1898, provides property and casualty coverage for agribusiness as well as commercial casualty, commercial property and personal lines insurance. It has approximately 100,000 policyholders and wrote \$138.6 million in business in 1997.

Under the conversion plan negotiated with TDI staff, Millers will convert to a stock company called The Millers Insurance Company. Its stock will

be held by an intermediate holding company called Millers Holding of Nevada, Inc., which, in turn, will be owned by Millers Insurance Group Inc., a Texas holding company.

Millers' policyholders as of January 28, 1998, will receive one share of stock in Millers Insurance Group Inc., the holding company, at no cost to themselves and irrespective of how many policies they have. Receipt of the stock will extinguish the policyholders' membership rights in the mutual insurance company.

The initial book value of the stock to be distributed to policyholders is estimated at \$70 million.

January 28, 1998, was identified by a formula set out in Article 15.22 as the date for determining policyholder eligibility to vote on the demutualization and to receive stock shares.

Eligible policyholders also will have a one-time opportunity to buy additional stock in Millers In-

surance Group at market value in a qualified stock offering occurring within three years.

Millers Insurance Group management will have the right to buy up to 20 percent of the holding company's stock over a three-year period at 100 percent of the audited GAAP book value of Millers Mutual as of June 30, 1998.

In addition, the company's employee stock option plan will receive the right to buy up to 10 percent of Millers Insurance Group's stock at 100 percent of its independently appraised value within 30 days before the stock is purchased.

During the first three years after demutualization, the holding company (Millers Insurance Group) will have the right of first refusal if a policyholder/shareholder wants to sell his or her stock. During that period, however, the holding company may not purchase stock resulting in the ownership by policyholders falling below 51 percent unless approved by the Commissioner. ★

FAQs About Discounts for Impact-Resistant Roofs

IN RECENT MONTHS, TDI's Residential Property Section has received numerous calls from consumers, roofers, agents and companies with questions about mandatory premium discounts for installing roofs that meet Underwriters Laboratories standards for impact resistance.

This article provides answers to some of the most frequently asked questions.

Q Does TDI have to approve the roofing product before it is eligible for the discount?

A No. To qualify for the credit, roof coverings must be tested by a qualified and approved laboratory, such as Underwriters Laboratories (UL). Roof coverings that have passed the UL Standard 2218 test are classified as either Class 1, 2, 3, or 4. A Class 4 roof covering receives the highest premium credit.

TDI does not endorse or recommend any roofing product.

Q What testing laboratories are currently recognized by TDI?

A At this time there are seven approved labs:
 Applied Research Laboratories
305-624-4800
 Factory Mutual Research
781-762-4300
 Intertek Testing Services
607-753-6711
 Southwest Certification Services
210-522-2424
 Southwest Research Institute
210-684-5111
 Underwriters Laboratories
874-272-8800
 United States Testing Company
800-777-8378

Q How will I know if the type of roof I am considering is eligible for the impact resistant discount?

A As of January 1, 1999, all individual shingles, tiles, shakes, panels and sheets of roof coverings must bear the label of UL or a testing lab-

oratory approved by TDI. The label must indicate the classification of the product under UL Standard 2218 and the manufacturer's name, the year manufactured and the brand name.

Q How does a manufacturer get its product listed on TDI's Web page?

A TDI will add it to the Web page when we receive acceptable documentation from either the manufacturer or the testing lab. Contact Larry Dunbar of the Residential Property Section, 512 322-2266 for further information.

Q Is there anything I must submit to my insurance agent or company in order to receive the credit?

A Yes, the installer must complete the Roofing Installation Information and Certification for Reduction in Residential Insurance Premiums form and give it to the homeowner. All information on the certificate must be completed, and the person responsible for the installation of the roof covering must sign the certificate.

Q Where can I get a copy of the installation certification form?

A The form is available on our Web Page, or you may contact the Residential Property Section of TDI at 512 322-2266. We will be happy to either mail or fax a copy.

Q My insurance company will not give me the discount because my roof shingles are not listed on TDI's Web page. Can it do that?

A Your roofing product does not have to be on our Web page for you to receive the credit. We provide the list on our Web page as a service and for informational purposes only. We add new products when we receive proper notification from either the testing lab or the manufacturer. There could be a number of qualified products not on the list that are eligible for the credit. Insurance companies are required to provide the mandatory credit to a policyholder

whose roofing installer has completed the proper form.

Q My roof was installed two years ago. Is my insurance company required to give me the impact resistant roof discount?

A No. Companies are required to give the discount only for non-metal roof products installed on or after February 17, 1998, and for metal roofing products installed on or after May 2, 1998. However, companies may voluntarily provide the credit for any impact-resistant roof covering installed before those effective dates if they choose.

