June 2000

Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

"Clean Claims" Rules Adopted

COMMISSIONER JOSE MONTEMAYOR has adopted rules defining when claims submitted by physicians and other health care providers to HMOs and preferred provider carriers are "clean" and, therefore, subject to the 45-day statutory limit for making payment decisions.

The rules, codified as 28 TAC §§ 21.2801–21.2816, will apply to claims for out-patient ("non-confinement") services rendered on or after August 1, 2000, and to claims for services, treatments or supplies for in-patient confinements that begin on or after that date.

Montemayor's adoption order concluded a complex rulemaking proceeding. He held a heavily attended January 25, 2000, public hearing on the rule as proposed by TDI staff. The Department received comments from 30 insurers, HMOs, trade associations, medical provider groups and other entities. The adoption order, including responses to comments, is 165 pages long.

The full text of the rules was published in the May 19, 2000, Texas Register and also is available on TDI's Web site, **www.tdi.state.tx.us.**

The rules implement House Bill 610, enacted by the 76th Legislature. They fulfill the Legislature's directive to define clean claim in order to "diminish the frequency of claim disputes between HMOs or preferred provider carriers and their contracted physicians or providers by setting forth the documentation considered reasonably necessary to process a claim."

"Clean Claim" Definition

The statutory 45-day claims payment period begins on the date when an HMO, preferred provider carrier or delegated claims processor receives, at the designated address, a clean claim from a physician or provider.

The definition of a clean claim is tied to information fields contained in two Health Care Financing Administration (HCFA) claim forms commonly used by medical care providers. A clean claim provides 29 data elements captured by form HCFA 1500 (12-90) for individual physicians and providers and 28 data elements captured by form UB-92 HCFA-1450 for hospitals and other institutional providers. The rules list another 24 data elements contained in the HCFA forms that must be used when applicable to a particular situation, such as when a patient is covered by Medicare or by more than one health plan.

An HMO or preferred provider carrier may require additional data elements or attachments if it gives at least 60 calendar days' advance written notice to physicians and providers before imposing such a requirement. Special notice is not necessary, however, if the additional elements are specifically identified in the HMO's or carrier's provider contracts. Insurers and HMOs that fail to provide the required notice may not extend the statutory claims payment period when they request such additional data elements or attachments.

Five Permissible Actions

Under House Bill 610 and the rules, an HMO or preferred provider carrier must take one of the following five possible actions within 45 calendar days after receiving a "clean" claim:

- Pay the total amount of the claim in accordance with its contract with the physician or provider.
- Deny the claim in its entirety and notify the physician or provider in writing why the clean claim will not be paid.
- Pay the undisputed portion of the claim and deny the remainder, with notice to the physician or provider of the reasons for the partial denial.
- Pay the portion of the claim that is not in dispute and audit the remainder of the claim. If the audit cannot be completed within the 45-day statutory time limit, the HMO or preferred provider carrier must pay the physician or provider 85 percent of the contracted rate on the portion of the claim undergoing audit.
- Audit the entire claim, and if the audit cannot be completed within the 45 days, pay the physician or provider 85 percent of the contracted rates.

Payment of the 85 percent is not an admission that the HMO or preferred provider carrier acknowledges liability on the claim. An audit could

Please see **Clean Claims** *on page 4*

INSIDE

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NewsBriefs

Commercial, Personal Lines Combined in P&C Structure

THE RESTRUCTURING of a major component of TDI's Property and Casualty Program has placed both personal and commercial lines specialists under common management.

C H Mah, the program's senior associate commissioner, combined the former Commercial P&C and Auto/Homeowners Divisions into a single Personal and Commercial Lines Division.

Mah said the restructuring was part of a continuing effort within the Property and Casualty Program to streamline processes and broaden staff expertise.

Deputy Commissioner Marilyn Hamilton, who headed the former commercial division, is in charge of the newly created personal and commercial group. (See article on page 3 for more on Hamilton.) David Nardecchia, a TDI veteran with extensive commercial property and casualty experience, is the No. 2 person in the new division.

The Personal and Commercial Lines Division is subdivided into two sections, Automobile/Homeowners, headed by Grover Corum, and Commercial Property and Casualty, directed by Mark Worman.

