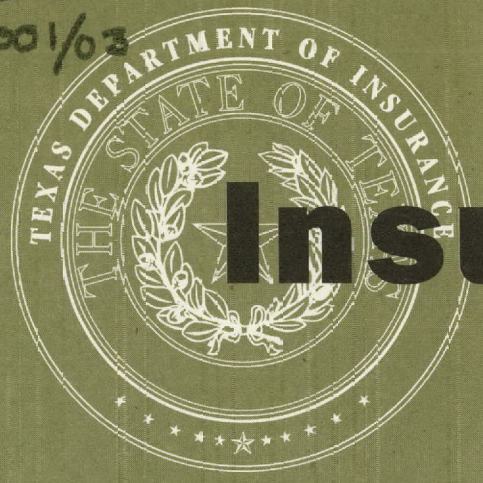


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# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## Preparation Can Make HMO Quality Exams Go Smoothly

By Cady Crismon, MSN, RN, Director, Quality Assurance

**T**EXAS LAW gives HMO enrollees important "quality of care" rights, including an accessible network of competent physicians, a reasonable system of utilization review and prompt, fair attention to their appeals and complaints.

Physicians and other health care providers also have certain rights, including prompt payment of their claims.

To verify compliance with the statutes and rules that confer these rights, TDI's Quality Assurance team of 10 nurses, seven insurance specialists and two nurse interns investigated complaints and performed more than 30 quality of care examinations last year.

Quality Assurance is a section of the HMO Division, headed by Deputy Commissioner Blake Brodersen. The division also regulates utilization review agents (URAs) and independent review organizations (IROs).

### Timing of Exams

We examine HMOs when they apply for certificates of authority and service area expansions. After an HMO receives its certificate of authority, we perform annual quality examinations during its first three years of operation. The exam cycle then scales back to a "triennial" exam every three years as required by statute.

#### Quality Examinations\*

	1999	2000
Triennial	16	22
Certificate of Authority	2	2
Complaint	2	2
Service Area Expansions	8	5

\* Does not include 12 dental HMO examinations performed by a private contractor.

Triennial examinations usually take four to five days on site because we look at every aspect of an HMO that relates to quality of care. All other examinations, including those triggered by complaints, usually take only two days because they concentrate on the most relevant issues.

In a triennial exam, we interview staff, look at claims and contracts and carefully review such essentials as utilization management, network adequacy, the complaint handling process, provider credentialing, quality improvement, member materials and the HMO's provider manual.

Beyond this, however, we may go on site for an exam when complaints indicate that an HMO may be out of compliance. We receive 600 to 800 complaints a month—roughly half from providers with payment issues. When an HMO's justified complaints jump, and its responses to TDI's inquiries are inadequate, a complaint exam may be in order. An unusually high rate of reversals by IROs is another circumstance that can prompt us to go on site for an exam.

After we do an exam, we send the HMO a written report of our findings and request a plan of corrective action. We send a closing letter when we accept the actions taken and the HMO has shown it understands Texas' requirements and is complying with them. If all goes smoothly and the HMO is in compliance, no further action is taken.

Sometimes, however, the sailing is not so smooth. We did a quality exam of an HMO that was not resolving its complaints promptly or reasonably and seemed to skirt the issues raised in those complaints. We found that the HMO did not have enough people assigned to handling complaints. Staff who were responsible for complaint resolution lacked authority to make needed changes. The HMO finally corrected the problem by adding complaint staff and assigning people with authority to identify problems and solve them. It took about 12 months before we felt comfortable issuing a closing letter.

Besides examining HMOs, we do complaint examinations of utilization review agents and also examine independent review organizations before renewing their certifications.

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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.



## NewsBriefs

### Commissioner Approves TWIA Reinsurance Increase

**C**OMMISSIONER JOSE MONTEMAYOR has approved the Texas Windstorm Insurance Association's request to increase its catastrophe reinsurance from \$325 million to \$350 million.

The reinsurance program, which must be reviewed by the Commissioner each year, operates in concert with the Catastrophe Reserve Trust Fund established under *Texas Insurance Code* Article 21.49, Section 8(i). TWIA has the option of buying reinsurance or making payments into the Catastrophe Reserve Trust Fund.

Under Texas law, TWIA member insurers receive premium tax credits for assessments over a certain amount following a major hurricane.

TDI staff analyzed the TWIA's reinsurance proposal and determined it would protect state premium tax revenue by raising to \$930 million the threshold at which hurricane losses would trigger premium tax credits. Losses this great would be equivalent to those of a 100-year storm. Without reinsurance, the threshold for premium tax credits would be losses of only \$560 million.

Raising the amount of reinsurance to \$350 million will raise the premium cost of TWIA's reinsurance program from \$18.6 million in 2000 to \$19.5 million in 2001.

Montemayor also approved a separate TWIA petition to place its excess per risk reinsurance program with QBE International Insurance Ltd. and certain syndicates of Lloyd's of London.

The excess per risk reinsurance program enables TWIA to issue individual wind and hail policies in amounts greater than the maximum limits of liability approved by the Commissioner. The reinsurance will enable TWIA to provide coverage up to \$1.5 million on dwellings and \$5 million on commercial risks.

QBE will be the lead underwriter, with 29 percent of the reinsured risks. Bowring Syndicate, a member of the Lloyd's American reinsurance trust funds, will take on 25 percent. The remainder of the excess per risk reinsurance will be provided by other Lloyd's syndicates.

When a property receives additional coverage through the excess per risk reinsurance program, TWIA will recover its administrative costs by adding a payment equal to 23 percent of the premium for the reinsurance. ★

### TDI Stops Collecting Auto Experience Rating Data

**TDI** WILL NO LONGER maintain commercial automobile experience rating data and has turned all routine experience rating functions over to insurers.

Marilyn Hamilton, associate commissioner of the Property and Casualty Program, issued a bulletin (B-0003-01) on January 22, 2001, explaining a recent rule change and summarizing procedures to be followed.

Under the new rule, which took effect January 27, 2001, insurers must maintain experience data for five years and supply such information upon request to other insurers, agents or insureds. Insurers have 30 days after receiving a request to provide the information. If the information is not furnished within this time, TDI asks that a second request be sent, with a copy to the Department. TDI will consider a copy of the second request to be the Department's notification that assistance is required in obtaining the data.

Any information (policies, endorsements, ratings, data, etc.) submitted to TDI before April 1, 2001, will be returned to the companies that sent it. After that date, TDI will not return such information.

Questions about the bulletin may be addressed to Grover Corum, manager of the Automobile/Homeowners Division, 512-332-3430, or at [grover.corum@tdi.state.tx.us](mailto:grover.corum@tdi.state.tx.us). ★

### "Accident" Not Limited To Collisions, TDI Says

**T**HE DEPARTMENT has issued a bulletin (B-0004-01) to make it clear that the word "accident" in automobile policies is not generally limited to a collision.