Q I read in the paper that in my county, the discount for a Class 4 roof is 34 percent. But, my company is only giving me a discount of 25 percent. Why am I not receiving the full discount?

A Only rate-regulated companies must give the exact discounts prescribed by TDI. Lloyds companies and reciprocal exchanges, which are exempt from rate regulation, must give discounts for impact-resistant roofs but are free to determine the amount of the discounts for themselves. Lloyds and reciprocals write about 85 percent of the homeowners insurance business in Texas.

Q Is this credit available for my commercial building?

A No. The credit is available only for buildings insured under a Texas Homeowners or Texas Dwelling policy. Companies writing commercial buildings establish their own rating rules and rates. You should ask your company about the available discounts or credits offered to its policyholders.

For additional information, contact Larry Dunbar, Automobile/Homeowners Division, Texas Department of Insurance, at 512 322-2266. ★

HMOs Report 3rd Quarter Losses of \$117.6 Million

THIRTY-TWO of the 51 basic service HMOs operating in Texas lost money in the third quarter of 1998. Quarterly statements filed with TDI showed after tax losses totaling \$117.6 million on Texas-only operations.

TDI concern over the basic-service HMOs' continued losses led the Department to recommend that the 76th Legislature, which convened January 12, enact stronger net worth requirements and authorize TDI to issue risk-based capital rules for HMOs.

Single-service HMOs remained profitable. Only three of the 20 single-service HMOs reported after-tax losses for the third quarter. Net income for the single-service segment of the industry was a positive \$4.6 million.

Basic-service HMO cumulative net losses for the first three quarters of 1998 totaled \$217.6 million. Single-service HMOs, meanwhile, recorded cumulative net income of \$16.5 million for the first three quarters.

Enrollment in basic service HMOs jumped 6.2 percent during the third quarter of 1998, from 3,689,162 on June 30 to 3,917,273 on September 30. Single service enrollment also increased, from 2,440,877 to 2,462,514. ★



Legal Notes Supreme Court Addresses Health Coverage Issue

By Ann Bright, Section Chief, Agency Counsel Section, Legal and Compliance Division.

THE TEXAS SUPREME COURT recently addressed whether a health insurer acted in violation of the Texas Deceptive Trade Practices Act (DTPA) or *Texas Insurance Code* Article 21.21. The opinion indicates that there must be evidence of more than improper denial of a claim to prove a violation of the DTPA or Article 21.21. Since the claimant did not allege breach of the insurance contract, the court did not address whether the claim should have been paid.

Provident American Insurance Co. v. Denise Castañeda

Guillermo Castañeda (Castañeda) applied to Provident American Insurance Co. (Provident) for health coverage for himself and his family. Castañeda did not disclose that two days before he applied, his son, Guillermo Jr., was treated for jaundice, anemia and suspected hepatitis. Several years prior, one of Castañeda's daughters, Denise, was treated for jaundice and hepatitis. In June 1991, Provident issued a policy covering the Castañeda family.

The policy did not cover any illness that "manifests" within thirty days of the policy's effective date. The policy also excluded coverage for disorders of the gall bladder "unless the loss occurred more than six months after the policy's effective date."

Within 30 days after the policy was issued, the Castañedas learned that a relative had been diagnosed with hemolytic spherocytosis (HS), a hereditary condition that can result in anemia, jaundice and gallstones. Because the condition is hereditary, the Castañedas were tested for HS. On the 33rd day after the policy was issued, Denise and Guillermo, Jr. were diagnosed with HS. As a

result, Denise and Guillermo underwent surgery to remove their spleens and gallbladders.

The Castañedas submitted a claim to Provident. Provident denied the Castañedas' claim. The claim was initially denied because of the six-month exclusion for gallbladder disorders. However, Provident later claimed that coverage was excluded because the HS manifested within 30 days after the policy's effective date.

Guillermo Castañeda sued Provident on behalf of his daughter, Denise. The Castañedas alleged that Provident had violated the Deceptive Trade Practices Act (DTPA) and *Texas Insurance Code* Article 21.21. The Castañedas did not sue for breach of the insurance contract. The jury awarded Denise Castañeda \$50,000 for "loss of credit reputation and loss of benefits." The jury also awarded Denise attorney's fees in the amount of 33 percent of the recovery. The jury also found that Provident had engaged in "knowing" conduct. Under the DTPA, knowing conduct can result in treble damages. Therefore, the trial court awarded treble damages to Denise Castañeda. Provident appealed. The Court of Appeals upheld the trial court's decision. Provident appealed to the Texas Supreme Court (the court).