The Market Assistance Program (MAP) Unit was transferred from the Automobile/Homeowners Section to the Data Services Section, whose chief, Clare Pramuk, reports directly to Mah. ★

Arson Hotline Announced

TDI AND THE STATE FIRE MARSHAL'S OFFICE (SFMO) have announced a new arson hotline number that people anywhere in Texas can call to report suspicious fires.

The new toll-free hotline number is

1-877-4-FIRE-45 or
1-877-434-7345.

Fire departments can also call the toll-free number for assistance.

"Arsonists are responsible for more than 10,000 fires every year in Texas," said Commissioner Jose Montemayor. "These fires take lives and destroy millions of dollars in property. We want to stop these people before they do any more harm."

Montemayor and State Fire Marshal G. Mike Davis announced the new hotline at Arson Awareness Week events in East Texas in early May.

"It's the people who maliciously destroy property for some type of weird pleasure, gain or profit, that we are after," Davis said. "Calls to our hotline will be answered 24 hours a day." ★

Survey Reflects TDI's Emphasis on Service

TDI EMPLOYEES BELIEVE the Department strives to meet customer needs and provides good overall customer service, according to results from the 1999–2000 UT Survey of Organizational Excellence.

More than 600 of TDI's 1,000 employees responded to the survey, which also asked questions about job satisfaction and working conditions.

"TDI continues to have the highest response rate among other state agencies of a similar size," Commissioner Jose Montemayor noted in a memo to executive staff. "In fact, I am pleased to report that TDI also had the highest overall satisfaction of agencies our size."

The Commissioner said TDI "can justifiably be proud of these results," adding that the survey is a "valuable tool that allows us to compare our progress over time."

Responses to questions about perceived quality of TDI's service to customers showed that:

- More than 75 percent of the employees who responded believe that TDI is known for its customer service.
- More than 77 percent believe TDI is constantly improving services to customers.
- More than 89 percent said TDI knows who its customers are.
- About 77 percent said TDI develops services to match customers' needs.

More information on the UT survey of state agencies is available online at **www.survey.utexas.edu.** ★

Title Premium Split Amended to 85-15

COMMISSIONER JOSE MONTEMAYOR has increased title agents' share of title insurance premiums from 82.25 percent to 85 percent, effective June 1, 2000. The title underwriters' share was reduced from 17.75 percent to 15 percent.

Montemayor's order, which concluded the 1998 title rate case, left rates themselves unchanged.

"The data and evidence presented in this case simply did not warrant a change in rates at this time," Montemayor said. "I will revisit the issue later this year to see if that situation changes."

The title insurance industry had sought a rate increase of 3.7 percent. The Office of Public Insurance Counsel (OPIC) recommended a 15.4 percent decrease.

State law requires the Commissioner to set new title rates every two years. Current title rates have been in effect since August 1, 1998. ★

Fraud Unit Prosecutions

Convictions

DeLaGarza, Steven T, convicted in San Antonio on insurance fraud charges and sentenced to 72 months probation and a $1,000 fine.

Gore, Velma D., convicted in San Antonio on theft charges and sentenced to 60 months deferred adjudication, 160 hours community service, a $500 fine and $5,011 in restitution.

Island, John, convicted in Dallas on charges of securing execution of a document by deception and sentenced to 48 months deferred adjudication and a $300 fine.

Shumake, David Lynn, convicted in Dallas on charges of securing execution of a document by deception and sentenced to 48 months deferred adjudication and a $300 fine.

Jackson, Scott, convicted in Dallas on charges of securing execution of a document by deception and sentenced to 48 months-deferred adjudication and a $300 fine.

Squyres, Sammy II, convicted in Dallas on charges of forgery and securing execution of a document by deception. Sentenced to five years probation and a $500 fine on the forgery charge and 10 years probation and a $500 fine on the charge of securing execution of a document by deception.

Indictments

Osifo, Imabge "Stanley," indicted in Dallas on charges of money laundering, a second-degree felony, and securing execution of a document by deception, a state jail felony.

Tennant, Charles Joseph, indicted in Houston on federal charges of wire fraud and conspiracy to commit wire fraud.