In the bulletin, TDI restates its position that auto policies and endorsements referring to "an accident," "the accident," "motor vehicle accident" or "auto accident" mean the same as if the word "occurrence" were substituted for the word "accident." In addition, the word "accidental" means the same as "unintentional."

"None of the above words are limited to a collision unless expressly stated to mean that by the policy or endorsement," said the bulletin, signed by Marilyn Hamilton, associate commissioner of the Property and Casualty Program.

The bulletin cited a 1980 order issued by the State Board of Insurance to clarify its intent in using the

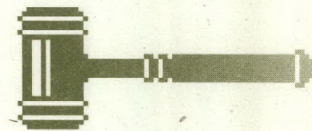
term "accident" throughout the Personal Auto Policy. The PAP replaced the old Family Auto Policy, which used "accident" interchangeably with "occurrence." The order said the words are virtually synonymous and that no change in coverage was intended when the standard auto policy was rewritten in more readable language.

The bulletin also addressed the definition of the word "occupying" in the Medical Payments, Personal Injury Protection and Uninsured/Underinsured Motorists coverages contained in the standard Texas personal auto Policy. The policy defines "occupying" to mean "in, upon, getting in, on, out or off."

TDI issued the bulletin in response to complaints about claim denials based on misinterpretations of policy language. For example, there were liability claim issues involving non-collision damage to rented cars, for which the renters were legally responsible under terms of their rental contracts.

Questions about the bulletin may be addressed to Grover Corum, manager of the Automobile/Homeowners Division, 512-332-3430, or by e-mailing [grover.corum@tdi.state.tx.us](mailto:grover.corum@tdi.state.tx.us). ★

### Fraud Unit Prosecutions



#### Indictments

**Payton, Bridgette**, indicted in El Paso on charges of insurance fraud, a state jail felony.

**Stokes, Lawrence**, indicted in El Paso on charges of insurance fraud, a third-degree felony.

**Gray, Chester Lee**, indicted in Dallas on charges of misapplication of fiduciary property, a third-degree felony.

#### Convictions

**Martin, Dorothy Marie**, pleaded guilty in Houston to insurance fraud, a state jail felony, and was sentenced to 36 months' deferred adjudication, a \$500 fine and 160 hours of community service.

#### Arrests

**McDonald, Nancy**, arrested in Dallas on charges of securing the execution of a document by deception. ★



# TDI update

## Auto Benchmark Parties Recommend Rate Hikes

**P**ARTIES TO THE 2001 private passenger auto insurance benchmark rate case have recommended rate increases averaging from 1.7 percent to 6.9 percent statewide.

The benchmark hearing before an administrative law judge of the State Office of Administrative Hearings (SOAH) will begin on March 6, 2000, at SOAH headquarters in the Stephen F. Austin State Office Building, 1700 North Congress Avenue, Austin.

Parties filing rate recommendations were the Office of Public Insurance Council (OPIC), the Insurance Council of Texas (ICT), representing the industry, and consulting actuary Mark Crawshaw on behalf of TDI staff. State Farm and Farmers also are parties but they did not file rate recommendations separate from those of the ICT.

The parties' recommended average statewide percentage rate changes are summarized in the table below.

### Auto Benchmark Recommended Percentage Changes

	OPIC	ICT	TDI
Liability	-0.6	+8.7	+2.9
Physical Damage	+14.6	+4.2	+0.1
Overall Average	+5.1	+6.9	+1.7

Private passenger benchmark rates have fallen in each of the past three years.

Under Texas' flex-rating law, the Commissioner of Insurance establishes benchmark rates to guide insurers in determining the rates they will file. Rates are "file and use" if they are within a range of 30 percent above and below the benchmarks. However, rates outside the 30 percent flexibility band may not be used without TDI's prior approval. ★

## Hamilton Promoted to Associate Commissioner

**M**ARILYN HAMILTON has been promoted to associate commissioner of the Property and Casualty Program, making her the No. 2 person in the program.

The program's manager, Senior Associate Commissioner C H Mah, announced Hamilton's appointment.

"During her 30-year tenure with the agency, Marilyn has exhibited clearly superior knowledge of personal and commercial lines," Mah said. "She has proven herself to be an excellent manager, able to step into any situation and handle it effectively."

As associate commissioner of the Property and Casualty Program, Hamilton is responsible for directing the program in the senior associate commissioner's absence. Hamilton will testify at hearings and represent the P&C program in meetings with industry representatives, legislators, the general public, other state agencies and the NAIC. She also will assist in developing the program's budget and strategic plans.

In addition to her new duties as Mah's chief deputy, Hamilton will continue as manager of the Personal Lines and Commercial Lines Division within the P&C Program.

Hamilton joined TDI in 1970. Her assignments included supervisor of the Texas Computer Rate Service in the Property and Casualty Rating Section and assistant section manager of the Property Insurance Lines Section.

In 1988, she transferred to the Property Insurance Lines Section, where she became assistant section manager and then manager of the Commercial Lines section in 1994. From 1998 until April 2000, she served as deputy commissioner of the Commercial Property and Casualty Division. In April 2000, Hamilton became the deputy commissioner in charge of a new P&C unit that combined the Automobile/Homeowners Division with the Commercial P&C Division. ★

## More than 150 Attend Fraud Conference at TDI

**M**ORE THAN 150 INVESTIGATORS and others interested in deterring insurance fraud through criminal prosecution attended the third annual Investigators Training Seminar held at TDI headquarters January 25-26 and sponsored by the Department's Insurance Fraud Unit.

Attendees included members of insurance company special investigative units (SIUs), claim adjusters and managers, National Insurance Crime Bureau staff, FBI agents, local law enforcement personnel and investigators from other state agencies, including the Texas Workers' Compensation Commission.

Commissioner Jose Montemayor made opening remarks that emphasized the importance of the work done by the attendees and the high priority he places on combating insurance fraud.

Speakers at the two-day event were Robert M. Bryant, president and CEO of the National Insurance Crime Bureau; Assistant U. S. Attorney Mark Lane of Austin; FBI Agents Robert Grant of San Antonio and Rick Copeland of Austin; Tommy L. Short, president of the International Association of Special Investigation Units; Gus De La Rosa, director; and Susan Sampson, public awareness

and education director of the Texas Automobile Theft Prevention Authority; Dr. William C. Lloyd, Biodynamic Research Corp; and Chris G. Dalrymple, president-elect of the Texas Chiropractic Association.

"Investigating insurance fraud cases and preparing them for criminal prosecution is an evolving field. The people who attended the seminar left with a good feel for the latest developments and current issues," said John Watson, associate commissioner of TDI's Fraud Unit. "Beyond that, there was a great deal of networking among people who can help each other prepare and prosecute claim fraud cases."

Two sessions of the seminar were devoted to Dr. Lloyd's presentation on assessing the injury potential of low-velocity collisions from a medical and an engineering perspective. Lloyd presented research findings indicating a small likelihood of whiplash, low back injury, temporomandibular joint (TMJ) injury or closed head injury as a result of such collisions.

