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### Texas Insurance News

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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.

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# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## TDI Bill Recommendations Introduced

**M**EMBERS OF THE 77<sup>TH</sup> LEGISLATURE have introduced bills carrying out all 14 of TDI's legislative recommendations, including agent licensing reforms and a streamlined auto and homeowner benchmark rate process.

March 9, 2001, was the deadline for introducing bills—other than local and “emergency” bills—without obtaining special permission by a four-fifths majority of the chamber where the bill is to be introduced. Bills embodying all of TDI's recommendations were introduced on or before the deadline. The regular session of the Legislature ends on May 28, 2001.

The May and June issues of **Texas Insurance News** will carry status reports on all bills embodying TDI recommendations. The July issue will summarize all enacted bills that amend the *Texas Insurance Code*.

*Texas Insurance Code* Article 32.022 (former Article 1.25) requires the Department to recommend “any needed changes” to the state's insurance laws before each regular session of the Legislature.

For more detail on TDI's recommendations see the summary in the January 2001 issue of **Texas Insurance News** or find the full report on TDI's Web site at <http://www.tdi.state.tx.us/commish/finalbie.html>.

Following are the bills carrying out TDI recommendations, along with their status as of **TIN's** printer deadline. Updated information on the status of individual bills is available on the Texas Legislature Online Web site, [www.capitol.state.tx.us](http://www.capitol.state.tx.us).

### Agent Licensing

**SB 414** and **HB1163**, by Senator Frank Madla, San Antonio, and Representative Craig Eiland, Galveston. The bills provide reciprocal licensing of nonresident property and casualty agents in conformity with the Gramm-Leach-Bliley financial services modernization act. The bills also consolidate license types, streamline requirements for licensing corporate agencies, require continuing

education and testing for most licenses and authorize the Commissioner to lengthen the licensing cycle if necessary to achieve uniformity with other states.

**Status:** Senate bill passed by Senate and reported favorably by House Insurance Committee; House bill heard by House Insurance Committee.

### Other Gramm-Leach-Bliley

**SB 604**, by Senator David Sibley, Waco, chairman of the Senate Business and Commerce Committee, providing authority for TDI and other financial regulators to enter into agreements for sharing confidential financial information.

**Status:** Heard by Senate Business and Commerce Committee.

**SB 605**, by Sibley, establishing a 60-day limit, the maximum allowed by Gramm-Leach-Bliley, for TDI's review of proposed affiliations between insurers and depository institutions.

**Status:** Passed by Senate.

**SB 994** and **HB 2829**, by Sibley and Rep. John Smithee, Amarillo, chairman of the House Insurance Committee. The bills would require property and casualty insurers to file loss control information with TDI only when they intend to write lines, such as general liability, for which loss control services are required. Current law requires a loss control plan as a prerequisite to obtaining a license.

**Status:** Senate bill passed by Senate. House bill introduced and referred to House Insurance Committee.

**HB 1945**, by Smithee, giving the Commissioner of Insurance additional rulemaking authority to adapt TDI's regulatory practices promptly to changing conditions.

**Status:** Heard by House Insurance Committee.

### Property and Casualty Insurance

**SB 415** and **HB 1000**, by Senator John Carona, Dallas, and Representative Elliott Naishtat, Austin, adding for-profit nursing homes to the provider

Please see **Legislation...** page 4



## NewsBriefs

### Montemayor Reappointed as Insurance Commissioner

**G**OVERNOR RICK PERRY has reappointed Commissioner Jose Montemayor to a new two-year term that began February 1, 2001.

The appointment must be confirmed by a two-thirds vote of the Texas Senate.

"I want to thank Governor Perry for placing his trust in me with this appointment," Montemayor said. "It is a huge honor to be a member of his team and to continue working for the people of Texas. I will work diligently to stress regulation that promotes a healthy, competitive insurance industry and fair rates and consumer protections for Texas policyholders."

Montemayor was first appointed as Commissioner by former Governor George W. Bush, now President Bush, in January 1999. Texas insurance commissioners serve two-year terms. ★

### TDI Wins Grant to Study Health Insurance Options

**TDI** HAS BEEN AWARDED a \$1,350,735 federal grant to develop plans for providing all Texans with affordable health insurance.

Texas is among nine states receiving one-year state planning grants totaling \$10.2 million. U.S. Health and Human Services Secretary Tommy G. Thompson announced the grants.