Tennant, Robert Ashton II, indicted in Houston on federal charges of wire fraud and conspiracy to commit wire fraud. ★

TDI update

Unistar Insurance Co. Placed in Receivership

STATE DISTRICT JUDGE Ernest C. Garcia of Austin has placed Unistar Insurance Co. of Dallas in temporary receivership.

Unistar, a property and casualty insurer incorporated in 1983, consented to the receivership.

Judge Garcia issued the receivership order in response to a petition filed by the Office of the Attorney General on behalf of TDI. The order appoints Insurance Commissioner Jose Montemayor as receiver of the company.

TDI is in the process of seeking a special deputy receiver (SDR) for Unistar.

TDI placed Unistar in non-confidential supervision on February 14, 2000. Before that, the company was under an Article 1.32 order requiring specific measures to shore up its financial condition. The company's rehabilitation efforts were unsuccessful.

A TDI examination indicated that Unistar's liabilities as of December 31, 1999, exceeded its assets by $240,577, with no hope of returning to solvency.

Other than a very small amount of surety bond business, Unistar did not sell insurance directly to the public. It acted mainly as a reinsurer for a small percentage of the nonstandard auto insurance business written by another company and sold through insurance agencies affiliated with Unistar.

Surety bonds and reinsurance are not covered by the Texas Property and Casualty Insurance Guaranty Association.

Unistar is a subsidiary of a holding company called Unistar Financial Service Corp. Other Unistar affiliates under TDI rehabilitation orders are Eagle Premium Finance Co. and two managing general agencies (MGAs), Great Southern General Agency Inc. and U. S. Fidelity Insurance Services Inc., all of Dallas. ★

PersonalNotes

Carlson Heads Life/Annuity/Credit Section

ANA SMITH-DALEY, deputy commissioner for the Life/Health Division, has announced the appointment of Lynn Carlson as director of the Life, Annuity and Credit Section. The appointment was effective April 17, 2000.

Carlson spent 12-years at The Variable Annuity Life Insurance Company (VALIC) in Houston, where she was associate director of the company's Insurance Regulatory Compliance Department. The department handled annuity form filings for VALIC and American General Annuity Insurance Company in all states, reviewed company sales literature for compliance with state regulations and helped resolve customer complaints. While at VALIC, Carlson served as a member of several industry compliance organizations and coordinated the company's efforts to become certified by the Insurance Marketplace Standards Association.

Carlson received her bachelor of business administration degree in finance from the University of Texas in 1987. She was actively involved in LOMA's development of two new compliance courses, including required textbooks and examinations. Carlson also holds the National Association of Securities Dealers' Series 7 and Series 24 securities licenses. ★

Hamilton Appointed Chief of P&C Unit

DEPUTY COMMISSIONER Marilyn Hamilton has been appointed chief of the newly created Personal and Commercial Lines Division of TDI's Property and Casualty Program.

See article on page 2 for more information on the restructuring that combined commercial and personal property and casualty lines into a single division.

Hamilton's appointment, effective April 18, 2000, was announced by Senior Associate Commissioner C H Mah of the P&C Program.

Hamilton came to TDI in 1970 as supervisor of the Texas Computer Rate Service in the Property Rating Section. In 1988, she transferred to the Property Insurance Lines Section and became its assistant manager four years later. In 1994, Hamilton became manager of the Commercial Lines Section. Since 1998, she has served as deputy commissioner for the Commercial Property/Casualty Division responsible for commercial property, general liability, professional liability, bonds, crime, glass and other miscellaneous lines of insurance. ★

Bankers Commercial Placed in Receivership

JUDGE ERNEST GARCIA of the 353rd State District Court in Austin has placed Bankers Commercial Life Insurance Co. of Dallas in temporary receivership.

Bankers Commercial, founded in 1955, wrote primarily Medicare supplement insurance. It has approximately 23,000 policyholders, including 14,000 in Texas.

Judge Garcia entered the receivership order in response to a petition filed by the Office of the Attorney General on behalf of TDI. Bankers Commercial did not oppose the order. The order appoints Commissioner Jose Montemayor as receiver of the company.

At *TIN* press time, the Department was preparing to seek proposals from eligible parties to serve as special deputy receiver for the company.