The next investigators' conference sponsored by the Fraud Unit will be a half-day event on July 25, 2001. ★



**Exams...** from page 1

**Common Compliance Issues**

What are the most common findings identified during a quality examination?

- Slow processing of claims, including situations in which an HMO delegates this function to an independent practice association (IPA). We hold HMOs accountable for monitoring their IPAs' compliance with Texas requirements. An HMO that gives an IPA nothing but perfect scores during its oversight monitoring raises red flags with TDI.
- Failure to separate the utilization management appeal process for "medical necessity" decisions from the complaint process. To encourage compliance, the Quality Assurance Section provides a flow chart showing how to make the required separation.
- Credentialing problems such as failure to have appropriate clinical personnel making site visits to physicians, dentists or other providers considered for an HMO's network. We randomly check about 30 credential files during an examination. We look for such things as proper licensure, hospital privileges, accessibility, confidentiality of medical records and the type of information gathered to verify that a provider can perform all required functions. A hospital must be properly licensed by the Texas Department of Health. Laboratories must have a current certificate under the Clinical Laboratory Improvement Amendments of 1988.
- Failure to have a full-time medical or dental director living within the service area. Even provider HMOs, which have no directly enrolled members, are required to have a medical director present at least 32 hours per week.
- Accessibility issues, such as requiring members to drive more than 30 miles to the nearest primary care physician or more than 75 miles to see a specialist. This is a problem that mainly affects portions of a service area's outlying

counties. When it occurs, we expect an HMO to submit a physician recruitment plan that addresses the network deficiency and the normal pattern of services for those areas.

- Failure of a medical director to contact the treating physician before making a determination that a treatment is not medically necessary. The utilization review statute requires a doctor-to-doctor conversation because the written record may not tell the entire story about a patient's condition.

**Preparing for Quality Exams**

Routine quality examinations can run very smoothly when HMOs are adequately prepared. One of the best ways to get ready is to do a self-assessment using the audit tools available on TDI's Web site at [www.tdi.state.tx.us/company/hmoqual/examhome.html](http://www.tdi.state.tx.us/company/hmoqual/examhome.html). The tools group all the HMO quality requirements of the *Texas Insurance Code* and TDI rules into categories. An HMO may use the tools on our Web site as an interactive means for evaluating itself. HMOs that conscientiously use the audit tools to review their operations very likely will be in compliance when our quality examiners arrive.

We give HMOs advance notice of the date we plan to arrive for a quality examination. We send a letter listing all the documents we will review. A well-prepared HMO has those documents waiting for us on shelves when we arrive. The key documents are the HMO's policies and procedures, provider manual and practice guidelines for use by the HMO's providers. A week before our arrival, we send an agenda that includes an entrance conference, scheduled interviews with managers and unit directors and an exit conference.

**What Happens During an Exam?**

During an exam, we will randomly select and review 30 credentialing files, 20 complaint files and 20 utilization management files, both inpatient

and outpatient. Our review of those files is a central piece of the exam process because it tells us how well the HMO is carrying out core functions having to do with quality of care.

It's important that our examiners maintain an ongoing dialog with an HMO's management and staff throughout our examination. In some examinations, HMO staff members ask us as many questions as we ask them, and we consider that a plus. The more questions they ask, the more likely it is that they will understand and comply with the state's quality requirements, and that's our goal. We also encourage HMOs to call us whenever they need clarification of a requirement, and many of them accept that invitation.

At the close of an examination, we provide the HMO's management with a verbal overview of the exam findings and an evaluation form for giving us feedback on their experience with our examiners.

What happens when an HMO is found to be out of compliance with Texas' quality requirements? Our preferred approach is to work with the HMO to correct any problems we found. This may be done through correspondence, conference calls and management conferences. When an HMO makes a commitment to solve problems, we expect to see hard evidence, such as a reduction in the number of justified complaints.

When an HMO is non-responsive or shows no improvement, we make a referral to TDI's Legal and Compliance Division for enforcement action. Enforcement actions, with notice and an opportunity for hearing, may include possible fines, cease-and-desist orders and restitution where appropriate. The HMO Division also works with the Financial Program when administrative oversight or supervision is the appropriate course of action.

The examination process is a streamlined assessment process to assure compliance. ★

**Numbers and Types of Agents Licenses: FY1999–FY2000**

AGENTS	FY1999	FY2000
Group I Life	108,214	114,787
Group II Life	32,946	31,427
Variable Contracts	31,049	35,527
Local Recording *	26,858	38,043
Solicitor	17,209	18,005
Insurance Service Rep	2,463	2,656
Non-Resident Fire/Casualty *	7,819	1,139
Managing General	4,063	4,384
State/Salary/Special †	5,331	0
Agricultural	312	321
Surplus Lines	2,582	2,818
Prepaid Legal	6,032	6,537
<b>Total</b>	<b>244,878</b>	<b>255,644</b>

\* Licenses of non-resident agents who reside in a state that has signed the Uniform Treatment Declaration and that grant full reciprocity to Texas agents were converted to Local Recording Agents in FY2000. † No longer issued.



# LegalNotes

## High Court Rules on Insurer's Right to Seek Reimbursement

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

**T**HE TEXAS SUPREME COURT recently addressed the question of whether a liability insurer that settles a claim on behalf of an insured is entitled to reimbursement from the insured if the claim is later determined not to be covered.

### Texas Association of Counties County Government Risk Management Pool v. Matagorda County

As authorized by Chapter 119 of the Texas *Local Government Code*, Matagorda County (the county) participated in a risk management pool known as the Texas Association of Counties County Government Risk Management Pool (the pool). By participating in the pool, the county obtained liability coverage for claims related to law enforcement. In 1991, the pool began excluding coverage for claims "arising out of jail."

In 1993, prisoners with razor blades in the Matagorda County jail assaulted three other prisoners. The three prisoners that were assaulted sued Matagorda County and the Matagorda County sheriff. The county notified the pool of the lawsuit. The pool denied coverage based on the jail exclusion. However, after negotiations with the county, the pool agreed to pay the costs of defending the county. The pool sent the county a letter reserving the pool's right to deny coverage. The pool also filed a lawsuit against the county asking the court to declare that the claim was not covered.

In 1995, the assaulted prisoners offered to settle their case against the county and the sheriff for \$300,000. This amount was within the policy limits. The attorneys representing the county told the pool that the amount was reasonable. The pool notified county officials of the settlement offer and asked the county to pay the settlement amount. The county acknowledged that the settlement was reasonable. However, the county continued to insist that the claim was covered. The county stated that it would not contribute to the settlement. The pool sent the county a letter again reserving the pool's right to deny coverage and to seek reimbursement from the county if the court declared that the claim was not covered. The county's agreement with the pool allowed the pool to settle a claim without the county's consent. Therefore, the pool settled the lawsuit with the assaulted prisoners for \$300,000.

