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Texas InsuranceNews

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INSIDE

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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.

Advisory Committee Recommends Eliminating 17 License Categories

THE ADVISORY COMMITTEE for the Interim Study of Agents and Agents' Licensing Statutes has recommended elimination of 17 existing license types. Most would be rolled into two major license categories—one each for life/health/HMO and property and casualty.

Commissioner Elton Bomer will consider the report in making his own recommendations to the 76th Legislature, which convenes in January.

The report includes several across-the-board recommendations:

- Applicants for all agent license types should have to pass an examination given by TDI's independent testing contractor. Company-administered exams should be eliminated.
- All agents, other than those already grandfathered, should be required to receive continuing education as a condition for license renewal. The requirement would remain 30 hours per two-year licensing cycle for general licenses. "Limited" license types would have a requirement of 10 hours per cycle.
- Unreasonable bars to the licensing of corporate agencies should be eliminated.

License Consolidations

The committee recommended rolling most existing license types into two main authorities:

- General Life and Health License (01-01) based on the present Group I Legal Reserve Life/A&H/HMO license and
- General Property and Casualty License (05-01) based on the present Local Recording Agent's License. The general P&C license would be subdivided into full P&C, commercial lines and personal lines categories.

Under the advisory committee recommendations, fraternal benefit society agents and travel agents offering travel insurance to their clients would have to become licensed.

The tables below show the license types that the advisory committee said should be eliminated by rolling them into the new general licenses.

In the life/health field, the Temporary Life, Accident, Health and HMO (01-01 Temporary) and the Life Insurance Counselor's (11-00) licenses

Please see **Advisory Committee** *on page 4*

General Life and Health License (01-01)*

CODE	DESCRIPTION
01-02	Legal Reserve Combination or Industrial
01-03	Legal Reserve A&H and HMO
02-08	Casualty Selling A&H through Stock Casualty Companies
02-09	U. S. Military Personnel in Foreign Country
02-92	Stipulated Premium Life Over $10,000
02-93	Stipulated Premium A&H
02-94	Stipulated Premium Life Over $10,000 Plus A&H
04-00	Variable Contract Agent

**The advisory committee recommended that agents for fraternal benefit societies be licensed under the General Life and Health License authority (01-01).*

General Property and Casualty License (05-01)

CODE	DESCRIPTION	PROPOSED LICENSE SUB-CATEGORIES
06-00	Solicitor	Personal, Commercial or Full P&C
06-01	Insurance Service Representative	Personal, Commercial or Full P&C
02-06	Group II County Mutual	Personal
07-01	Full-Time Home Office Salaried Employees*	Personal, Commercial or Full P&C
10-00	Nonresident P&C Agent	Full P&C

**Currently registered, not licensed.*

NewsBriefs

Bomer Revises WC Class Relativities

COMMISSIONER ELTON BOMER has issued an order adjusting workers' compensation classification relativities in a two-step process that resulted in relativities more reflective of premium charged in the Texas marketplace.

Classification relativities first were revised up or down based on 1991-1995 loss experience. Changes to individual relativities were capped at 25 percent, plus or minus. The second step reduced the resulting relativities by 30 percent across the board.

The reduction produces numbers that will maintain a known benchmark against which insurers may measure their own rate needs. The change should have no obvious effect on insurer pricing strategies under Texas' file-and-use rating system.

Bomer also revised the table of Expected Loss Rates and Discount Ratios contained in the workers' compensation manual as part of the uniform experience rating plan. The new rates and ratios are a more accurate reflection of losses that should be used to experience rate policies that will be effective in 1999. Changes were capped at 25 percent, plus or minus, to minimize possible rate shock.

TDI distributed the new relativities, revised WC classifications, expected loss rates and discount relativities to the industry in two bulletins (B-0063-98 and B-0064-98) dated September 14, 1998.

Through combining similar classifications, Bomer reduced the number of classifications by 11. He also removed clerical employees from 10 classifications and salespersons from six codes.

The new relativities take effect with policies written with effective dates on and after January 1, 1999. All rates used as of that date must be based on either the new relativities or on company-specific relativities filed with TDI by January 1, 1999.

Companies may use the new relativities before January 1, 1999, provided they file their rates with TDI before the effective date of their new rates.

The Department planned a bulletin in late September describing filing options and procedures for adopting the new relativities. It is highly recommended that companies wait until they have received this bulletin before making filings adopting the relativities.

The new expected loss rates and discount ratios must be used to calculate experience modifiers with effective dates on or after January 1, 1999. However, they may not be used to calculate experience modifiers effective before that date. ★

Insurers Reminded of 60-Day Refund Deadline

TDI IS RECEIVING an increasing number of complaints from premium finance companies about delays in receiving unearned premiums and unearned commissions from insurers, managing general agents and local recording agents. These delays, in turn, are delaying refunds to insureds.

Texas Insurance Code Article 24.17(f) governs refunds of financed premiums when a policy is cancelled.

The statute gives insurers 60 days after the policy cancellation date to return unearned premiums to premium finance companies.

An insurer may deduct from the premium finance company's unearned premium refund any unearned commission owed by the agent who wrote the business, provided the company notifies the agent in writing to return the unearned commission to the premium finance company. If the agent fails to do so within 90 days after policy cancellation, the insurer is responsible for refunding the unearned commission to the premium finance company by the 120th day after cancellation.

The Department considers delaying or failing to make unearned premium refunds to premium finance companies a violation of the insurance code and may begin taking disciplinary action if it sees a pattern of such behavior on the part of any insurer, MGA or local recording agent. TDI would expect the complaining premium finance company to document the pattern of non-payment ★

P&C Rate and Form Filings No Longer Published in TIN

STARTING WITH THIS ISSUE, *Texas Insurance News* no longer will publish a monthly list of approved and disapproved property and casualty rate and form filings.

The list is available on TDI's Web site, **www.tdi.state.tx.us.** At the home page, click on COMPANY, then on Property & Casualty, then on Form & Rate Approvals/Disapprovals (the fifth bullet down). ★

OPIC Publishes First HMO "Report Card"

THE OFFICE OF PUBLIC INSURANCE COUNSEL (OPIC) has issued its first annual HMO report card, *Comparing Texas HMOs 1998.*

The report contains results of a survey asking HMO members how they rate their plan, the quality of care they receive and the doctors and specialists in the plan.

The report also compares the level of complaints by patients and doctors and the number of independent reviews requested by patients.