TDI placed Bankers Commercial in confidential supervision on September 7, 1999, and in confidential conservatorship on September 27, 1999, in an attempt to rehabilitate the financially troubled company. Rehabilitation efforts, including negotiations for another company to assume Bankers Commercial's business, were unsuccessful.

The petition for court-ordered receivership stated that Bankers Commercial was insolvent by at least $4.7 million.

Bankers Commercial's policies are covered by the Texas Life, Accident, Health and Hospital Service Guaranty Association and by similar guaranty associations in other states where it does business. The National Organization of Life and Health Guaranty Associations (NOLGHA) has formed a task force to find another carrier with which to place Bankers Commercial's business. ★

RuleMaking

HEALTH CARE

APA Adoption

Clean Claim Rules

■ Commissioner Jose Montemayor has adopted new 28 TAC §§ 21.2801–21.2816, concerning "clean claims" filed by physicians and other health care providers with HMOs and preferred provider carriers. See cover article for details.

Publication: 25TexReg4543, May 19, 2000
Further information: 512 463-6327

PROPERTY

APA Proposal

Stovetop Fire Suppression Devices

■ The Department has proposed an amendment to 28 TAC § 34.1004 concerning criteria for State Fire Marshal's Office (SFMO) approval of residential stovetop fire suppression devices for a new "Category 2" optional residential and commercial property insurance premium discount. The discount would be available for approved devices that are not intended to extinguish deep fat fires. TDI staff also has proposed a manual rule establishing the amount of the Category 2 discount at 1.5 percent for homeowners, 5.0 percent for tenants and 7.0 percent for dwelling fire policies.

Under the proposed rule changes, a device would be eligible for a Category 2 discount if it met these criteria:

1 UL 1254 "Standard for Pre-engineered Dry Chemical Extinguishing System Units" or UL 299 "Dry Chemical Fire Extinguishers" and

2 UL Subject 300A "Outline of Investigation for Extinguishing System Units for Residential Range Top Cooking Surfaces," with the following deviations:

- The type and amount of oil in test numbers 1, 5, & 7 of Table 4.1 of UL Subject 300A shall be one-quarter inch of peanut oil in lieu of 1 inch;
- The type and amount of oil in numbers 2, 8, 11 & 13 of Table 4.1 of UL Subject 300A shall be one-half inch of vegetable oil in lieu of 1 inch;
- Test numbers 3, 4, 9, 10, & 12 of Table 4.1 of UL Subject 300A, shall not be required.

The proposed rule would require that the following warnings be printed prominently on the agent container, the installation manual and any sales literature or presentations for a device qualifying for the Category 2 discount:

- This device is not intended to extinguish deep fat fires;
- When activated, this device may cause grease fires to splash; and
- If the heat source of an appliance containing a fire is not immediately shut off after discharge of this device, the fire may reignite.

The rules also would add a requirement for both Category 1 and Category 2 devices that manufacturers require testing laboratories to send the SFMO a certificate of compliance, signed by a registered engineer. The certificate would state that the tested device meets the SFMO's applicable approval criteria and that record copies of the test results will be kept on file and provided to the SFMO upon written request.

Commissioner Jose Montemayor will hold a hearing on the proposals at 10 a.m., June 28, 2000, in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

Projected publication date: May 26, 2000 ★

Clean Claims... *from page 1*

result in additional payments by the HMO/preferred provider carrier or in refunds by the physician/provider.

The rules define "audit" as "an instance in which an HMO acknowledges coverage of an enrollee under the health care plan or a preferred provider carrier acknowledges coverage of an insured under the health insurance policy but exceeds the statutory claims payment period while processing a clean claim or a portion of a clean claim."

After completing its review of a disputed claim under audit, an HMO or preferred provider carrier has 30 calendar days in which to make any additional payments it may owe a physician or provider.

Similarly, physicians and providers have 30 calendar days to make refunds to HMOs or preferred provider carriers if audit results show that all or part of a clean claim was not covered. The 30 days run from the latter of **1)** the date of notification of the audit results or **2)** the date of exhaustion of any subscriber or patient appeal rights, if such an appeal is filed before the 30-day refund deadline. A refund may be made by any method, including a chargeback against the physician or provider.