The pool added a claim for reimbursement to its lawsuit against the county. Following a trial, the trial court ruled in favor of the pool and ordered the county to reimburse the pool \$300,000, plus interest and attorneys' fees. The county appealed the question of reimbursement. The Corpus Christi Court of Appeals reversed the trial court's decision and ruled in favor of the county. The pool appealed to the Texas Supreme Court (the court).

A majority of the Texas Supreme Court noted that under the local government code, the pool was not an insurer. However, since the pool was acting as an insurer in this case, the court would treat the pool as an insurer for the limited purpose of deciding whether the pool was entitled to reimbursement from the county.

The court noted that the insurance agreement did not address reimbursement of the pool. The court stated that a letter reserving the rights of an insurer could only reserve rights the insurer had under the insurance agreement. As a result, the pool could not reserve the right to reimbursement.

The court next considered whether the county had agreed to reimburse the pool. The court noted that the county had never clearly agreed to reimburse the pool. Therefore, the court must determine whether an agreement to reimburse the pool could be implied from the county's actions. The pool argued that since the county did not respond to the pool's letter reserving its right to deny coverage and seek reimbursement, the county had implicitly agreed to reimburse the pool.

The court stated that in order for there to be a separate implied agreement to reimburse, there must be a "meeting of the minds" between the pool and the county. The court stated that "silence and inaction will not be construed as an assent to an offer." It was clear that there was no "meeting of the minds" between the pool and the county regarding reimbursement. The court stated,

*[W]e hold that, when coverage is disputed and the insurer is presented with a reasonable settlement demand within policy limits, the insurer may fund the settlement and seek reimbursement only if it obtains the insured's clear and unequivocal consent to the settlement and the insurer's right to seek reimbursement.*

The court concluded that the pool was not entitled to reimbursement from the county. The court therefore affirmed the opinion of the Court of Appeals. (Two of the Supreme Court Justices filed a dissenting opinion. For more information about the dissent and more detail about the issues discussed by the majority of the court, please consult the opinion of the court.) *Texas Association of Counties County Government Risk Management Pool v. Matagorda County*, 2000 WL 1867945 (Tex. 2000). ★

### Data Call Reminders

#### Quarterly Closed Claim Reports

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

#### Call for Quarterly Experience

The Call for Fourth Quarter 2000 Experience was issued December 29, 2000, as Commissioner's Bulletin B-00-64-00 and was due February 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)

#### Call for Quarterly Experience, Workers' Compensation Deductible Plans

The Call for Fourth Quarter 2000 Experience was mailed December 29, 2000, as Commissioner's Bulletin B-00-64-00 and was due February 15, 2001. TDI contact is Michael Davis, 512 322-5029. E-mail address: [michael.davis@tdi.state.tx.us](mailto:michael.davis@tdi.state.tx.us)

#### 2001 Texas Disallowed Expense Call for Calendar Year 2000

The Texas Disallowed Expense Call for calendar year 2000 was issued February 12, 2001, as Commissioner's Bulletin B-0005-01. The acknowledgment form was due on or before February 23, 2001. The data call is due April 2, 2001. The bulletin and forms are available for download 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 Julie Jones, 512 475-1878. E-mail address: [julie.jones@tdi.state.tx.us](mailto:julie.jones@tdi.state.tx.us) ★



# RuleMaking

## AGENTS

### APA Adoptions Specialty Licenses

- Commissioner Jose Montemayor has adopted new 28 TAC §§ 19.1901–19.1910 (Subchapter T) implementing provisions of Senate Bill 957 of the 76th Legislature, codified as *Texas Insurance Code* Article 21.09.

Article 21.09 enables rental car companies, travel agencies, self-service storage facilities and lenders of various types (including retailers, auto dealers and manufactured home dealers) to become licensed as agents to sell certain types of insurance commonly sold in conjunction with other transactions. These products include credit insurance, travel insurance, excess auto liability, personal property coverage and other coverages commonly associated with the loans, goods or services purchased. Individual employees of such licensees no longer must be licensed to sell insurance but must complete training programs if they engage in insurance transactions with their employers' customers.

To qualify for a license, corporate or individual applicants must:

- Hold an appointment from a licensed company to write the specific type of insurance they seek authority to sell;
- Be actively engaged in a finance or retail business at each location where insurance will be sold, with the primary purpose of providing goods or services other than insurance;
- Solicit and deliver the insurance product only in connection with an associated consumer transaction.

Under the new rules, a corporation, partnership or depository institution seeking a specialty license must be organized under federal law or the laws of Texas, another state or a territory of the United States. It must be admitted to conduct business in Texas by the secretary of state, if so required, and provide a current franchise tax certificate from the state comptroller's office. Finally, the entity seeking a specialty license must provide the name, address, date of birth and Social Security number of each officer, director, member, manager, partner or other person with the right or ability to control the specialty license holder.

Individual applicants must be at least 18 years old, with no history of acts for which a license

may be denied under TDI rules or the laws of Texas or any other state.

An applicant may seek licensure under more than one license authority on the same specialty license application. There is a separate \$50 fee for each license authority.

Applicants and licensees must register each location where insurance is sold and may not solicit insurance from an unregistered location. An applicant or license holder that also is a franchiser may not register a business location that is independently owned or operated by a franchisee. An independent owner of a franchise location must submit a license application separate from any application submitted by the franchiser.

The specialty license requirements apply uniformly to both Texas residents and nonresidents.

Each employee of a specialty licensee who performs the acts of an insurance agent must complete a training program designed by the insurer whose policies the licensee is appointed to sell. The insurer must submit an outline of the training program for TDI approval before any specialty license holder may use it. The outline must be detailed enough to show that the specialty license holder's employees will receive training in all required disclosures as well as in the specific type of insurance product to be sold. Specialty license holders and applicants must submit all employee training materials to TDI upon request. TDI may take disciplinary action against an insurance company or specialty license holder if it finds that a training program is deficient, misrepresents any aspect of the insurance transaction, contains misleading inaccuracies or is not properly administered.

*Publication: 26TexReg1545, February 16, 2001*  
*Effective date: February 20, 2001*  
*Further information: 512 463-6327*

### APA Repeal Agent License Study Committee

- Commissioner Jose Montemayor has repealed 28 TAC § 19.1901 concerning the Advisory Committee for the Interim Study of Agents and Agents' License Statutes. The committee completed its study and was automatically terminated effective December 31, 1998.

*Publication: 26TexReg1544, February 16, 2001*  
*Effective date: February 20, 2001*  
*Further information: 512 463-6327*

## FINANCIAL

### APA Adoptions

#### 2000 Annual Financial Statements

- Commissioner Jose Montemayor has adopted new 28 TAC § 7.70, which establishes requirements for filing 2000 annual statements. The instructions and forms are the same as those used for the 1999 annual statement filings. The 2001 quarterly filing information is set out in 28 TAC § 7.71, which was adopted simultaneously with this section.