Copies May be obtained by calling OPIC at 512-322-4143 ★

Fraud Unit Prosecutions

Indictments:

Jones, Tyrone Okeff, indicted in Dallas, June 23, 1998, on insurance fraud charges.
Smith, Allen, indicted in Dallas, June 23, 1998, on insurance fraud charges.
Smith, Sherri, indicted in Dallas, June 23,1998, on insurance fraud charges.
Mokque, Festus, indicted in Dallas, February 13,1998, on insurance fraud charges.
Mokque, Jozefa, indicted in Dallas, February 13, 1998, on insurance fraud charges.

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 third quarter of 1998 are due October 10, 1998. 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 Third Quarter 1998 Experience were to be mailed the end of September 1998, and will be due November 15, 1998. 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 Third Quarter 1998 Experience was to be mailed the end of September 1998, and will be due November 15, 1998. TDI contact is Vicky Knox, 512 475-1879. E-mail address: **vicky_knox@tdi.state.tx.us** ★

TDI update

TDI Asks $2.2 Million Cut in Appropriations

THE DEPARTMENT has submitted a $94.9 million Legislative Appropriations Request for the 2000-2001 biennium, reflecting a reduction of about $2.2 million from TDI's current appropriation level.

The proposed reduction consists primarily of three components:

- $620,000 from the deletion of a contingency appropriation for House Bill 710 (Texas Health Insurance Risk Pool).
- $1,241,606 in estimated lapsed salaries.
- $338,790 from reductions in capital expenditures.

The request proposes a staffing level of 1,045.5 budgeted positions, including the State Fire Marshal's Office, which became part of TDI on September 1, 1997.

"TDI is committed to maintaining strong regulatory oversight of the $54 billion-a-year Texas insurance industry," Commissioner Elton Bomer said in the Administrator's Statement that opens the budget request. "Within the requested appropriation, which reduces overall dollars, TDI will continue implementing bills and adopting rules, providing consumer information, improving the availability of insurance, vigorously enforcing the *Texas Insurance Code*, combating insurance fraud, monitoring factors affecting insurance rates and taking appropriate regulatory intervention as needed.

"TDI will use funds from the FY 2000–2001 appropriation to continue its major regulatory efforts during the next biennium to encourage fair competition and the financial health of the insurance industry while decreasing industry loss costs and reducing loss of life and property due to fire." ★

PersonalNotes

Albert Betts Named Assistant General Counsel

ALBERT BETTS JR. has been appointed as TDI's new Assistant General Counsel. Betts came to TDI from the State Office of Risk Management, where he served as general counsel. As such, he advised the office's six-member board, executive director and staff on legal issues that included administrative law, public entity and workers' compensation issues.

Betts previously served four years as staff counsel in the Office of the Attorney General's Workers' Compensation Division before it merged into the State Office of Risk Management on September 1, 1997.

Betts also has served as assistant general counsel in the Self-Insurance Division of the Texas Workers' Compensation Commission.

During law school and upon graduation, Betts served in the Financial Litigation Division of the Office of the Attorney General, representing TDI and other agencies in litigation matters.

Betts, 33, received a bachelor's degree in economics and a law degree from the University of Texas at Austin. ★

Lee Appointed Public Education Director

AUDREY SELDEN, associate commissioner of the Consumer Protection Program, has appointed Richard Lee as director of the Public Education Activity.

Lee has had wide experience in many communications fields, including public relations, public information and public education.

He joined the staff of the Texas Workers' Compensation Commission shortly after TWCC replaced the former Industrial Accident Board in 1990 and received the task of preparing the agency's first public education plan and promoting the agency statewide. Prior to TWCC, one of Lee's projects at an Austin public relations firm was recognized by the Public Relations Society of America as the best government public relations program in the nation. That project promoted economic development for the state of Ohio.

A Texarkana, Arkansas, native, Lee graduated from the University of Arkansas with a degree in communications. He did extensive post-graduate work at the University of Texas at Austin. ★

Car Insurance MAP Extended to Houston

TDI's AUTO INSURANCE Market Assistance Program (MAP) entered its second phase on September 1 with the addition of 57 underserved ZIP codes in Houston. By mid-September, 332 Houstonians had called the Department's MAP Section to apply for coverage at preferred or standard rates from the nine participating insurer groups.

Phase One began July 1 in Austin, El Paso and the Lower Rio Grande Valley. Dallas-Fort Worth ZIPs will be added November 1 and the remainder of the state on January 1, 1999.

Statistics on calls and eligible applications for the period July 1–September 15 appear in the table below.

	AUSTIN	EL PASO	LOWER VALLEY	HOUSTON
Calls received	417	275	213	332
Applications placed on Internet	227	150	130	113
Quotes to Applicants	72	44	44	1

Commissioner Elton Bomer started the program to help good drivers who, for whatever reason, became insured by non-standard companies or through the state's assigned risk plan.

TDI places eligible applications (underserved ZIP plus verified Motor Vehicle Record free of tickets for at-fault accidents and moving violations) on the Internet for selection by the nine participating insurer groups. The groups are Allstate, Farmers, GEICO, Nationwide, Progressive, Prudential Property & Casualty, Safeco, Southern Farm Bureau and State Farm. ★

Advisory Committee... *from page 1*

would be maintained as they are. However, the advisory committee recommended eliminating temporary licensure of property/casualty agents.

The committee recommended that Full-Time Home Office Salaried Employees who solicit and sell insurance be tested for the General P&C License according to the products they sell (personal or commercial lines). Those employed in salaried sales positions for at least two years would be exempt from examination. The existing pre-licensure education requirement would be eliminated. Companies could provide CE courses in-house, subject to registration of the courses with TDI.

Limited Licenses

Under the committee recommendations, the eight license types shown on the table below would become separate authorities under "limited" life, accident and health (LAH) or property and casualty (P&C) licenses. The exam would be shorter and less comprehensive than the exam for the general licenses. The continuing education requirement would be 10 hours per licensing cycle.

LICENSE TYPE
Prepaid Legal Services Agent (Both LAH and P&C)
Credit Insurance Agent (Both LAH and P&C)
Funeral Pre-Arrangement Life Insurance Agent (LAH)
Ticket Agent of Public Carrier Selling A&H (LAH)
Job Protection Insurance (LAH)
Stipulated Premium Life Less than $10,000 (LAH)
Agriculture Agent (P&C)
Local Recording Agent–Motor Vehicle Only (P&C)

The proposed new Travel Agent's License also would be a limited license.

The 02-03 Local Mutual Aid and 02-04 Local Funeral/Burial licenses—which have a total of four licensees—would be rolled into the 02-91 license for selling stipulated premium life policies with a death benefit of less than $10,000. The 02-02 Burial license, which has no licensees, would be completely eliminated.

General LAH and P&C licensees would not need to obtain limited licenses to sell corresponding specialty products.

Transition

Active agents licensed for at least two years under authorities to be rolled into the general licenses would receive the appropriate general license without having to take an examination. Continuing education for their new licenses would begin at the next renewal date following issuance of the general license.