"The grant will give us a chance to study ways to expand health insurance access for all our residents. I pledge that we will spend the money wisely toward that goal," Commissioner Jose Montemayor said.

The other newly funded states are Arizona, \$1,162,879; California, \$1,197,000; Colorado, \$1,300,000; Connecticut, \$612,000; Idaho, \$1,119,421; South Dakota, \$1,056,812; Utah, \$1,102,000; and Washington, \$1,320,400. The nine latest recipients join 11 others that last year received grants totaling \$13.6 million, the first awards made under the program.

Under the program, administered by HHS' Health Resources and Services Administration, grantees from state agencies first will conduct studies to identify characteristics of their uninsured citizens. Grantees then will use that data to determine the most effective methods to provide all state citizens with high-quality, affordable health insurance similar to plans that cover government employees or other benchmark plans.

All state grantees are required by the end of their grant to report to the Secretary on grant activities and detail proposals for expanding insurance coverage to all uninsured citizens. ★

### Fraud Unit Prosecutions

#### Indictments

**Disodado, Jorge I.**, indicted in Dallas on charges of insurance fraud, a state jail felony.

**Fluker, Swakina Kiyotna**, indicted in Dallas on charges of insurance fraud, a state jail felony.

**Fluker, Robert Jr.**, indicted in Dallas on charges of insurance fraud, a state jail felony.

**Uresti, Gloria Segura**, indicted in Hidalgo County on charges of theft and securing the execution of a document by deception.

**Oltmann, David**, indicted in Houston on charges of misapplication of fiduciary funds, a third-degree felony.

**Rios, Rodney**, indicted in Houston on charges of tampering with a governmental record, a third-degree felony.

**Thomas, Billy C.**, indicted in Austin on charges of making a false statement in a written instrument, a third-degree felony.

#### Convictions

**Ali, Manzoor**, pleaded guilty in Austin to theft over \$200,000, a first-degree felony, and was sentenced to 10 years in prison, subject to 180 days' shock probation.

**Galindo, George**, pleaded guilty in Beaumont to theft, a state jail felony, and was sentenced to perform 250 hours of community service and pay \$2,436.58 in restitution.

**Lindamood, Charles**, pleaded guilty in Fort Worth to unauthorized insurance, a third-degree felony, and was sentenced to 160 hours of community service and a \$1,000 fine.

**Lopez, Anastacio**, pleaded guilty in Austin to tampering with a governmental record, a second-degree felony, and was sentenced to 120 months' probation, 45 days in jail, 300 hours' community service and a letter of apology to TDI.

**Pfister, Shelly Lynn**, pleaded guilty in Austin to theft by a public servant, a third-degree felony, and tampering with a governmental record, a second-degree felony. Sentenced to 120 months' probation, 45 days in jail, 300 hours of community service, \$4,000 in restitution and a letter of apology to TDI. ★

## Agents' Corner

By **Matt Ray**, Deputy Commissioner  
Licensing Division

**W**ITH THIS ISSUE, **TexasInsuranceNews** inaugurates a regular column of information from TDI's Agents Licensing Division. We hope it will prove useful to agents.

### License Processing

Agents Licensing processes filings in order of the date received. Agents can use the Internet to check on the status of filings sent to TDI. Start by checking processing dates at [www.tdi.state.tx.us/agent/agpdates.html](http://www.tdi.state.tx.us/agent/agpdates.html). Filings received after the processing dates shown on this site will not have been processed. Check the Web site again in a few days.

For license status, go to [www.texasonline.state.tx.us](http://www.texasonline.state.tx.us) and select Insurance Agent Lookup.

Agents also may call Agents Licensing at 512 322-3503 to determine processing dates and license status or to speak to a licensing technician.

### Using "Sircon" Can Save Time

The new State Insurance Regulators Connection (SIRCON) on the Internet can save transmission and processing time for certain filings. SIRCON's Web site is [www.sircon.com](http://www.sircon.com).

SIRCON identifies the states, including Texas, that use the NAIC's COSMOS agent license database system and are linked to SIRCON. Companies and agencies can use SIRCON to send certain agent information to TDI and communicate with the Department. There is a fee for each transaction. Users can write one check each month for all their state fees and SIRCON service fees.

Here are some of the capabilities of SIRCON.

- Processing requests for letters of certification and duplicate licenses for next day mailing.
- Appointment processing with instant online confirmation.
- Instant on-screen information about individuals and agencies in the state database.
- Instant on-screen appointment reports for individual companies.