The court considered whether there was evidence to support the trial court's decision. The court noted that to uphold the jury's findings there must be evidence that Provident denied the claim "without a reasonable basis or after its liability had become reasonably clear."

The court noted the dispute about when the HS was first manifest. Provident argued that it was

manifest within 30 days after the policy was issued. Denise Castañeda claimed that it was manifest after the 30-day period. The court stated, "[W]hen medical evidence is conflicting, liability is not reasonably clear, and it cannot be said that the insurer had no reasonable basis for denying the claim unless the medical evidence on which the insurer based its denial is unreliable and the insurer knew or should have known that to be the case."

The court observed that there was no reason for Provident to question the information provided or the medical records regarding Denise Castañeda's claim. The court indicated that a coverage dispute does not necessarily constitute a violation of the DTPA or Article 21.21.

Denise Castañeda also argued that Provident was liable because it had pre-approved her surgery. The court stated that when Provident pre-approved the surgery, it did not know that Denise had previously been treated for jaundice and hepatitis. Also, the court noted that Denise Castañeda did not rely on the pre-approval to her detriment. There was no evidence that Denise Castañeda would not have had the surgery if Provident had not pre-approved it.

The court determined that there was no evidence that Provident violated the DTPA or Article 21.21. Since Denise Castañeda did not argue that Provident had breached the insurance contract, the court did not determine whether the claim should have been paid.

Provident American Insurance Co. v. Denise Castañeda, No. 96-0249 (Texas Supreme Court, December 31, 1998). ★

Fraud Unit Prosecutions

Braddock, Mark, indicted in Dallas on charges of securing execution of a document by deception, involving \$200,000 or more.

Shumate, Cynthia, indicted in Titus County on a charge of fabricating physical evidence.

Cantu, Jose, indicted in Austin and arrested in Houston on charges of forgery, tampering with a governmental record and making a false statement in a written instrument.

Singh, Beant, indicted in Houston on insurance fraud charges.

Singh, Kulinjinder, indicted in Houston on insurance fraud charges.

Rollin, Peter, arrested in Killeen on charges of theft between \$1,500 and \$20,000.

Credit Property Insurers Must File Rates and Forms

COMPANIES WRITING credit property insurance after January 1, 1999, without obtaining TDI's prior approval of their policy forms, rules and rates may be subject to enforcement action, the Department has warned.

Deputy Commissioner Marilyn Hamilton of the Commercial Property/Casualty Division issued a bulletin (B-0088-98) reminding companies of the prior approval requirement.

Hamilton said that as of December 18, 1998, the date of the bulletin, only one company had made the required filing. Through mid-January, six insurers had filed.

TDI rules adopted in July 1998 made credit property insurance resulting from open- and closed-end consumer transactions a class of inland marine insurance subject to filing and prior approval of rates, rules and forms. Lloyds companies, reciprocal exchanges and county mutuals are exempt from this filing requirement. ★



Company Licensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Bankers Lloyds Insurance Co.	Lloyds	St. Petersburg, FL
Benefits 2000 Inc.	TPA	Brookfield, WI
Bunch and Associates Inc.	TPA	Lakeland, FL
Directors Life Assurance Co.	Life	Oklahoma City, OK
Gallagher Basset Services Inc.	TPA	Dover, DE
Healthcare Underwriters Mutual Insurance Co.	P/C	Latham, NY
Merchants Benefits Administration Inc.	TPA	Phoenix, AZ
Reliant Insurance Co.	P/C	Troy, MI

For incorporation

COMPANY	LINE	HOME OFFICE
The Bridge Health Network Inc.	TPA	Waco, TX
Harris Methodist Select	TPA	Arlington, TX
Horizon Benefit Services	TPA	Fort Worth, TX
Professional Vision Care, P.C.	TPA	San Antonio, TX

For name change in Texas

FROM	TO	LINE	LOCATION
American Surety Life Insurance Co.	Texas Burial Life Insurance Co.	Life	Richardson, TX
Community National Assurance Co.	Phoenix National Insurance Co.	Life	Cincinnati, OH
Fortress Insurance Company of America	Professional Liability Insurance Company of America (assumed name of Medical Liability Insurance Company of America)	P/C	New York, NY
Independent Life Insurance Co.	Direct Life Insurance Co.	Life	Marietta, GA
International Surety and Casualty Co.	Unistar Insurance Co.	P/C	Dallas, TX
Lincoln Memorial Life Insurance Co.	New Life Insurance Co.	Life	Austin, TX
Managedcomp National Insurance Co.	Advantage Workers Compensation Insurance Co.	P/C	Indianapolis, IN
Mercantile & General Life Reassurance Company of America	Sun Life of Canada Reinsurance Co.	P/C	New York, NY
Nordstern Insurance Company of America	Axa Nordstern Art Insurance Corp.	P/C	New York, NY
Skandia U.S. Insurance Co.	Pennsylvania Casualty Co.	P/C	Topeka, KS
World Service Life Insurance Co. of America	Lincoln Memorial Life Insurance Co.	Life	Austin, TX