The committee recommended that agents authorized to act for fraternals as of the date a new licensing law is signed by the Governor receive General Life and Health Licenses without written exams if their societies certify their names and addresses to TDI before the effective date of the act. Each fraternal agent would be required to submit a license application, fingerprint card and license fee.

Non-resident Agents

Non-residents no longer would be barred from receiving licenses to sell P&C insurance in Texas. Non-residents would be expected to meet reasonable requirements, including submission of fingerprint cards in Texas or their home states. The committee recommended that TDI use the NAIC non-resident license application.

Continuing Education

CE requirements for license renewal would be as outlined at the beginning of this article. CE in each licensing cycle would have to include four hours of ethics for holders of general licenses and two hours of ethics for limited license holders. Half of an agent's required hours would have to be in a classroom setting or a classroom equivalent setting as approved by TDI.

Other CE changes recommended by the advisory committee include:

- TDI registration and approval of providers and courses.
- Electronic filing by providers of individual agents' certificates of completion.
- Authorization for TDI to transfer CE administration, reporting and analysis to an independent contractor.

Corporate and Partnership Licenses

The advisory committee recommended repeal of current restrictions such as the law requiring all officers, directors and shareholders of a corporate agency to be licensed individually as agents. An entity could be licensed if it is incorporated under the laws of Texas or any other state or territory to do the business of insurance. Texas branch offices would have to be registered with TDI.

Under the recommendation, at least one officer, director or partner and all persons actually selling insurance would have to be individually licensed. Shareholders owning 25 percent or more of an entity would be required to provide fingerprint cards and biographical information.

Electronic Marketing

The committee recommended that TDI receive authority to issue rules for advertising on the Internet. The committee said Internet advertising should include the agents' or companies' names as shown on their insurance licenses, their states of residence or domicile, their insurance license numbers and issuing states, and any additional states where they are licensed to sell insurance.

In developing his report to the Legislature, the Commissioner may accept, reject or alter the advisory committee recommendations.

The full advisory committee report is available on TDI's Internet site, **www.tdi.state.tx.us.** ★

Building Code Takes Effect

TEXAS' NEW *Building Code for Windstorm Resistant Construction* took effect on September 1.

Non-engineered structures (including additions and certain repairs) started on or after September 1 must meet the new code to qualify for wind and hail coverage by the Texas Windstorm Insurance Association (TWIA).

On September 3, 1998, Commissioner Elton Bomer issued emergency rules adopting code changes recommended by the State's Building Code Advisory Committee in response to builders' comments at TDI educational seminars in coastal cities.

The changes include provisions that exempt historic buildings and increase the permissible roof span of one- and two-story buildings from 36 to 48 feet.

The new code is based on current technology and reflects lessons learned from Hurricane Andrew. The standards replace those established in the early 1970s.

Bomer adopted the new code in June 1997, with a June 1, 1998, effective date. He extended the effective date to September 1, 1998, after builders complained in late May that some materials necessary to build homes to the new code were not yet available. The necessary materials are now available.

Meanwhile, in response to requests from Bomer and coastal legislators, the TWIA in late August adopted an interim policy of paying wind and hail claim amounts that include any additional cost of complying with the new code.

The interim "repair to code" policy will remain in place until Bomer acts on a proposed TWIA endorsement that would cover the added repair costs to bring a damaged home up to the new standards. ★

LegalNotes

Supreme Court Addresses HO and Surety Bond Issues

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

THE TEXAS SUPREME COURT recently issued decisions addressing an insurer's liability under a homeowners policy and a surety bond. The following are summaries of the court's opinions.

State Farm Fire and Casualty Co. v. Durwood Vaughan and Shellie Vaughan

Cynthia Solis (Solis) operated a licensed child care facility in her home, where she cared for the infant son of Durwood and Shellie Vaughan (the Vaughans). One day, Solis left her home, leaving all the children unattended. Before leaving, Solis placed the Vaughans' child in a car safety seat inside a closet and threw a blanket over his head. Constable officers later discovered the children. Solis confessed to leaving the children unattended and was convicted of child endangerment.

The Vaughans sued Solis for damages from emotional distress. Solis' homeowners insurer, State Farm Fire and Casualty Co. (State Farm), refused to defend or indemnify Solis. The court awarded the Vaughans $50,000.

The Vaughans then sued State Farm claiming that under Solis' homeowners policy, State Farm was obligated to pay the judgment. Solis' policy excluded coverage for "bodily injury or property damage arising out of or in connection with a business engaged in by an insured" (the "business pursuit exclusion"). The trial court ruled that coverage was excluded by the business pursuit exclusion. The Court of Appeals reversed the decision of the trial court. State Farm then appealed to the Texas Supreme Court (the court).

State Farm contended that the claim regarding the Vaughans' child was not covered by the policy because the claim arose from a "business pursuit." The Vaughans argued that the business pursuit exclusion was ambiguous. The Vaughans also pointed to an earlier opinion in which the court had determined that a homeowners policy covered damages arising when a child in a home child care facility drowned after crawling through a hole in a fence to get into the home owner's swimming pool.

The court noted that if there was more than one reasonable interpretation, it must resolve the issue in favor of the insured. However, the court also noted that "Solis operated a full-time, for-profit, state-regulated residential child care business." The court went on to state that in interpreting the business pursuit exclusion, it must look at the activity that resulted in the liability. The liability in this case arose from the way Solis conducted her business pursuit. The court therefore determined that the business pursuit exclusion applied. As a result, the court ruled in favor of State Farm. *State Farm Fire and Casualty Co. v. Durwood Vaughan and Shellie Vaughan*, 968 S.W.2d 931 (1998).

Insurance Company of North America and Waite Hall Services, Inc. v. John W. Morris, et al.

IN 1984, several investors purchased interests in two limited partnerships to explore, drill, develop and produce oil and gas. These limited partnerships were known as Overlord III and Overlord IV. These transactions were arranged by Commonwealth Enterprises, Inc. (Commonwealth) and were brokered by Joseph Ace (Ace) and Stephen Gunnels (Gunnels). Each investor bought one or more "limited partnership units." Each limited partnership unit cost a total of $20,000. Of this amount, $15,000 was in the form of a promissory note. The investors' promissory notes were then assigned to lenders in exchange for production loans.

Commonwealth also obtained a commitment from Insurance Company of North America (INA) to issue surety bonds guaranteeing the promissory notes. Before issuing the bonds, INA reviewed documents related to Overlord III and Overlord IV and reviewed the geological and economic viability of the programs. INA required changes in the fee and financing arrangements for Overlord III and Overlord IV. INA also obtained indemnification agreements from the investors.