When an HMO or preferred provider carrier delegates claim processing to a third party, the delegation agreement must require the processor to comply with TDI's clean claim rules and applicable statutes. Delegation does not limit an HMO's or preferred provider carrier's authority or its responsibility to comply with all applicable laws and rules.

The rules also establish time limits for payment of clean prescription drug claims that are electronically submitted, adjudicated and paid. An HMO or preferred provider carrier must pay or deny such claims within 21 days after a clean claim is electronically transmitted.

Contracts, manuals or other documents setting forth claim filing procedures must disclose:

- The mailing address and physical location where claims must be sent for processing.
- A phone number where physicians or providers could address questions and concerns regarding claims.
- If applicable, the name, address and phone number of any entity to which an HMO or preferred provider carrier has delegated its claim payment functions.
- The address and phone number of any separate claims processing centers for specific types of services, if applicable.

HMOs and preferred provider carriers must give affected physicians and providers at least 60 days' prior written notice of any change in the address for submission of claims and of any change in the delegation of claim payment functions.

If an HMO or preferred provider carrier determines that a claim is deficient, it must notify the physician or provider of that fact within 45 calendar days after receiving the claim. The HMO or preferred provider carrier and the physician or provider may agree on a different time period, not to exceed 45 calendar days.

An HMO or preferred provider carrier that fails to comply with the statutory time limit must pay the full amount of the billed charges submitted on a clean claim or pay the penalty rate for late payment prescribed in its provider contract, less any previously paid amount or any charge for a non-covered service. This does not apply, however, in situations where there was a failure to comply with a contracted claim payment period of less than 45 calendar days. ★

TDI Internships Prepare Nurses For Managed Care Environment

By **Lori Fitzgerald, R. N.,** *Nurse Intern, HMO Quality Assurance Section*

(Editor's Note: Lori Fitzgerald, a graduate student at the University of Texas School of Nursing, is undergoing a one-year internship at TDI.)

AS HEALTH CARE COSTS SOARED in the 1980s and early 1990s, the critical need for more affordable health care accelerated the growth of managed care in Texas. HMOs added 2.2 million Texas enrollees between 1992 and the end of 1998. Almost one-fifth of all Texans are now in HMOs.

The rapid growth of managed care organizations was accompanied by equally rapid growth in consumer complaints, particularly complaints about quality and accessibility of care.

In 1996, TDI assumed responsibility from the Texas Department of Health for investigating this type of complaint. Quality of care also is an issue in reviewing applications for HMO certificates of authority and service area expansions. Finally, each HMO's quality of care must be examined by TDI at least every three years.

TDI managers and technicians, however, lacked the clinical experience and expertise necessary to evaluate quality of care. They needed both individual staff members and a larger consultative body with this experience and expertise to help carry out the agency's mission of regulating health plans firmly, fairly, effectively and efficiently.

The solution was to add the clinical expertise of the nursing profession to the insurance expertise of existing staff. This approach would equip TDI to deal knowledgeably and fairly with quality of care complaints and examinations.

When patients complain, regulators must, among other things, review HMO contracts to ascertain whether clinical decisions made by an HMO square with its contractual obligations. Registered nurses (RNs) have long had the role of coordinating and delivering services for patients at all levels of care. RNs are responsible for advocating for their patients' health care needs, which requires collaborating with the patient, the patient's family, the health care team and various community agencies. RNs also have uniquely witnessed the outcomes of both adequate and inadequate care. This broad perspective in delivery made RNs a logical choice for assisting insurance regulators in evaluating the adequacy of care delivery in relation to contractual obligations.

The staff of the HMO Division's Quality Assurance Section now includes nine full-time nurses. They investigate quality/accessibility complaints, conduct triennial quality examinations and assist the Financial Program in reviewing certificate of authority applications and proposed service area expansions. Cady Crismon, the section's manager, is an RN who holds a master's degree and had both clinical and regulatory experience before coming to TDI.

Along with the need for clinically trained personnel to address day-to-day quality problems, TDI recognized the potential value of bringing research- and experience-based information from the nursing profession to bear on insurance coverage issues and questions of public policy. To further this goal, TDI, in cooperation with the Texas Nurses Association (TNA), obtained a $150,000 grant from the Foundation for Insurance Regulatory Studies in Texas (FIRST). The primary purpose of the grant is to develop an integrated educational program that will provide:

- State policy-makers with research-based information for the formulation of public policy,
- TDI managers and staff with knowledge and skills necessary to develop and operate a model HMO regulatory program, and
- RNs with a forum to transfer their nursing background and knowledge of health care to the managed care regulatory environment and to disseminate knowledge of managed care regulation to their fellow patient care professionals.