*Projected publication date: February 23, 2001*  
*Effective date: February 27, 2001*  
*Further information: 512 463-6327*

#### 2001 Annual and Quarterly Financial Statements

- Commissioner Jose Montemayor has adopted new 28 TAC § 7.71, which sets out filing requirements for the 2001 annual and quarterly statements. This rule is intended to coincide with the new *Accounting Practices and Procedures Manual*, adopted under 28 TAC § 7.18 and effective January 1, 2001.

Significant changes from the previous year's requirements are:

- HMOs will file on the new NAIC health blank beginning with the first quarter of 2001.
- HMOs will file quarterly health blanks with the NAIC.
- Texas life companies that wrote only accident and health business in 2000 may use the new NAIC health blank if they meet certain requirements. Foreign life companies that primarily write health premiums also may file on the health blank in Texas if permitted or required by their domiciliary states.
- Texas-only supplemental forms to be filed with the 2001 annual statement are not included in this rule. The Department intends to update these Texas forms later in 2001 and will propose an amendment to the rule by December 31, 2001.
- The NAIC instructions provide that certain annual statement schedules need only be filed with the insurers' domiciliary states. Some foreign companies may not file paper copies of these schedules with Texas, but copies will be available from the insurers' domiciliary states.
- Schedule DC information is now in Schedule DB, relating to options and futures information.
- Companies filing electronically with the NAIC must include PDF format filings.



# RuleMaking

Projected publication date: February 23, 2001  
 Effective date: February 27, 2001  
 Further information: 512 463-6327

## HEALTH CARE

### APA Adoption

#### Submission of Clean Claims

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 21.2803, 21.2809 and 21.2810, concerning the submission of clean claims to HMOs and preferred provider carriers.

The changes do the following:

- Drop the requirement that providers submit signed documentation with claims to prove a patient had no other coverage. It is sufficient for the provider to have on file a document signed within the past 12 months by the patient or authorized person stating that there is no other health care coverage. Although submission of such a signed document is not an essential data element, a provider must furnish the document to an HMO or preferred provider carrier upon request. This amendment is designed to facilitate electronic claim filing and was proposed in response to petitions from health care providers.
- Require written notifications of audit results to list the specific claims paid and not paid pursuant to an audit, including specific claims and amounts for which a refund is due from the provider. A notification generally must state the intent of the HMO or preferred provider carrier to make a chargeback, if applicable. A provider may suggest making a refund by some other method.
- Recognize dates on private metered postmarks as acceptable proof of the date upon which payment of a claim was made.

Publication: 26TexReg1341, February 9, 2001  
 Effective date: February 14, 2001  
 Further information: 512 463-6327

## LIFE INSURANCE

### APA Adoption

#### Viatical and Life Settlement Rules

■ The Department has adopted amendments to 28 TAC §§ 3.1701–3.1703, 3.1705 and 3.1707–3.1715 and new 28 TAC §§ 3.1704, 3.1706, 3.1716 and 3.1717, concerning the regulation of viatical and life settlements. It also repealed existing 28 TAC §§ 3.1704, 3.1706 and 3.1716–3.1718.

The amendments and new rules implement provisions of *Texas Insurance Code* 3.50-6A as amended by House Bill 792 of the 76th Legislature.

Before the enactment of House Bill 792, the insurance code regulated only viatical settlements, which involve the sale of life insurance policies on individuals (“viators”) with catastrophic or life-threatening illnesses or conditions. House Bill 792 added the regulation of life settlements, which involve the sale of life insurance policies on people (“life settlers”) who do not suffer from such conditions.

Highlights of the newly adopted amendments and rules are summarized below.

#### Terminology

The old nomenclature of regulated entities—“viatical settlement brokers” and “viatical settlement companies”—has been replaced. The new rules require a person in the viatical or life settlement business to register with TDI as a:

- Viatical or life settlement provider (purchases policies from viators and life settlers),
- Viatical or life settlement broker (representing the interests of viators and settlers), or
- Viatical or life settlement provider representative (representing the interests of a viatical or life settlement provider). This term replaces “captive broker” in the rule as originally published.

#### Confidentiality

The rules expand the types of viator and life settlor information that brokers, providers and provider representatives must hold confidential to include name, address, phone and fax number, e-mail address, photo or likeness, employer, employment status, Social Security number, genetic, medical and financial information and any other information likely to lead to identification of the individual, family member, spouse or “significant other.”

Confidential information solicited or obtained by a broker, provider or provider representative may not be disclosed unless the viator, life settlor or owner gives prior written consent on a form that identifies to whom the information will be released and states the purpose for the release. Confidential information released by written consent may not be used to track the health status of a viator or life settlor. TDI has authority to obtain confidential information for use in carrying out its enforcement and examination responsibilities.

#### Registration

All persons engaging in the viatical or life settlement business in Texas are required to register with TDI. Previously, only viatical settlement brokers and companies were required to register. A viatical or life settlement broker, provider or provider representative may not hold more than one registration certificate in the same legal name at the same time. Viatical or life settlement providers, brokers or provider representatives may have multiple offices or operate under assumed names without obtaining additional registration certificates, provided they notify TDI of the office addresses and assumed names and provide a copy of a valid assumed name certificate when required by the *Texas Business and Commerce Code*.

Registration as a viatical settlement or life settlement broker, provider or provider representative will be for two years, instead of the present one. Registration fees, including renewals, will be \$500 for providers and \$250 for brokers and provider representatives.

An applicant for registration as a viatical settlement or life settlement provider representative must submit a notice of exclusive representation from the provider on whose behalf the provider representative will solicit business. A designation as a provider representative will remain in effect until terminated or withdrawn by the provider.

Brokers, providers or provider representatives electing not to renew their registration must notify TDI at least 60 days in advance and take certain prescribed actions to assure the continued servicing of contracts that have not matured.

#### Reporting

Viatical or life settlement brokers and providers must submit annual reports to TDI on or before March 1 of each year. The new rules contain more detailed requirements concerning the format and content of the reports than did the viatical settlement rules previously in force. The reports must be filed electronically unless a registrant has obtained TDI permission to submit only a paper report.

Providers, using codes to protect confidential information, must report on each viatical or life settlement contract obtained during the reporting period. Information reported must include:

*Continued on page 8*



# RuleMaking

- The insurance company's name and financial rating from A. M. Best or other rating service;
- Viator's or life settlor's age and mean life expectancy at the time of contract;
- Policy face amount and net death benefit purchased;
- Estimated total premiums to keep the policy in force for the individual's mean life expectancy;
- Net amount paid to the policy owner;
- Primary International Classification of Diseases (ICD) diagnosis code;
- Age of the policy when the contract was signed; and
- Policy status at the end of the reporting period.

There are additional reporting requirements when a viator or settlor dies during the reporting period. Information to be reported includes the number of months lived after the contract was signed and the difference between that number and the mean life expectancy used by the provider.

Providers also must report such things as **1)** names and addresses of providers, brokers and provider representatives they use to monitor or track the health status of viators and life settlors and **2)** names and addresses of providers, brokers and provider representatives that referred business to them and to whom they may have referred business.