In obtaining investors for the Overlord deals, Ace and Gunnels exaggerated the potential rewards of the Overlord program and minimized the risks. Ace and Gunnels also misrepresented the success of previous ventures. Ace and Gunnels suggested that INA's approval of the deal indicated that it was a trustworthy investment, expected to generate a return of two or three times the original investment with little risk. Ace and Gunnels provided the investors with lengthy information regarding Overlord III and IV, although the investors read only a summary of the information.

In 1985, Overlord III and Overlord IV generated some revenue. However, in 1986, the revenues stopped. The investors defaulted on their promissory notes. The lenders demanded payment from INA on the bonds. INA paid on the bonds, and the lenders assigned the promissory notes to INA.

INA demanded payment on the notes from the investors. INA also claimed that it was entitled to recover from the investors based on the indemnification agreements. The investors did not pay. INA sued the investors. The investors counterclaimed, alleging, among other things, that INA violated the Texas Deceptive Trade Practices Act (DTPA) and the *Texas Insurance Code*. The investors alleged that INA misled them to believe that the investments were safe and low-risk.

In the trial court, the jury found, among other things, that INA had violated the *Texas Insurance Code* and the DTPA. The Court of Appeals affirmed that decision. INA appealed to the Texas Supreme Court. The Texas Supreme Court addressed a number of allegations by both parties; however, only those related to agency are discussed in this summary.

The Texas Supreme Court (the court) first considered whether Ace and Gunnels were agents of INA. The court looked to Article 21.02 of the *Texas Insurance Code* regarding conduct that causes someone to be an agent. INA had argued that sureties were not subject to Article 21.02. The court stated that although sureties are not regulated as the business of insurance under Article 21.21 of the *Texas Insurance Code*, other parts of the Insurance Code did apply to sureties. The court therefore determined that Ace and Gunnels were agents of INA in securing the surety bonds. However, the court determined, Ace and Gunnels had no authority to make representations about the investment.

The court then considered the alleged violations of the DTPA. The investors alleged that INA had engaged in certain unconscionable acts under the DTPA. The court stated,

> To prove an unconscionable action or course of action under the DTPA, a plaintiff must show that the defendant's acts took advantage of her lack of knowledge and that the resulting unfairness was glaringly noticeable, flagrant, complete and unmitigated.

Allegations of unconscionable acts included the fact that Ace and Gunnels were not licensed insurance agents. The court noted that under Article 21.02, the investors were "statutorily entitled to

Continued on page 10

RuleMaking

ADVERTISING

APA Adoption

Life Insurance Illustrations

- Commissioner Elton Bomer has amended 28 TAC § 21.114, to conform with the Life Insurance Illustration Rule summarized in this section under the heading, **LIFE INSURANCE** The change provides that if dividends are illustrated, the illustration must conform to the requirements of the newly adopted life insurance illustration rule (28 TAC §§ 21.2201–21.2214).

Projected publication date: September 25, 1998
Further information: 512 463-6327

AGENT LICENSING

APA Repeal

Examination of License Applications

- The Department has proposed repeal of 28 TAC §§ 19.101–19.104, 19.205–19.210 and 19.305–19.310. Taken in the order listed, these rules govern TDI-administered examinations of applicants for:
  - Group I legal reserve life insurance agent and health insurance agent licenses,
  - Group II licenses to write insurance in excess of $10,000 on any one life and
  - Group I accident and health insurance licenses.

The rules are obsolete because examinations no longer are given by TDI but by a private contractor.

Publication: 23TexReg8818, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

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.

FINANCIAL

APA Proposal

Alien Insurers' Trust Funds

- The Department has proposed an amendment to 28 TAC § 15.8, raising from $1.5 million to $5.4 million the irrevocable trust fund required for alien insurers to do business in Texas as surplus lines carriers. The fund, for protection of policyholders in the United States, must be maintained in a Federal Reserve System member bank. The proposed rule is necessary to implement House Bill 2193 of the 75th Legislature.

Publication: 23TexReg9530, September 18, 1998
Earliest possible adoption: October 18, 1998
Further information: 512 463-6327

APA Repeals

Miscellaneous Obsolete Sections

- The Department has proposed the repeal of 28 TAC §§ 7.14, 7.63–7.64, 7.301–7.309 and 7.631–7.636, all of which are obsolete, unnecessary or redundant of other statutes or rules.

Section 7.14 implements an annual credit insurance privilege fee authorized by *Texas Insurance Code* Article 4.09, which has been repealed.

Sections 7.63–7.64 adopts by reference annual statement forms for 1993 and 1995.

Sections 7.301–7.309 concern securities lending transactions, which now are governed by *Texas Insurance Code* Article 3.33.

Sections 7.631–7.636 concern the withdrawal of foreign and alien insurers from the state by reinsuring their total business. The sections were superseded by a statute, *Texas Insurance Code* Article 21.4-2C, and a regulation, 28 TAC §§ 7.1801 et seq, which are more detailed and broader in terms of regulatory authority.

Publication: 23TexReg 8816, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

Surplus Lines Reports

- The Department has proposed the repeal of 28 TAC §§ 15.15 and 15.28. Section 15.15 concerns reports of unauthorized insurance filed with the Surplus Lines Stamping Office of Texas. Section 15.28 allows the use of surplus lines coverage to meet insurance requirements of the Private Investigators and Private Security Agencies Act. Both sections duplicate provisions of *Texas Insurance Code* Article 1.14-2 and are, therefore, unnecessary.

Publication: 23TexReg 8818, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

LIFE INSURANCE

APA Adoption

Life Insurance Illustrations

- Commissioner Elton Bomer has adopted new 28 TAC §§ 21.2201–21.2214, concerning the use of illustrations in the sale of life insurance. The rules apply to all group and individual life policies and certificates except for variable life, annuities, credit life and life policies with no illustrated death benefits exceeding $10,000 on any one individual. The rules will apply to such policies sold on or after July 1, 2000.

The new sections incorporate nearly all of the NAIC Life Insurance Illustration Model Regulation but also contain provisions unique to Texas.

The stated goals of the rules are to assure that illustrations do not mislead life insurance buyers and to make illustrations more easily understood. Insurers are expected to define terms in language understood by a typical person within the segment of the public to which an illustration is directed.

The rules apply an actuarial test called the "Disciplined Current Scale" to limit the projection of non-guaranteed elements to those that are based on actual, recent and verifiable experience. The purpose of this test is to minimize or eliminate manipulation of assumptions underlying the illustration of non-guaranteed values.

Definitions

The most significant definitions include:

Contract premium, meaning the gross premium required to be paid under a fixed premium policy, including the premium for a rider for which benefits are shown in the illustration.