### New Appointment Processing Resource

The Producer Information Network (PIN) is a service of the National Insurance Producer Registry, which is affiliated with the NAIC. Texas appointments can be processed electronically through the PIN. The NIPR Web site, [www.license-registry.com](http://www.license-registry.com), has more information about the electronic processing of appointments. ★



# TDI update

## Law and Ordinance Endorsements in Effect

**N**EW RESIDENTIAL PROPERTY insurance amendatory endorsements adding \$5,000 in free "law and ordinance" coverage to standard homeowners and dwelling policy forms are mandatory with policies written or renewed effective April 1, 2001.

Associate Commissioner Marilyn Hamilton of the Property and Casualty Program issued Bulletin B-0006-01 notifying the industry of the mandatory endorsements, which were proposed by the Insurance Council of Texas and adopted by Commissioner Jose Montemayor in February.

The bulletin is available on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

Insurers may discontinue using the endorsements when the amended language has been incorporated into the applicable policy forms. Hamilton said the law and ordinance language must be rolled into the forms by April 1, 2002.

Montemayor also adopted optional amendatory endorsements for use when customers want to purchase more than \$5,000 in law and ordinance coverage.

Questions about the bulletin may be addressed to Gary Julian of the Homeowners Section, at 512-322-2266 or at [gary.julian@tdi.state.tx.us](mailto:gary.julian@tdi.state.tx.us). ★

## Enforcement Actions

### Company Penalized \$100,000 for Overcharges

**D**ALLAS FIRE INSURANCE CO. agreed in March to pay \$100,000 in penalties for adding unapproved policy fees to the price it charged for credit property insurance.

In a consent order signed by Commissioner Jose Montemayor and the company's president, Dallas Fire also agreed to cease and desist from charging or collecting more than the credit property insurance rates approved by the Department.

In agreeing to the penalty and to an order to discontinue the policy fees, Dallas Fire did not admit to any violation of Texas insurance laws.

TDI investigators found that Dallas Fire had added a "policy fee" of \$3.68 per \$100 of coverage to the amounts it charged consumers. This fee was on top of the company's approved rate of 22 cents per \$100 of coverage but was neither filed with nor authorized by TDI.

"I'm pleased that Dallas Fire chose to bring this case to an end by agreeing to obey our laws and rules governing the rates companies can charge for credit property insurance," Montemayor said. "The law is quite explicit: Insurers may charge only rates that have been filed with and approved by the Texas Department of Insurance for this type of consumer insurance."

Credit property insurance pays when property is stolen, damaged or destroyed while a consumer is still paying for it through such means as a credit card or an installment plan. The insurance usually is sold through retailers.

Dallas Fire Insurance Co. is a Texas-licensed carrier with headquarters in Fort Worth. ★

### HMOs Post \$119.2 Million 3rd Quarter Loss

**T**HIRTY OF THE 42 active basic service HMOs lost money on their Texas business in the third quarter of 2000, according to a tabulation of quarterly reports by TDI's Financial Program.

The industrywide aggregate net loss on Texas business for the third quarter of 2000 was \$119.2 million, an improvement over the \$171 million in losses reported in the second quarter.

The third-quarter loss figure brought year-to-date after-tax net losses through September 30 to \$369.2 million.

The third quarter was the 18th consecutive quarter in which the HMO industry as a whole lost money on its Texas business. The last profitable quarter was January-March of 1996.

Five HMOs with losses of \$10 million or more accounted for 76.3 percent of the \$119.2 million industrywide after-tax loss on Texas business in the third quarter.

Basic service HMO enrollment dipped 1.7 percent, from 3,915,218 lives in the second quarter to 3,846,886 in the third quarter.

Meanwhile, per member per month (PMPM) commercial risk premiums continued to rise, increasing from \$142.71 in the second quarter to \$143.45 in the third quarter. The third quarter medical loss ratio on Texas business was 105.2 percent, an increase from the previous three-month period.