## Forms

The new rules establish detailed form filing requirements and offer alternatives to expedite form processing. Forms to be filed with TDI include settlement applications; settlement contracts and amendments; disclosures; escrow or trust agreements; documents for obtaining or releasing confidential information; acknowledgement forms; and any other form used to effect viatical or life settlement contracts. Forms must be accompanied by valid transmittal checklists available from TDI.

Grounds for TDI disapproval of a form include failure to comply with state or federal statutes or regulations and the inclusion of content that is unjust, deceptive or encourages misrepresentation.

## Disclosures

Disclosures previously required in viatical settlement transactions must be delivered with applications for life settlements. The rules modify the existing disclosures and add cer-

tain new disclosures. The newly added disclosures include but are not limited to:

- The prominently displayed full name, home office address and phone number of the provider, broker or provider representative.
- The fact that there are alternatives such as accelerated benefit provisions, policy loans and surrender value.
- The possibility that a viatical or life settlement might affect one's eligibility for Medicaid.
- The viator's, life settlor's or owner's right to know who has received a commission from the transaction.
- The fact that if the policy being sold is a joint policy or contains riders, a viatical or life settlement contract will affect payment of premiums and disposition of proceeds, cash values and dividends and may cause forfeiture of other rights or benefits, including conversion rights.

## Contracts

A viatical or life settlement contract must contain certain specified provisions. Among these are the following:

- The contract and application, including any amendments or attached papers, constitutes the entire contract. No change in the contract is valid until approved by an executive officer of the provider and attached or endorsed onto the contract.
- The contract is deemed rescinded if the viator or life settlor dies at any time up to 15 days after receiving the viatical or life settlement proceeds. The viatical or life settlement provider must then refund the death benefit to the owner or beneficiaries designated by the owner in the contract for this purpose. The refund is subject to deduction of viatical or life settlement proceeds previously paid and, if applicable, any premiums paid by the provider.
- The provider has three business days after receiving the necessary policy transfer documents to pay the proceeds to the policy owner or place them in a trust or escrow account for subsequent transfer to the policy owner.
- Any accidental death benefit provided by the policy or an endorsement remains payable by the insurance company to the beneficiary last named by the viator, life settlor or policy owner before entering the viatical or life settlement transaction. In the absence of a beneficiary, the accidental death benefit is payable to the estate of the viator, life settlor or owner.

## Prohibited Practices

Among other things, viatical and life settlement providers, provider representatives and brokers may not require viators, life settlors or owners to provide information about any family member, including spouse or "significant other," unless that individual is designated as the contact person for health status information.

A viatical or life settlement provider, broker or provider representative may not discriminate in the availability or terms of a settlement on the basis of race, color, national origin, creed, religion, occupation, geographic location, marital or family status, sexual orientation, age, gender, disability or partial disability unless it is demonstrated that any such factor affects a viator's or life settlor's life expectancy.

Discrimination among viators or life settlors with and without dependents is prohibited.

When the viator or life settlor and the owner of a policy are different individuals, both must give their written consent to a viatical or life settlement contract. Both must receive the required written disclosures.

Brokers, providers and provider representatives may not enter into contracts with installment payments unless the settlement is effected through an annuity with an authorized insurer or through an escrow or trust account established by an FDIC-member financial institution.

## Other Provisions

Brokers are deemed to represent only viators, life settlors and owners. Brokers owe these parties a fiduciary duty to act according to their instructions and in their best interest.

Health status contacts may not be made with a viator or life settlor unless a provider, broker or provider representative has tried unsuccessfully for more than 30 calendar days to contact the viator's or life settlor's designee.

Contacts to determine health status may not be made more often than once every 30 days for viators and life settlors with life expectancies of a year or less. Such contacts may be made no more than once every three months for those with life expectancies of more than a year, as determined at the time of the contract. Only a registered provider, broker or provider representative may make such health status contacts.



# RuleMaking

## MEDICARE SUPPLEMENT

### APA Adoptions

#### Compliance with Federal Standards

■ Commissioner Jose Montemayor has amended 28 TAC §§ 3.3306, 3.3308 and 3.3312, concerning minimum standards for Medicare supplement policies, to bring Texas into compliance with federal requirements adopted in November 1999.

The changes require Medicare supplement policies and certificates to provide that benefits and premiums will be suspended for the period provided by federal regulations if an insured individual becomes covered by a group health plan. Medicare supplement coverage will be reinstated automatically if an individual notifies the insurer within 90 days after losing group coverage and pays the premium for the period since the group coverage ended. Reinstatement takes effect on the date the individual lost group coverage.

Under the new rules, guaranteed issue of Medicare supplement insurance is available to people 65 and older who lose coverage with a Program of All-Inclusive Care for the Elderly (PACE) because the program withdrew from their area or was decertified.

Another amendment tracks federal requirements requiring insurers to accept Medigap applications on a guaranteed issue basis before the date when a Medicare+Choice or PACE plan terminates enrollments but after members have been notified of the plan's impending withdrawal from Medicare. Coverage, however, will not begin until enrollment actually terminates.

Publication: 26TexReg1544, February 16, 2001  
Effective date: February 19, 2001  
Further information: 512 463-6327

#### Mandatory Benefit Notice Requirement

■ Commissioner Jose Montemayor has amended 28 TAC § 21.2107 to bring Texas into compliance with federal Medicare supplement insurance notice requirements. The change adds a requirement that entities withdrawing from Medicare+Choice or PACE notify enrollees of their right to apply for and obtain Medigap coverage on a guaranteed issue basis before the date their plans terminate.

Publication: 26TexReg1547, February 16, 2001  
Effective date: February 19, 2001  
Further information: 512 463-6327

## PROPERTY

### APA Adoption

#### Building Code for Windstorm Resistant Construction

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 5.4007 and 5.4008, concerning revisions to the *Building Code for Windstorm Resistant Construction* and the *Windstorm Resistant Construction Guide*.

The changes were recommended by the Building Code Advisory Committee on Specifications and Maintenance. They will take effect on April 1, 2001.

The amendments do the following:

- Permit the use of wood structural panels to resist uplift loads.
- Clarify the maximum limits for overhangs at gable endwalls.
- Clarify requirements for balloon and platform framing.
- Add a section providing guidance for the construction of dormers.
- Add a section specifying the information to be reported following the tests specified in Standard TDI 1-98.

Publication date: 26TexReg1151, February 2, 2001  
Effective date: April 1, 2001  
Further information: 52 463-6327

### Exempt Adoption

#### Law and Ordinance Endorsements

■ Commissioner Jose Montemayor has adopted three amendatory and three optional "law and ordinance" endorsements for use with Texas standard homeowners and dwelling policies. The endorsements were proposed by the Insurance Council of Texas (ICT).

#### Mandatory Amendatory Endorsements

The amendatory endorsements (TPD-024, TPD-025 and HO-134) provide \$5,000 of coverage, at no additional premium, for the increased cost of construction resulting from compliance with an ordinance, law or Texas Windstorm Insurance Association (TWIA) building code specification. The endorsements specify that the coverage is additional insurance and does not reduce the dwelling limit of liability.