Non-guaranteed elements, defined as the premiums, benefits, values, credits or charges under a life insurance policy that are not guaranteed or not determined at issue.

Currently payable scale, meaning a scale of non-guaranteed elements in effect for a policy form as of the illustration date or de-

RuleMaking

clared to become effective within 95 days of the illustration date.

Disciplined current scale, which means a scale of non-guaranteed elements that constitutes a limit on an insurance company's currently used illustrations. The scale must be reasonably based on actual recent historical experience, as certified annually by an illustration actuary designated by the insurer. Standards of the Actuarial Standards Board may be relied upon for guidance if they are:

- Consistent with all provisions of the rule.
- Limit a disciplined current scale to reflect only actions that already have been taken or events that already have occurred.
- Do not permit a disciplined current scale to include projected trends of improvements in experience or any assumed improvements in experience beyond the illustration date.
- Do not permit assumed expenses to be less than minimum assumed expenses.

Illustrated scale, which means a scale of non-guaranteed elements currently being illustrated that is not more favorable to the policy owner than the lesser of:

1) the disciplined current scale or

2) the currently payable scale.

Illustration, defined as a presentation or depiction used in the solicitation or sale of a life insurance policy that includes non-guaranteed elements of the policy over a period of years and includes but is not limited to:

- A basic illustration, which is one showing both guaranteed and non-guaranteed elements.
- A supplemental illustration furnished in addition to a basic illustration. It must meet basic requirements of the rule and may be presented in a format different from the basic illustration. It may depict only a scale of non-guaranteed elements that is permitted in a basic illustration.
- An in-force illustration, which is one furnished at any time after the policy has been in force for one year or longer.

Policies to Be Illustrated

Life insurers must notify TDI whether a policy form is to be marketed with an illustration. This requirement will apply both to policies actively marketed on the rule's effective date and those filed later. If a policy form is identified as marketed without an illustration, a company may not use an illustration before the first policy anniversary. If illustrations are used, a basic illustration conforming to the rule must be provided. The rule makes certain exceptions for group policies.

General Requirements and Prohibitions

Guaranteed death benefits and values available upon surrender, if any, for the illustrated premium must be shown and clearly labeled as guaranteed.

An illustration may not base non-guaranteed elements on a scale more favorable to the policy owner than the insurer's illustrated scale at any duration. These elements must be clearly labeled as non-guaranteed.

Any illustration depicting non-guaranteed elements over a period of years must include a conspicuous disclaimer that:

- Identifies benefits and values that are not guaranteed.
- Identifies the assumptions on which the illustration is based.
- Discloses that the assumptions for the years shown are likely to change and, in fact, are subject to change by the insurer.
- States that actual results may be more or less favorable.
- Either generally identifies the factors that may affect future policy performance, such as death claims, investment earnings and overhead costs, or refers to the narrative that identifies these factors.

An acceptable disclaimer might say: "The values shown in the current and mid-point columns are not guaranteed and assume that our current scale for interest credited, cost of insurance and expense charges will remain unchanged for the years shown. This is not likely to occur, and actual results may be more or less favorable. Future credits for interest and deductions for mortality and expenses can vary at the company's discretion, depending upon factors such as death claims, investment earnings and overhead costs."

Any illustration that indicates a consumer might use non-guaranteed values to pay premiums or other policy charges must disclose clearly that, depending on actual results, a policy owner might need to continue or resume premium payments to keep a policy in force.

Insurers are explicitly prohibited from representing a policy as anything other than life insurance.

Illustrations may not depict policy performance as more favorable to the policy owner than that produced by the insurance company's illustrated scale.

The interest rate used to determine illustrated non-guaranteed elements cannot exceed the smaller of

1) the earned interest rate underlying the disciplined current scale or

2) the interest rate for the currently payable scale.

An illustration may not depict a persistency bonus, a specified additional amount or a specified reduction in mortality costs or expenses in a specified policy year (after the first year) unless it:

- Represents an express obligation of the insurance company in the contract or policy and
- Meets lapse-support and self-supporting tests required by the rules.

"Concept" Illustrations

A basic or supplemental illustration or both may depict a "concept," such as vanishing premium or an income stream. If the concept is shown in a basic illustration, an extended numeric summary must be used. If not shown in a basic illustration, a concept may be shown in an extended numeric summary appended to the basic or in a supplemental illustration.

Supplemental illustrations may depict a concept in one of four ways:

- A single illustration that calculates values based on both the illustrated scale and on an alternative scale contained in the rules.
- A single illustration that calculates values based on the illustrated scale, provided an extended numeric summary is attached that calculates values based on both the illustrated scale and one of the alternative scales.
- Two illustrations, one that calculates values based on the illustrated scale and another that calculates values based on one of the alternative scales.
- Until January 1, 2001, a disclosure document explaining in narrative form that
  1) the depiction of policy values to pay premiums does not mean that premium requirements are canceled, forgiven or waived; that the operation of any plan to pay premiums with policy

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values depends upon non-guarantee factors remaining unchanged, which may or may not occur; and/or

2) the use of policy cash flows for other purposes depends upon non-guaranteed factors remaining unchanged, which may or may not occur.

When a disclosure document is used to illustrate a concept, it must briefly describe the non-guaranteed factors affecting the use of policy values to pay premiums or to generate cash flows. It also must contain a hypothetical example for issue age 50 showing the impact on the concept of reducing the current non-guaranteed factors by 25 percent and 50 percent.

Alternative scales that may be used until January 1, 2001, include

1) mid-point and guaranteed scales,

2) the dividend component of the illustrated scale reduced by 50 percent or

3) the dividend and/or credited component of the illustrated scale reduced by 50 percent of the interest component of the illustrated scale in excess of policy guarantees.

Standards for Basic Illustrations

Basic illustrations (aside from the coverage page) must begin with a narrative summary that includes a brief description of the policy (including a statement that it is a life insurance policy) and a brief description of the premium to be paid. Narrative summaries also must briefly describe policy features, riders or options—guaranteed or non-guaranteed—and their potential impact on policy benefits and values. A basic illustration also must include the disclaimer, outlined above, concerning non-guaranteed values and benefits.

A basic illustration for an individual life policy must include a "numeric summary" showing premiums, death benefits and values at policy years 5, 10 and 20 and at age 70. The summaries must be presented on three bases:

1) policy guarantees,

2) insurer's illustrated scale and

3) insurer's illustrated scale with non-guaranteed elements reduced as follows:

- Dividends at 50 percent of the dividends contained in the illustrated scale.
- Non-guaranteed credited interest at rates that are the average of the guaranteed rates and the rates contained in the illustrated scale.
- All non-guaranteed charges, including but not limited to term insurance charges, mortality charges and expense charges, at rates that are the average of the guaranteed rates and the rates contained in the illustrated scale.