Single service HMOs had industrywide net income after taxes of \$6.6 million after taxes, compared to \$5.4 million the previous quarter. Of the 19 active single service HMOs, 14 were profitable and five reported net losses after taxes. Texas enrollment increased from 2,591,160 in the second quarter to 2,812,339 in the third quarter. ★

#### Basic Service HMOs, Texas-only Business

QUARTER ENDING	9/30/99	12/31/99	3/31/00	6/30/00	9/30/00
NET INCOME AFTER TAXES (\$MILLION)	(\$157.1)	(83.3)	(79.0)	(171.0)	(119.2)
TOTAL ENDING ENROLLMENT	3,821,031	3,871,845	3,863,509	3,915,218	3,846,886
MEDICAL LOSS RATIO	104.9	100.9	78.8	101.6	105.2



**Legislation...** *from page 1*

categories potentially eligible for medical liability coverage through the Texas Medical Liability Insurance Underwriting Association, or "Joint Underwriting Association" (JUA).

**Status:** Senate bill passed by Senate; House bill heard by House Insurance Committee.

**SB 278 and HB 1195**, by Senator Chris Harris, Arlington, and Representative Kim Brimer, Fort Worth, placing commercial auto insurance under the same type of regulation as other commercial lines. Rates would be "file and use" and no longer subject to benchmark and flex-rating requirements. Commercial auto carriers could use their own forms, subject to TDI's prior approval, instead of Texas standard forms.

**Status:** Senate bill introduced and referred to Senate Business and Commerce Committee; House bill heard by House Insurance Committee.

**SB 993 and HB 2102**, by Sibley and Eiland, making the annual auto and residential property benchmark rate hearings rulemaking proceedings before the Commissioner of Insurance rather than contested-case hearings held by the State Office of Administrative Hearings.

**Status:** Senate bill introduced and referred to Senate Business and Commerce Committee;

House bill introduced and referred to House Insurance Committee.

**SB 1005**, by Sibley, clarifying that TDI has authority to require county mutuals to report market data at the rating tier level.

**Status:** Introduced and referred to the Senate Business and Commerce Committee.

**SB 693 and HB 1700**, by Senator Eddie Lucio Jr., Brownsville, and Representative Roberto Gutierrez, McAllen, authorizing the Commissioner to develop and implement a program to provide short-term auto liability insurance coverage for drivers entering Texas from Mexico.

**Status:** Senate bill passed by Senate. House bill reported favorably by House Insurance Committee.

**Health Care Coverage**

**SB 990 and HB 2286**, by Sibley and Representative Kip Averitt, Waco, revising certain *Texas Insurance Code* provisions to conform to the federal Health Insurance Portability and Accountability Act (HIPAA).

**Status:** Senate bill passed by Senate. House bill introduced and referred to House Insurance Committee.

**SB 992 and HB 2191**, by Sibley and Averitt, addressing issues that have arisen since the creation of the Texas Health Insurance Risk Pool. Among other things, the bills would clarify that persons covered by other states' health risk pools or other alternative mechanisms are eligible for the Texas pool after moving to this state.

**Status:** Senate bill reported favorably by Senate Business and Commerce Committee; House bill introduced and referred to the House Insurance Committee.

**Guaranty Associations**

**HB 3013**, by Smithee, making the Commissioner of Insurance a non-voting, ex officio member of all guaranty association boards of directors.

**Status:** Introduced and referred to House Insurance Committee.

**Enforcement**

**SB 1004 and HB 2830**, by Sibley and Smithee, clarifying that the unauthorized insurance statutes apply to fraudulent entities that headquarter in Texas but sell only in other states.

**Status:** Senate bill introduced and referred to Senate Business and Commerce Committee. House bill introduced and referred to House Insurance Committee. ★

**Montemayor Warns Against "Baby Group" Rate Penalties**

**C**OMMISSIONER JOSE MONTEMAYOR has warned health insurers that they risk enforcement action if they unfairly discriminate against small employer groups of two to five employees ("baby groups") by charging rates higher than the law allows.

He said the Texas Department of Insurance believes some small employer health insurance carriers may be charging these very small groups as much as 67 percent more than they charge larger groups, solely because of their small size.

"The Department will investigate and take prompt action as necessary to resolve complaints or information concerning allegations of violations," Montemayor said in a bulletin (B-0010-01). The bulletin is available on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

Texas' small employer health insurance laws and rules establish limits on how much more an insurer may charge some groups than it charges other groups, based on differences in "case characteristics."

Group size is a permissible case characteristic, but its potential effect on rates is limited. A TDI rule codified as 28 TAC § 26.11(d) says the highest factor associated with group size cannot exceed the lowest factor associated with group size by more than 20 percent.