The endorsements expressly provide that for property in an area eligible for wind and hail coverage through the TWIA, the additional coverage applies to additional costs that re-

sult from compliance with the building code specifications of the TWIA plan of operation.

An insured may use all or part of the \$5,000 in "law and ordinance coverage" to pay the increased costs incurred to remove debris resulting from the construction, repair or replacement of the damaged covered property.

The endorsements do not provide coverage for the increased cost of construction:

- If the building is not rebuilt or repaired,
- If the rebuilt or repaired building is not intended for similar occupancy,
- Until the building is repaired or rebuilt at the same premises, or
- Unless the rebuilding or repairs are made as soon as reasonably possible, not to exceed 365 days after the loss, with a possible 180-day extension if requested in writing by the insured.

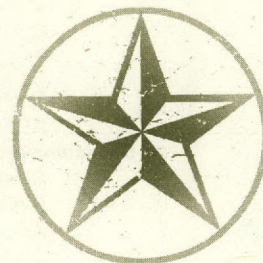
The endorsements specifically exclude a covered building's loss in value due to the requirements of an ordinance or law. Also excluded is the cost of complying with an ordinance or law that involves the effects of pollution on a covered building.

#### Optional Endorsements

The optional endorsements (TDP-026, TDP-027 and HO-135) provide additional law and ordinance coverage in amounts equal to 10 percent, 15 percent or 25 percent of the Coverage A (Dwelling) amount on a policy. Such coverage, if purchased, would be over and above the \$5,000 automatically provided by the amendatory endorsements.

The adopted rules include policy writing requirements, premium charts and premium calculation examples. A separate proceeding will address necessary changes in the residential property insurance statistical plan to capture data so that future rates for the optional endorsements can be based on actual data.

Projected publication date: February 23, 2001  
Effective date: April 1, 2001  
Reference No. P-0500-11  
Further information and copies: 512 463-6326 ★





# KEYTELEPHONELIST

DIVISION	NAME	PHONE	MAIL CODE
<b>Commissioner of Insurance</b>	Jose Montemayor	463-6468	113-1C
General Counsel & Chief Clerk	Lynda Nesenholtz	305-7351	113-2A
Office of Chief Clerk		463-6326	113-2A
Government Relations	David Durden	463-6651	113-3A
Public Information Office	Jim Davis	463-6425	113-1A
<b>Senior Associate Commissioner &amp; Chief of Staff</b>	Stan Wedel	305-7249	113-1C
Information Services (Data Processing)-Director	Andy Robinson	463-0819	102-IS
<b>Legal &amp; Compliance</b> -Senior Associate Commissioner	Sara Shippet Waitt	463-6119	110-1A
<b>Insurance Fraud Program</b> -Associate Commissioner	John Watston	305-8159	109-3A
<b>Life, Health &amp; Licensing</b> -Senior Associate Commissioner	Kim Stokes	305-7342	107-2A
<b>Licensing</b> -Deputy Commissioner	Matt Ray	463-8917	107-1A
TPA/Premium Finance	Chuck Waits	322-3412	107-5A
Agents Licensing		322-3503	107-1A
<b>Life/Health Division</b> -Deputy Commissioner	Ana Smith-Daley	322-3401	106-1A
Accident & Health	Cindy Carpenter	322-3409	106-1D
Life, Annuity & Credit	vacant	322-3406	106-1E
<b>HMO/URA Division</b> -Deputy Commissioner	Blake Broderson	463-6106	103-6A
<b>Filings Intake</b> -Deputy Commissioner	Angelia Johnson	322-3575	104-3B
Life/Health & HMO Intake	Belinda Reveles	322-4245	106-1E
Property & Casualty Intake	Cindy Grimm	322-3575	104-3B
<b>Property &amp; Casualty</b> -Senior Associate Commissioner	C. H. Mah	322-3587	105-5G
<b>Data Services</b>	Clare Pramuk	475-1878	105-5D
Market Assistance Program	Kathy Graf	322-2290	105-5D
<b>Property &amp; Casualty Actuarial</b>	Philip Prasley	475-3017	105-5F
<b>Personal &amp; Commercial Lines</b> -Associate Commissioner	Marilyn Hamilton	322-2265	104-PC
Director	David Nardecchia	305-7544	104-PC
<b>Automobile/Homeowners</b> -Manager	Grover Corum	322-3430	104-1A
Commercial Automobile	Leslie Hurley	305-7435	104-1C
Personal Automobile	Leslie Hurley	322-3471	104-1A
Homeowners	Gary Julian	322-2266	104-1F
<b>Commercial Property/Casualty</b> -Manager	Mark Workman	305-7544	104-PC
Bond, Crime & Glass	Irwin Thomas	322-3475	104-PC
General Liability	Melvin Smith	322-3460	104-PC
Commercial Property	Georgia Keysor	322-2243	104-PC
Professional Liability	Kenneth McDaniel	322-3445	104-PC
<b>Workers' Compensation</b> -Deputy Commissioner	Nancy Moore	322-3486	105-2A
Classification	Joel Isgrig	322-3493	105-2A
Oversight Group	Pat Brabham	322-3495	105-2A
Group Insurance/Deductible/Retrospective Rating	Vicki Martinka	322-3459	105-2A
Employee Leasing	Jerry Schwab	322-3495	105-2A
<b>Inspections</b> -Deputy Commissioner	Alexis Dick	463-6674	103-1A
Commercial Property Oversight	Richard Baker	322-2259	103-1D
Engineering	Billy Ray Guerin	322-2212	103-3A
Windstorm Inspection	Welch V. Watt	322-2203	103-1E
Loss Control	Richard Baker	322-3435	103-9A
<b>Title Division</b> -Deputy Commissioner	Robert Carter	305-7402	106-2T
Title Examinations	Ethel Benedict	322-5027	106-2T
<b>Financial</b> -Senior Associate Commissioner	Betty Patterson	322-5040	305-2A
Actuarial	Mike Boerner	322-5067	305-3A
<b>Company Licensing and Registration</b> -Director	Godwin Ohaechesi	322-3507	305-2C
<b>Licensing-Admitted Companies &amp; HMOs</b> -Director	Jeff Hurt	322-4370	305-2C
<b>Registration</b> -Surplus Lines/Foreign			
Risk Retention/Purchasing Groups	Kathy Wilcox	322-3535	305-2C
Statutory Deposits	Tina Martinez-Saucedo	322-4124	305-2C
Early Warning Group	Scott Kyle	322-3467	305-2C
Contract Administration	Jim Helfrich	475-1867	305-2C
Financial Analysis/Examinations	Danny Saenz	322-5002	303-1A
Conservation	Neal Rockhold	322-4162	305-1C
Liquidation Oversight	Evelyn Jenkins	322-4352	305-1D
<b>Consumer Protection</b> -Senior Associate Commissioner	Audrey Selden	322-4309	111-1A
Complaints Resolution, Life, Accident & Health	Michael Jackson	463-6500	111-1A
Complaints Resolution, Property & Casualty	Valerie Brown	463-6500	111-1A
Advertising Unit	Jack Evins	475-1949	111-2A
<b>State Fire Marshal</b>	G. Mike Davis	305-7900	112-FM



## Hearing Set on Consumer Rights List Changes

**C**OMMISSIONER JOSE MONTEMAYOR will hold a public hearing on March 29, 2001, on proposed updates to the state's *Consumer Bill of Rights for Personal Automobile Insurance* and *Consumer Bill of Rights for Homeowners, Dwelling and Renters Insurance*.