Correction to a previously filed name change application

FROM	TO	LINE	LOCATION
Health Care Service Corp. (a Mutual Legal Reserve Company)	Blue Cross and Blue Shield of Texas, A Division of Health Care Service Corporation	Mutual Life	Chicago, IL

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
American Caresource Corp.	TPA	Wilmington, DE
Chase Insurance Agency Inc., dba Chase Insurance Services	TPA	Wilmington, DE
Promedco of Temple Inc.	TPA	Wilmington, DE
Westport Benefits, L.L.C.	TPA	Wilmington, DE
Worldwide Insurance Services Inc.	TPA	Fairfax, VA

For incorporation

COMPANY	LINE	HOME OFFICE
Capital Area Behavioral Health Care Corp.	TPA	Austin, TX
Electronic Benefit Administrators Inc.	TPA	Dallas, TX
Lashelle, Coffman & Boles, LTD.	TPA	Austin, TX
Mental Health Network Institutional Services, L.P.	TPA	Austin, TX
Mission Claims Service Inc.	TPA	San Antonio, TX

Continued on page 12

Company Licensing

Applications Approved

For incorporation

COMPANY	LINE	HOME OFFICE
Providence Administrative Services Inc.	TPA	San Antonio, TX
STPA Management Services Inc.	TPA	Harlingen, TX
Texas Podiatry Associates, I.P.A., P.A.	TPA	Houston, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Acordia of Dallas Inc.	Frank Gates USA Inc.	TPA	Bingham Farms, MI
IIT-Comprehensive Employee Benefit Service Co.	Hartford-Comprehensive Employee Benefit Service Co.	TPA	Simsbury, CT
Mutual Life Insurance Company of New York, The	Mony Life Insurance Co.	Life	New York, NY
Reciprocal Exchange Association, San Antonio, TX	Garrison Property and Casualty	Reciprocal	Kansas City, MO
Western Claim Services Inc., dba Anderson Risk Management Services	dba USI Risk Management Services of Texas	TPA	Houston, TX

Disciplinary Actions

Editor's Note: Copies of individual orders may be obtained by calling TDI's Public Information Office, 512 463-6425.

AGENTS & AGENCIES

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
AMPAC, Inc.	Dallas	\$60,000 Fine	Failure to Timely Submit a Completed Managing General Agent's License Renewal Application	98-1379	12/1/98
Beaty, Roger Lee	Mineola	\$750 Fine	Failure to Complete Continuing Education Requirements	98-1462	12/17/98
Ingrum, George Larry	Pampa	Group I and Local Recording Agent's Licenses Revoked	Unfair and Deceptive Practices; Material Misstatements on License Applications	98-1186	10/13/98
Jenkins, Tracey Lashun	Dallas	License Denied	Felony Conviction	98-1276	11/3/98
Morris, Phillip Debbs	Flower Mound	Group I, Group II and Local Recording Agent's Licenses Suspended for One Year; \$12,200 in Restitution	Illegally Withholding Money Belonging to An Insured	98-1352	11/20/98
Neal, Wendell Jud	Graham	\$750 Fine	Material Misstatement on Application	98-1463	12/17/98
Ramirez, Dina Geralynn	Houston	License Denied	Felony Convictions	98-1277	11/3/98
Stewart Title Guaranty Co.	Houston	\$1,500 Fine	Failure to Notify TDI that an Agent Did Not Submit Escrow Audit	98-1464	12/17/98
Stone, Jerry Neil	Gail	Adjuster's License Denied	Felony Conviction	98-1468	12/18/98
Williams, Lonnie L.	Longview	Group I Agent's License Revoked	Failure to Complete Continuing Education Requirements in Two Licensing Cycles	98-1248	10/28/98

COMPANIES

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
N.A.D.A. Indemnity Inc., dba ACECO	Denver, CO	\$10,000 Fine, Cease-and-Desist Order, Payment of Back Premium Taxes	Unauthorized Insurance	98-1419	12/8/98
The Connecticut Indemnity Company	Farmington, CT	\$8,500 Fine	Late Filing of Commercial Auto Experience Rating Data	98-1449	12/14/98



Texas Department of Insurance
 P.O. Box 149104
 Austin, Texas 78714-9104

Bulk Rate
 U. S. Postage
P A I D
 Austin, Texas
 Permit No. 1613