"A small employer carrier may not evade this requirement by reflecting any additional costs associated with the size of a group through the risk load," Montemayor said.

Rating up "baby groups" by 67 percent based on group size also may violate *Texas Insurance Code* Article 26.32(c), the bulletin said. That article says the rates charged to small employers with similar case characteristics and coverages may not vary from an insurer's "index rate" by more than 25 percent. The index rate is the average of the highest and lowest rates that a carrier can charge a group.

Montemayor referred companies to a 1995 TDI bulletin, B-0021-96, as a clear explanation of the rate requirements for small employer health care

plans. This bulletin also can be accessed on TDI's Web site.

The Commissioner also addressed potential violations of a TDI rule, 28 TAC § 26.13(d), which requires small employer carriers to provide price



quotes to small employers within 10 days after receiving a request for a quote and the information

necessary to provide it. Carriers have five days after receiving a request to ask for any additional information necessary for calculating a quote.

"A small employer carrier may not decline to provide a price quote to a small employer directly or through an authorized agent," Montemayor said. "There are no exceptions to this requirement. For example, a small employer carrier's belief that its rates would not be competitive would not excuse its failure to provide a price quote to a small employer." ★



## SERFF Gets Second Wind with New Internet Solution

By Angelia Johnson, Deputy Commissioner, Filings Intake Division

**T**HE SYSTEM FOR ELECTRONIC RATE AND FORM FILING (SERFF) got off to a disappointingly slow start, but new user-friendly software and a \$1 million investment by the NAIC inspire confidence that SERFF finally will live up to its promise of speedier review of insurer filings.

After suspending SERFF filings for seven months while the NAIC developed an Internet interface, TDI started accepting filings again on February 19, 2001.

Two employees, Georgia Keysor and Cissy Moseley of the Commercial Property and Casualty Division, are designated as SERFF filings reviewers.

We're currently accepting general liability, commercial property and inland marine form and manual rule filings via SERFF. We plan to start accepting commercial auto and personal lines P&C filings by the end of 2001. Acceptance of life and health filings is a short way down the road as TDI participates in the NAIC's limited launch this spring of the Coordinated Advertising Rate and Form Review Authority (CARFRA).

CARFRA, part of the NAIC's speed-to-market initiative, will provide a single point of review and national standards for insurance products and will use SERFF to accept and process filings.

### Early Disappointments

When TDI launched SERFF in September 1999, we thought insurers would prefer it so strongly that old-fashioned paper filings soon would be considerably reduced.

That's not the way it played out. Between September 15, 1999, our SERFF start-up date, and August 2000, when SERFF filings were suspended, TDI received only 66 electronic filings. Nearly all

of these came from two insurance groups, the Hartford and the Royal and Sun Alliance.

During this early stage, TDI accepted only certain property and casualty filings—mainly inland marine and commercial property—electronically. For the filings that were made, SERFF made good on its potential. Some filings were processed in three or four days compared with the normal minimum of three weeks, counting transit time, for paper filings. No filing fee was required on these P&C filings. Despite these advantages, few companies saw much point in using SERFF.

A huge hurdle for companies and states was the selection by the NAIC of Lotus Notes as the development technology, which was eventually named SERFF 1.4a. A major shortcoming of SERFF 1.4a was it required users to invest in Lotus Notes software and technical expertise. Companies also had the additional expense of having to pay license fees and filing transaction fees in order to make SERFF filings.

The NAIC recognized the need for a better SERFF application. It suspended the use of SERFF 1.4a last summer and began working on a replacement. TDI stopped accepting SERFF filings in August 2000.

### Better Platform Developed

The outcome of the NAIC's movement toward a more user-friendly platform was SERFF 2.0, a Web-based application that requires only an Internet browser and eliminates the need for Lotus Notes administration. NAIC continues to make improvements, and SERFF 2.0 evolved to version 2.1.2 in just a few months. Texas serves on the NAIC committee that will make decisions on future SERFF enhancements.

One sign of the NAIC's commitment to make SERFF more attractive to insurance companies is its infusion of \$1 million into the development of the new application.

For CARFRA to work, SERFF also must work, and the NAIC is determined that CARFRA will succeed. As a six-year member of the NAIC's SERFF Product Steering Committee, I'm confident that SERFF will become much more attractive to insurers as a result of the NAIC's investment and other efforts.