A certification, signed by both agent and customer, that a copy of the illustration has been provided to the customer must be included on the same page as the numeric summary.

Finally, a basic illustration must provide the following "tabular detail" for policy years 1–10 and for every fifth policy year thereafter until age 100, policy maturity or final expiration and (except for term insurance beyond the 20th year) for any year in which the premium is to change:

- The premium outlay and mode the applicant plans to pay and the contract premium, as applicable.
- The corresponding guaranteed death benefit, as provided in the policy.
- The corresponding guaranteed value available upon surrender, as provided in the policy.

Standards for Supplemental Illustrations

Insurers may provide supplemental illustrations if:

- They are attached to, accompanied by or preceded by a basic illustration that complies with the rule.
- The non-guaranteed elements shown are not more favorable to the policy owner than the corresponding elements based on the scale used in the basic illustration.
- They conform to the General Rules and Prohibitions section of the rule.
- The premium underlying the supplemental illustration is equal to the premium shown in the basic illustration.

Annual Report; Notice to Policy Owners

When illustrations are used after the rule's effective date, insurers will be required to give policy owners an annual report on the status of their policies. The required information for various contract types will include:

Universal Life

Policy value at the end of the previous report period and the end of the current report period.

Total amounts credited or debited to the policy value identified by type (for example, interest, mortality, expense and riders).

Death benefit for each covered life.

Net cash surrender value.

Amount of outstanding loans, if any.

When applicable, a notice warning that the policy's cash surrender value is insufficient to maintain insurance in force until the end of the next reporting period.

Other Life Policies

Current death benefit.

Annual contract premium.

Current cash surrender value.

Current dividend.

Application of current dividend.

Amount of outstanding loans, if any.

Policies Without Non-Forfeiture Values

TDI will require annual reports for these policies only when the insurer has made changes to non-guaranteed policy elements.

Annual Certification

Each insurer will be required to appoint one or more illustration actuaries. Their duties will include certifying that the disciplined current scale used in illustrations conforms to the Actuarial Standard of Practice for Compliance with the NAIC Model Regulation on Life Insurance Illustrations issued by the Actuarial Standards Board and that the illustrated scales used in insurer-authorized illustrations meet the requirements of the Texas rule.

The rule sets out requirements for such actuaries.

Other Rules

The life illustration rule does not supersede TDI's existing advertising rules, codified as 28 TAC Chapter 21, subchapters A and B.

Projected publication date: September 25, 1998
Effective date: September 29, 1998. Applicable to policies sold on and after July 1, 2000.
Further information: 512 463-6327

PROFESSIONAL LIABILITY

APA Repeals

Omnibus Health Care Rescue Act

■ The Department proposes the repeal of 28 TAC §§ 5.1301–5.1309, providing medical professional liability insurance rate reductions for health care professionals and clinics that provided charity care or services in 10 percent or more of their patient encounters. Repeal is necessary because the Omnibus Health Care Rescue Act that provided authority for the reductions expired on September 1, 1997.

Publication: 23TexReg 8812, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

Patient Safety and Risk Training

■ The Department proposes the repeal of obsolete 28 TAC §§ 5.1401 and 5.1402, relating to patient safety and risk reduction training for health care professionals.

The rules were part of TDI's implementation of the Omnibus Health Care Rescue Act, which expired on September 1, 1997.

Publication: 23TexReg 9249, September 11, 1998
Earliest possible adoption: October 11, 1998
Further information: 512 463-6327

Standard and Uniform Rates

■ The Department proposes the repeal of 28 TAC § 5.1521, relating to procedures for promulgating standard and uniform rates for professional liability insurance. The 73rd Legislature rendered the rule obsolete by enacting House Bill 1461, which established a file-and-use rating system for miscellaneous professional liability insurance.

Publication: 23TexReg 9249, September 11, 1998
Earliest possible adoption: October 11, 1998
Further information: 512 463-6327

PROPERTY

APA Adoption

Windstorm Inspection Forms

■ Commissioner Elton Bomer has approved amendments to 28 TAC § 5.4603, adopting by reference new and revised forms for use in the process of inspecting coastal construction and certifying compliance with the *Building Code for Windstorm Resistant Construction* or the *Windstorm Resistant Construction Guide.* Certification is necessary to obtain wind and hail coverage by the Texas Windstorm Insurance Association (TWIA). The rule also eliminates seven forms that are incorporated into the new or revised forms.

The newly adopted forms are:

WPI-2D, Building Design Compliance.

WPI-9E, Texas Department of Insurance Application Acknowledgement for Engineered Structure–No Fee Required. The form acknowledges receipt of an application for inspection of an engineered structure, assigns an application identification number and acknowledges that a Texas licensed professional engineer will be responsible for the inspection and for notification of the structure's compliance with the code or the guide.

WPI-9F, Texas Department of Insurance Application Acknowledgement–Fee Required. The form acknowledges receipt of an application for an inspection by TDI, assigns an application identification number, stipulates the required fee and provides information such as field office location, phone number and types of inspections requested.

Revised forms are:

WPI-1, Application for Windstorm Building Inspection.

WPI-2, Building Construction Compliance.

WPI-7, Field Form. (The revised form incorporates information contained in five repealed forms. This will reduce the amount of paperwork required for each inspection and provides a single form for tracking and documenting a structure's progress.)

WPI-8, Certificate of Compliance.

WPI-9, Texas Department of Insurance Application Acknowledgement–No Fee Required.

Forms repealed are:
WPI-3, Foundation Inspection.
WPI-4, Rough Framing Inspection.
WPI-5, Final Framing Inspection.
WPI-6, Mechanical Equipment Inspection.
WPI-11, Re-Roofing Application.
WPI-MH-1, Mobile Home Tie-Down Survey. (TDI has discontinued this optional service.)
WPI-2M, Metal Building Certificate.

Publication: 23TexReg9557, September 18, 1998
Effective date: September 22, 1998
Further information: 512 463-6327

APA Emergency Adoption

Windpool Building Code Changes

■ Commissioner Elton Bomer has adopted on an emergency basis amendments to 28 TAC § 5.4008, making certain changes in the new coastal *Building Code for Windstorm Resistant Construction.*. For more detail, see article on page 4.

Publication: 23TexReg9517, September 18, 1998
Effective date: September 3, 1998
Further information: 512 463-6327

APA Repeals

Prohibited Practices

■ The Department has proposed the repeal of 28 TAC §§ 5.3001-5.3004, which prohibited guaranty, indemnity or reinsurance agreements designed to circumvent promulgated rates for property insurance. The rules are obsolete because the 1991 Legislature established a file-and-use rating system for commercial property risks and a benchmark rating system for residential property insurance.