The hearing will be at 9 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

The bills of rights summarize rights provided by statutes and rules. *Texas Insurance Code* Article 1.35A and TDI manual rules require insurers to distribute the bills of rights with each new policy and with renewal notices, as specified, to current policyholders. The statute requires the state's Office of Public Insurance Counsel (OPIC) to submit proposed language for the bills of rights to TDI for adoption.

OPIC submitted proposed changes to the bills of rights in December. TDI staff recommended the changes in a petition to the Commissioner.

In general, the proposed revisions reflect legislation and TDI actions since the bills of rights were originally adopted by the old State Board of Insurance on August 31, 1993. Some changes also simplify language and clarify various provisions.

Changes proposed in the petition to the Commissioner include but are not limited to:

### Both Auto and Residential Property

- Addition of language about the residential property and private passenger automobile Market Assistance Programs operated by TDI.

- Expansion of the sections concerning the consumer's right to be told, upon request, the reasons for denial of coverage.
- The addition of e-mail addresses to TDI consumer contact information.

### Auto Insurance

- Addition of language summarizing the rule prohibiting insurers and agents from requiring customers to buy auto liability insurance in amounts greater than the basic limits or to buy other types of coverage as a condition for obtaining the insurance a customer wants.
- A new notation that loans from premium finance companies may be more costly than the installment plans offered directly by insurance companies.
- Updated language on auto insurance discounts, including the increase of the two-car discount to 20 percent, the addition of the anti-theft device discount and the adoption of the alcohol and drug awareness training discount.
- New language reflecting rules prohibiting refusal to renew an auto policy based solely on the age of any person covered by the policy.

### Residential Property

- New language summarizing the Voluntary Inspection Program for residential property insurance purposes.
- A summary of property insurance discounts for home security, electronic burglar alarms, sprinkler systems and impact-resistant roofs.
- Addition of language summarizing TDI rules against refusal to insure a property based solely on its age or value. ★

## Status of Legislative Recommendations

(The full text of TDI's report to the 77th Legislature is available on the Department's Web site at <http://www.tdi.state.tx.us/commish/finalbie.html>. Bill status is current as of TIN's printer deadline. Readers may obtain updated bill status information from the Texas Legislature Online Web site, [www.capitol.state.tx.us](http://www.capitol.state.tx.us). The final date for free introduction of bills is March 9, 2001.)

### Agent Licensing Reform

**SB 414**, by Senator Frank Madla, San Antonio, approved by Senate Business and Commerce Committee.

**HB 1163**, by Representative Craig Eiland, Dickinson, referred to House Insurance Committee.

### Approval or Denial of Acquisitions

**SB 605**, by Senator David Sibley, Waco, referred to Senate Business and Commerce Committee.

### JUA Coverage of For-Profit Nursing Homes

**SB 415**, by Senator John Carona, Dallas, referred to Senate Health and Human Services Committee.

**HB 1000**, by Representative Elliott Naishtat, Austin, referred to House Insurance Committee.

### Commercial Auto Rates and Forms

**SB 278**, Senator Chris Harris, Arlington, referred to Senate Business and Commerce Committee.

**HB 1195**, Representative Kim Brimer, Arlington, referred to House Insurance Committee. ★

## 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
	Garcia, Sergio Enrique	El Paso	Property/Casualty-Motor Vehicle Only and County Mutual Agent's Licenses Revoked	Misappropriation or Conversion	00-1343	12/15/00
	Helmick, Billy Roger	Lorena	Life, Accident, Health and HMO Agent's and Property and Casualty Agent's Licenses Revoked	Misappropriation or Conversion	00-1327	12/13/00
	Janes, Danny R.	Garland	\$1,125 Fine	Failure to Meet Continuing Education Requirements	01-0008	1/3/01
	Waller, Linda H.	Missouri City	Life, Health & HMO Agent's License Revoked	Failure to Meet Continuing Education Requirements	01-0018	1/9/01
COMPANIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	All-Tex Payment Plan, LLC	Dallas	\$7,500 Fine	Consent Order; Alleged Operation Prior to Licensure and Without Required Minimum Net Assets	01-0007	1/3/01



# Company Licensing

## Applications Pending

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Atlantic Specialty Insurance Co.	Fire & Casualty	New York, NY
First Life America Corp.	Life	Topeka, KS
Health Market Administrative Services, Inc. (dba Health Exchange Administrative Services Inc.)	TPA	Wilmington, DE

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
New Horizon Benefit Administrators Inc.	TPA	Houston, TX
Urban Dental Management of Texas Inc.	TPA	Houston, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
AXA Global Risks US Insurance Co.	AXA Corporate Solutions Insurance Co.	Fire & Casualty	New York, NY
Dental Insurance Company of America Inc.	Unimerica Insurance Co.	Life	Bethesda, MD

## Applications Approved

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
American Sentinel Insurance Co.	Fire & Casualty	Harrisburg, PA
Employee Health Systems Medical Group, Inc. dba EHSMD Inc.	TPA	El Monte, CA
GMAC Direct Insurance Co.	Fire & Casualty	Hazelwood, MO
Highmark Services Co.	TPA	Pittsburgh, PA
Medical Claims Services Inc., dba MCS of Massachusetts	TPA	Quincy, MA

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
Adviant, LLC	TPA	Dallas, TX
Texas Program Administrators Inc.	TPA	Arlington, TX
Methodist Health Insurance Co.	Life	Houston, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
AXA Reinsurance Co.	AXA Corporate Solutions Reinsurance Co.	Fire & Casualty	Wilmington, DE
Compdent Insurance Co.	Compbenefits Insurance Co.	Life	Houston, TX
College Life Insurance Company of America, The	Americo Financial Life and Annuity Insurance Co.	Life	Dallas, TX
Elm County Mutual Insurance Co.	Mercury County Mutual Insurance Co.	Fire & Casualty	Austin, TX
Lincoln Mutual Life Insurance Co.	Lincoln Direct Life Insurance Co., (converted from Mutual Life to Stock Life)	Life	Lincoln, NE
Phoenix American Life Insurance Co.	GE Group Life Insurance Co.	Life	Enfield, CT
Slavonic Benevolent Order of the State of Texas (SPJST)	SPJST	Life (Fraternal)	Temple, TX
Spectera Dental Inc.	National Pacific Dental Inc.	HMO	Houston, TX



**Texas Department of Insurance**

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