In addition, SERFF should make more economic sense to companies as the number of participating state insurance departments increases. Forty-one states or territories and the District of Columbia are licensed by the NAIC to use SERFF, up from 28 in September 1999. Of these, 17 are accepting electronic filings, an increase from 11 when TDI first joined SERFF.

To participate in the CARFRA pilot project, which focuses on life and health products, TDI will have to broaden the types of filings it will accept electronically. Since state law requires filing fees for life and health products, we will need to clarify these fees and establish a payment system. We also will be training life/health technicians to use SERFF.

I'm very encouraged by my experience working with companies, other state insurance departments and NAIC staff on the new and improved SERFF. Many companies and states want to make SERFF a success, and I'm confident it will be.

For up-to-date information about SERFF, please visit the SERFF Web site at [www.serffcentral.com](http://www.serffcentral.com). ★

## PROPERTY

### APA Adoption

#### TWIA Business Income Coverage

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 5.4201 and 5.4501 that enable the Texas Windstorm Insurance Association to offer business income coverage as an endorsement to the TWIA commercial policy.

The new endorsement (TWIA-17) is available only to businesses that buy wind and hail coverage on their buildings and/or business personal property from TWIA. A firm may buy coverage of up to \$100,000 for loss of business

income, including rental value, due to the suspension of business operations resulting from wind or hail damage to its covered building. The coverage also pays necessary extra expenses, up to \$10,000, incurred by the insured during the "period of restoration" as a result of the physical loss to covered property. The endorsement includes a "time deductible" of seven days (168 hours) before TWIA becomes liable for a business income loss.

Department staff proposed the endorsement in response to a petition from TWIA.

TWIA noted that data from the Insurance Services Office showed that business income losses represented a significant percentage of total property losses from four major hurricanes—Fran, Erin, Opal and Andrew. The TDI staff proposal said these statistics support the conclusion that Texas businesses along the Gulf Coast need coverage against such losses.

Publication: 26TexReg1871, March 2, 2001  
Effective date: May 1, 2001  
Further information: 512 463-6327 ★

## RuleMaking



## Ideas Abound for Insuring NAFTA Truck Traffic

By Gloria Leal, International Regulatory Counsel

**T**HE DAY IS COMING when trucks from Mexico will have full access to highways in Texas and other states as required by the North American Free Trade Agreement (NAFTA).

One way or another, those trucks will have to meet state and federal insurance requirements. The big question is how.

That was the main subject for discussion as the NAFTA Trilateral Insurance Working Group met at the U. S. Department of Commerce in Washington, D.C., in mid-February to consider ways to resolve cross-border trucking insurance issues that must be addressed before the trucks can move.

Commissioner Jose Montemayor presided over several sessions of the two-day meeting. He and other TDI staff serve as technical advisors to the Department of Commerce, which is responsible for implementing the insurance portions of NAFTA.

The February meeting convened only nine days after a NAFTA arbitration panel found the United States in violation of the treaty for refusing to allow Mexican trucks to travel more than 20 miles from the U.S.-Mexico border.

### The Goal: "Seamless Coverage"

Working group members, including NAIC representatives, federal officials, insurers and regulators from all three participating nations, are working toward development of "seamless" insurance for motor carriers engaged in cross-border commerce.

International motor carriers are required to comply with the minimum insurance requirements for domestic truckers. While state requirements vary, most states, including Texas and California, have adopted federal minimum levels of financial responsibility for motor carriers.

In Texas, that coverage must be written through either a Texas-licensed insurance company or an eligible surplus lines insurer. Surplus lines carriers now write a substantial portion of the Texas cross-border commercial motor vehicle insurance market.

Common law and industry practices have been effective in developing a system of general mutual recognition between U. S. and Canadian motor vehicle insurance. Policies written on either side of the border are accepted on the other side for purposes of complying with mandatory financial re-

sponsibility requirements. Mexico, however, is another matter.

Between the U. S. and Mexico, differences in legal systems and regulatory approaches have acted to create barriers to the seamless provision of insurance. Some of these barriers were highlighted in the working group's discussions.

The American Insurance Association voiced concern about the lack of driver, accident and vehicle data needed in making underwriting decisions. AIA said such data is needed if U. S. insurers are to willingly write coverage on Mexican trucks coming into the U. S.

### Today's Alternatives

At this time, the three alternatives for insurance companies insuring cross-border risks are:

- Registration in the three countries, the U. S., Canada and Mexico.
- Alliances between non-related companies from two countries.
- A single policy written by a multi-national insurance company.