Publication: 23TexReg 8813, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

Rate Deviations and Dividend Payments

■ The Department has proposed the repeal of 28 TAC § 5.3101, which established a procedure for insurers to deviate from promulgated rates for commercial and residential property insurance. The rule became obsolete when the 1991 Legislature repealed the promulgated rate laws and replaced them with file-and-use rating for commercial risks and flexible rating for residential risks.

Publication: 23TexReg 8814, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

Commercial Property Rating Forms

■ The Department has proposed the repeal of obsolete 28 TAC § 5.3301, which specified forms to be used in commercial property rating. The commercial property rating and inspection function was privatized effective September 1, 1994, and companies must now file and use their own commercial schedules and rating forms and certificates.

Publication: 23TexReg9249, September 11, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

Inland Marine Rules

■ The Department has proposed the repeal of 28 TAC § 5.5003, relating to the savings clause for rules defining and classifying inland marine insurance. Staff has determined that a savings clause no longer is necessary.

Publication: 23TexReg 9250, September 11, 1998
Earliest possible adoption: October 11, 1998
Further information: 512 463-6327

Loss Mitigation Advisory Committee

■ The Department has proposed the repeal of 28 TAC § 5.3600, which established the Residential Property Insurance Loss Mitigation Advisory Committee. The rule is obsolete

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because the Committee completed its work, and the rule expired by its own terms on December 31, 1995.

Publication: 23TexReg 8815, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

TAXES

APA Repeal

Maintenance Taxes

- The Department proposes the repeal of obsolete 28 TAC §§ 1.406 and 1.407. The rules established the maintenance tax rates for 1988 and 1989.

Publication: 23TexReg 8812, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

TRADE PRACTICES

APA Repeal

Prohibited Auto Underwriting Practices

- The Department proposes the repeal of 28 TAC §§ 21.1000 and 21.1003. The Texas Supreme Court invalidated both rules on July 12, 1996. Section 21.1000 prohibited insurers from refusing to insure based on the underwriting decision of another company. Section 21.1003 prohibited consideration of the number of vehicles insured or the number of policies purchased in the issuance or pricing of car insurance.

Publication: 23TexReg8820, August 28, 1998
Earliest possible adoption: September 27, 1998
Further information: 512 463-6327

WORKERS' COMPENSATION

APA Repeal

Agreement to Participation in Workers' Compensation Facility

- The Department proposes to repeal obsolete 28 TAC § 5.6401, which adopts by reference the Agreement to Participate in the Texas Workers' Compensation Assigned Risk Pool. The pool (later named the Texas Workers' Compensation Insurance Facility) no longer exists.

Publication: 23TexReg 9249, September 11, 1998
Earliest possible adoption: October 11, 1998
Further information: 512 463-6327

Bomer Considers Limits On Financial Incentives

COMMISSIONER ELTON BOMER held a public hearing in late September on how best to enforce laws prohibiting managed care organizations from offering providers financial incentives or payments that could directly or indirectly limit medically necessary services.

Bomer scheduled the September 24, 1998, hearing shortly after signing a consent order requiring Harris Methodist Texas Health Plan to refund about $3.4 million to doctors penalized under a system of improper financial incentives.

Under the Harris arrangements, physicians received financial penalties for failing to meet budgets set for their enrollees' use of pharmaceuticals.

Bomer urged insurers and providers to study the Harris Methodist consent order and financial incentive guidelines proposed by TDI staff in late August as roadmaps for acceptable incentives. Both are available on the TDI Web site (**www.tdi.state.tx.us**).

The guidelines relate to enforcement of *Texas Insurance Code* Article 20A.14(l) and *Texas Insurance Code* Article 3.70-3C § 7(d).

Rose Ann Reeser, senior associate commissioner for Regulation and Safety, said the language of the proposed guidelines is intentionally broad.

"We have tried to give HMOs and health insurers guidelines on incentives that are as clear as possible but still broad enough not to curtail the legitimate use of incentives to encourage cost-efficient, appropriate care," Reeser said. "The guidelines are not an exhaustive list of improper incentives. We have broadly identified types of incentive arrangements that can lead to trouble so that plans can avoid these pitfalls, but we must be able to continue to evaluate incentives on a case-by-case basis."

The possibility of improper incentives increases, she said, when individual physicians, rather than groups of physicians, are placed directly at risk for the cost of providing medical care to their assigned enrollees.

The proposed guidelines note that the larger the percentage of physician compensation at risk through the imposition of risk sharing contracts and/or financial incentives, the greater the potential that physicians will be induced to limit medically necessary services.

"This factor will exacerbate a situation in which the HMO/PPO has engaged in inappropriate budgeting of targets or has placed individual physicians at risk who have a small number of enrollees," the proposed guidelines say. ★

LegalNotes... *from page 5*

have licensed insurance agents present and solicit the surety bond applications and fees." The court determined, however, that the fact that Ace and Gunnels were not licensed insurance agents was not the producing cause of the investors' damages.

The court next addressed INA's claim that it was entitled to recover from the investors based on the indemnification agreements. The court again looked to the agent licensing provisions of the *Texas Insurance Code*. The court first looked to Article 21.07 which prohibits an insurance carrier from appointing a person to act as its agent unless the person has obtained a license under the provisions of the *Insurance Code*. Since Ace and Gunnels were not licensed agents, INA had acted in violation of this provision.

The court then considered Article 21.09 of the *Insurance Code*, which prohibits a licensed surety from authorizing or allowing a person other than a local recording agent to sign bonds on behalf of the surety. The person who signed the bonds on behalf of INA was not a licensed recording agent of the State of Texas. Therefore, INA had also violated Article 21.09.

The court determined, therefore, that it would not enforce the indemnification agreements because the bonds upon which the indemnification agreements were based were solicited in violation of the *Texas Insurance Code*. The court stated, "We refuse to enforce the Investors' indemnity agreements with INA, for to do otherwise would frustrate the purposes and public policies behind the *Insurance Code.*"

The court determined that each side take nothing. (This case also involved several allegations that are not discussed in this summary, including allegations of securities law violations, breach of the duty of good faith and fair dealing and other DTPA violations. For a discussion of these issues, please consult the full text of the court's opinion.) *Insurance Company of North America and Waite Hall Services, Inc. v. John W. Morris, et al.*, No. 96-1039, 1998 Tex. LEXIS 126 (July 14, 1998).

CompanyLicensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Benefit Land Title Insurance Co.	Title	Santa Ana, CA
Colorado Casualty Insurance Co.	P/C	Englewood, CO
Epitome, Inc.	TPA	Lancaster, PA
Personal Insurance Administrators, Inc.	TPA	Thousand Oaks, CA
Starnet Casualty Co.	P/C	Wilmington, DE
TDI Managed Care Services, Inc. (using the assumed name of Eckerd Health Services)	TPA	Wilmington, DE

For incorporation

COMPANY	LINE	HOME OFFICE
EBSS, L.L.C.	TPA	Houston, TX
Magellan Behavioral Health, Inc.	HMO	Dallas, TX
State Bar of Texas Insurance Trust	TPA	Austin, TX
Taylor Life Insurance Co.	Life	Taylor, TX
Underwriters Lloyds of Texas	Lloyds	Dallas, TX

For name change in Texas

FROM	TO	LINE	LOCATION
American Life and Casualty Insurance Co.	Conseco Annuity Assurance Co.	Life	Chicago, IL
Arizona Life Insurance Co.	Old West Annuity & Life Insurance Co.	Life	Phoenix, AZ
Capitol American Life Ins. Co.	Conseco Health Ins. Co.	Life	Phoenix, AZ
Unicare Insurance Co.	Unicare Workers' Compensation Insurance Co.	P/C	Costa Mesa, CA
USLife Credit Life Insurance Co.	American General Assurance Co.	Life	Schaumburg, IL

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
FHPA of the Southwest, L.L.C., dba FHPA of the Southwest	TPA	Wilmington, DE
JRH Risk Services, Inc., dba JRH Risk Services of Texas, Inc.	TPA	Birmingham, AL
Management Applied Programming, Inc.	TPA	Los Angeles, CA
Mercury Casualty Co.	Casualty	Brea, CA
Michigan Physicians Mutual Liability Co.	Fire and/or Casualty	East Lansing, MI
Natlsco, Inc.	TPA	Wilmington, DE
United Healthcare Services, Inc.	TPA	Minnetonka, MN

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Baylor Health Network, Inc.	TPA	Dallas, TX
Dallas Nephrology Associates	TPA	Dallas, TX
Health First of Texas, P.A.	TPA	Victoria, TX
Healthcare Partners Plans, Inc.	HMO	Tyler, TX
Insurance Corporation of America (New Co from shell 43325)	Casualty	Austin, TX
The Inteq Group, Inc.	TPA	Dallas, TX
Southern Vanguard Insurance Co.	Fire/Casualty	Dallas, TX
Trailblazer Health Enterprises, L.L.C.	TPA	Richardson, TX
Valley Baptist Health Plan, Inc.	HMO	Harlingen, TX
Value Behavioral Health of Texas, Inc.	HMO	Irving, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Adminastar Solutions, Inc., dba Healthcare Solutions	Outsourced Administrative Systems, Inc.	TPA	Indianapolis, IN
Anthem Health Plan of Texas, Inc.	Amerihealth HMO of North Texas	HMO	Dallas, TX
Continental Western Life Ins. Co.	Equitrust Life Ins. Co.	Life	West Des Moines, IA
Healthcare Partners Plan, Inc.	HealthFirst HMO, Inc.	HMO	Tyler, TX
Intercontinental Life Ins. Co.	Investors Life Insurance Co. of Indiana	Life	Indianapolis, IN
John Hancock Life Ins. Co. of America	Investors Partner Life Insurance Co.	Life	Wilmington, DE
Security of America Life Insurance Co.	American General Life Ins. Co. of Pennsylvania	Life	Reading, PA

DisciplinaryActions

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
Baran, Kenneth James	Taylor	Group I Agent's License Revoked	Material Misrepresentation of Terms or Effect of an Insurance Contract	98-0929	8/12/98
Holstein, Jay Tom, *dba* Fort Stockton Insurance Agency	Fort Stockton	Group I and Local Recording Agent's Licenses Revoked	Consent Order; Conversion	98-0927	8/12/98
Johnson, Russel Gary	Dalhart	Group I Agent's License Revoked	Material Misstatement on License Application; Dishonest Acts or Practices	98-0996	8/27/98
Krenek, Kenneth Wayne	Caldwell	Adjuster's License Denied	Fraudulent Transactions	98-0878	7/22/98
Morgan, Terry Wayne	Houston	$500 Fine	Material Misstatement on License Application	98-0928	8/12/98
Reynolds, Tara L.	Killeen	Agent's License Denied	Deferred Adjudication of Felony Charge; Did Not Respond to TDI Inquiries	98-0943	8/12/98
Shores, James Patrick	Monroe, GA	Non-resident Agent's License Denied	Material Misstatement	98-0804	7/8/98
Stevens, Mark Dewayne	Abilene	Group I and Local Recording Agent's Licenses Revoked	Fraudulent and Dishonest Practices and Acts	98-0993	8/27/98
Vaughan Abstract & Title Co.	Waco	$1,500 Fine	Late Filing of Escrow Audit Report	98-0921	8/6/98
Volrie, Lester III	Beaumont	Agent's License Denied	Felony Conviction	98-0884	7/27/98
Zepeda, Norma Ileana	Brownsville	Multiple Line Local Recording Agent's, County Mutual Agent's and Pre-Paid Legal Services Agent's Licenses Revoked	Misappropriation or Conversion	98-0871	7/21/98

COMPANIES

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
AECC Total Vision Health Plan of Texas	Dallas	$3,500 Fine	Maintained Books and Records Out of State Without TDI Approval	98-0886	7/27/98
Associates Financial Life Insurance Company of Texas	Irving	$3,000 Fine	Consent Order; Alleged Affiliate Transaction without TDI Approval	98-0951	8/14/98
Associates Lloyds Insurance Co.	Irving	$3,000 Fine	Consent Order; Alleged Affiliate Transaction Without TDI Approval	98-0950	8/14/98
Great Texas County Mutual Insurance Co.	Cincinnati, OH	$28,000 Fine	Market Conduct Violations	98-0892	7/29/98
Guarantee Reserve Life Insurance Co.	Calumet City, IL	$10,000 Fine	Consent Order; Alleged Advertising Violation	98-0920	8/6/98
Harris Methodist Health Plan Inc.	Arlington	$100,000 Fine; Approximately $3.4 Million Restitution; Compliance Agreement	Consent Order; Alleged Financial Incentives That Induce Physicians to Limit Medically Necessary Services	98-0975	8/19/98
Metropolitan Life Insurance Co.	New York, NY	$3,000 Fine	Consent Order; Alleged Late Responses to TDI Inquiries	98-0885	7/27/98
Southern Insurance Co.	Dallas	$4,000 Fine	Consent Order: Alleged Affiliate Transaction Without TDI Approval	98-0985	8/24/98
Unicare Life & Health Insurance Co.	Wilmington, DE	$10,000 Fine	Late Payment of Claims	98-0953	8/14/98

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