Zurich US was invited to participate because of its experience with cross-border insurance. Zurich suggested that U. S. regulators consider easing requirements for admitting Mexican insurance companies as licensed carriers in their states. The advantages, Zurich's representatives said, would be greater capacity at the border and coverage by Mexican companies already familiar with the risks of insuring Mexican motor carriers.

Mexican insurance officials noted that their country's laws have been changed to allow non-Mexican insurers to register in Mexico to provide coverage in another jurisdiction. Prior approval from the Secretaria de Hacienda y Credito Publico, which oversees the Mexican insurance department, is required. Several non-Mexican companies have become registered under this new law and are now writing coverage.

### Future Possibilities

Montemayor raised the possibility of streamlining U. S. surplus lines registration requirements to allow Mexican carriers to operate in that market as a facility for Mexican truckers entering this country. During the course of the meeting he also addressed questions about Mexico's solvency monitoring. Montemayor said that although Mexico and the U.S. use different solvency standards and rules, their solvency standards are compatible and very credible.

Joint ventures were raised as a possibility by industry trade association representatives from both sides of the border. These would be contractual arrangements between unrelated insurers from Mexico and either the U. S. or Canada under which each company would rely on the other's underwriting expertise. The arrangement would resemble fronting, which is commonly used in the transportation of goods across the U.S.-Canadian border, but without the risk transfer mechanism that fronting normally entails.

Until the three NAFTA countries reach the seamlessness of mutual recognition of one another's insurers, Montemayor said, fronting arrangements provide a viable alternative for coverage. He said an initial step could be to start with multinational companies that have a presence in all three countries. As an additional step, he said, Texas could act as a regulator-to-regulator bridge with Mexico to encourage the development and accessibility of information systems. The National Association of Independent Insurers, however, cautioned against setting up any system that favors the multi-national companies and might operate as a near-monopoly for a few insurers.

Additionally, regulators from Mexico and the U. S. could work on credit for reinsurance rules allowing Mexican insurers to follow their risk into the U. S. and Canada by having a U. S. insurer write the risk and then reinsure it with the Mexican insurers. After all, Montemayor said, it is the Mexican insurers that know these particular risks best. ★

### Data Call Reminders

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

#### Quarterly Closed Claim Reports

Reports for claims closed during the first quarter of 2001 are due by April 10, 2001. TDI contact is Vicky Knox, 512 475-1879. E-mail address: [vicky.knox@tdi.state.tx.us](mailto:vicky.knox@tdi.state.tx.us)

#### Call for Quarterly Experience

The Call for First Quarter 2001 Experience was mailed March 30, 2001, and is due May 15, 2001. The bulletin and forms may be downloaded from TDI's Web site located at [http://www.tdi.state.tx.us/company/indexcmp.html#datacalls\\_ind](http://www.tdi.state.tx.us/company/indexcmp.html#datacalls_ind). TDI contact is Michael Davis, 512 322-5029. E-mail address: [michael.davis@tdi.state.tx.us](mailto:michael.davis@tdi.state.tx.us) ★



# Company Licensing

## Applications Pending

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Hallmark Insurance Co. Inc.	Fire & Casualty	Milwaukee, WI
Lincoln General Insurance Co.	Fire & Casualty	York, PA
National Security Life & Annuity Corp.	Life	Binghamton, NY
New England Benefit Companies	TPA	Warwick, RI
Premier Access Insurance Co.	Life	Sacramento, CA
US Auto Insurance Co. Inc.	Fire & Casualty	Nashville, TN

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
AS&G Claims Administration Inc.	TPA	Houston, TX
Medtech Data Services	TPA	Abilene, TX
Global Benefit Solutions Inc.	TPA	Austin, TX
Homesite Lloyds of Texas	Lloyds	Austin, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
AMCorp Insurance Co.	AMCO National Insurance Co.	Fire & Casualty	Houston, TX
American National Fire Insurance Co.	Great American Insurance Company of New York	Fire & Casualty	New York, NY
Capitol Bankers Life Insurance Co.	Annuity & Life Reassurance America Inc.	Life	Hartford, CT
GMAC Insurance Online Inc.	GMAC Insurance Company Online Inc.	Fire & Casualty	Hazelwood, MO
Security First Life Insurance Co.	Metlife Investors USA Insurance Co.	Life	Wilmington, DE
Sydney Reinsurance Corp.	QBE Reinsurance Corp.	Fire & Casualty	Philadelphia, PA
Unified Life Insurance Co.	Americom Life and Annuity	Life Insurance Co.	Overland Park, KS

## Applications Approved

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Benefit Management Inc., dba BMI-Health Plans	TPA	Bartlesville, OK
Dealers Assurance Co.	Fire & Casualty	Upper Arlington, OH
Developers Surety & Indemnity Co.	Casualty	West Des Moines, IA
First Life America Corp.	Life	Topeka, KS

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
New Horizon Benefit Administrators Inc.	TPA	Houston, TX
Qualitycare Network of Texas, Ltd.	TPA	San Antonio, TX
Steven Goldstein, M.D. & Associates, P.A., dba Medirect	TPA	Houston, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
AFBA Life Insurance Co.	5 Star Life Insurance Co.	Life	Baton Rouge, LA
Agricultural Insurance Co.	Great American Assurance Co.	Fire & Casualty	Cincinnati, OH
American Alliance Insurance Co.	Great American Alliance Insurance Co.	Fire & Casualty	Cincinnati, OH
AXA Global Risks US Insurance Co.	AXA Corporate Solutions Insurance Co.	Fire & Casualty	New York, NY
AXA Re Life Insurance Co.	AXA Corporate Solutions Life Reinsurance Co.	Life	Wilmington, DE
BPI Risk Management Inc.	Fiserv BPI Inc.	TPA	Boerne, TX
Chartwell Reinsurance Co. St. Paul, MN	Chartwell Insurance Co.	Fire & Casualty	Stamford, CT
Dental Insurance Company of America Inc.	Unimerica Insurance Co.	Life	Bethesda, MD
North West Life Assurance Company of Canada, The	Industrial-Alliance Pacific Life Insurance Co.	Life	Vancouver, British Columbia, CN
Signet Star Reinsurance Co.	Berkley Insurance Co.	Fire & Casualty	Wilmington, DE



# 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
	Brasel, Larry D.	Dallas	\$4,000 Fine and \$6,247 Restitution	Material Misrepresentation of Terms and Conditions of Insurance Policies	01-0106	2/7/01
	Carroll, Johnie L. Jr.	Arlington	Combination or Industrial Agent's License Denied	Felony Conviction	01-0098	2/6/01
	Elizondo, Elizabeth Alice	Fort Worth	Adjuster Trainee's License Denied	Felony Conviction	01-0072	1/25/01
	Frye, Douglas Raymond	Dallas	\$5,000 Fine	Use of Unlicensed Solicitor; Failure to Register Location and Assumed Name with TDI	01-0131	2/9/01
	Garibay, Henry Humberto	San Antonio	Group II Agent's License Denied	Prior License Revocation; Material Misstatement on Application	01-0117	2/8/01
	Gonzales, Yolanda R.	Seguin	Agent's License Denied	Prior License Revocation; Material Misstatement in Application	01-0056	1/22/01
	Guajardo, Raquel	San Antonio	Life and Health Agent's and Solicitor's Licenses Revoked	Failure to Meet Continuing Education Requirements	01-0137	2/13/01
	Osadebe, Frederick O.	Houston	\$500 Fine, Plus Reporting Requirement	Selling Surplus Lines Insurance Without the Required License; Failure to Respond to TDI Inquiries	01-0130	2/9/01
	Texas Gulf Title	Houston	\$6,000 Fine	Late Filing of Audit Report	01-0135	2/13/01
COMPANIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	MONY Life Insurance Company of America	New York, NY	\$10,000 Fine	Consent Order; Alleged Rebating through Waiver of Surrender Charges	01-0134	2/13/01
	Premium Financial Services Inc.	Richland Hills	\$2,500 Fine	Premium Finance Violations	01-0150	2/22/01
	Triad Guaranty Insurance Corp.	Lombard, IL	Order to Stop Offering Inducements Not Specified in Insurance Contract	Potential Inducements to Mortgage Lenders in Connection with Private Mortgage Insurance Policies, Which Could Be Construed as Indirect Rebates	01-0129	2/9/01
TPAs	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	MCS Administrative Services dba CMS Cap Management Systems	Houston	\$1,500 Fine	Failure to Register Trade-Style Name with TDI	01-0136	2/13/01



**Texas Department of Insurance**  
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