The third bullet emphasizes the fact that the program funded by the grant is a two-way street that not only strengthens TDI's clinical care expertise but also offers a way to better inform the nursing community about the realities of managed care and its regulation by TDI.

For RNs to navigate successfully within the current health care environment, it is critical that they know and understand the provisions and limitations of managed care, including the regulatory framework. HMOs, for example, are not obligated to cover services that are excluded from their contracts. RNs need to understand such restrictions in order to provide responsible care within the managed care environment. Such knowledge can enhance nurses' performance in their roles as patient advocates, health promoters, care managers and leaders in the managed health care industry.

Under the FIRST grant and in cooperation with the TNA, the TDI HMO Quality Assurance Section has hired five "nurse interns" who, during their internships, have worked toward Master of Science degrees in nursing. The first intern was hired in 1997, and the most recent intern, Sue Mills, began her internship in April 2000.

In this role, the nurse interns became familiar with Texas' HMO laws and rules, participated in HMO quality of care examinations and reviewed enrollee complaints. As members of quality examination teams, the nurse interns assisted in preparing final reports to the HMOs and in making preliminary enforcement recommendations when warranted.

Nurse interns have been actively involved in rule development work groups. Following the prolific 1997 legislative session, nurse interns Robin Talley and Jennifer Reardon assisted TDI legal and program staff in the development of TDI's implementation rules. Some rule topics required clinical input. These included coverage of prescription drug benefits, diabetes, and temporomandibular joint (TMJ) disease. Colleen Parker, a student at the University of Texas at Austin School of Nursing (UTSON), did background research and participated in the drafting and editing of rules and in responding to comments from the industry and other affected parties.

An integral function of the HMO Quality Assurance Section is the performance of audits to assure compliance with Texas statutes and rules. Robin Talley, enrolled in a dual masters program at the UT Health Science Center at San Antonio School of Nursing and the UT Health Science Center at Houston School of Public Health, took part in a project that organized Texas' HMO laws and rules into 12 primary tools in an Excel format. From the Excel format the tools were converted into HTML and placed on the Internet for HMOs to use in mock audits. Talley also helped TDI to design an Access database so on-site audits can be completed on the computer. The database will enable TDI to generate historical reports tracking an HMO's compliance with Texas laws over time and to identify trends that might need to be addressed through legislation or rulemaking.

Lori Fitzgerald, a master's degree candidate at UTSON, plans to use knowledge gained from the grant program in her future clinical practice in a pediatric cancer survivor program. Studies indicate that pediatric cancer cure rates, nationwide, are in the range of 70 percent to 90 percent. Rising survival rates, however, carry their own set of insurance issues. Because cancer survivors are considered a high-risk population by most insur-

Please see **Nurses** *on page 7*

CompanyLicensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Antares Management Solutions, LLC	TPA	Cleveland, OH
Arcadian Management Services Inc.	TPA	Dover, DE
Employee Benefit Plan Administration Inc.	TPA	Hampton, NH
Gates, McDonald and Company	TPA	Columbus, OH
New York Underwriters Inc.	TPA	Phoenix, AZ
Sentinel Insurance Co., LTD	Fire & Casualty	Hartford, CT

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Discount Services Inc.	TPA	Dallas, TX
Orthopedic Physicians of Texas Association	TPA	Houston, TX
Vision Choice, P.A.	TPA	Houston, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Commercial Union Life Insurance Company of America	CGU Life Insurance Company of America	Life	Wilmington, DE
PFL Life Insurance Co.	Transamerica Life Insurance Co.	Life	Cedar Rapids, IA

For to use the assumed name

FROM	TO	LINE	LOCATION
Humana	Memorial Sisters of Charity HMO	HMO	Houston, TX
PCA Health Plans of Texas Inc.	Humana Health Plan of Texas Inc.	HMO	San Antonio, TX

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Alamance Insurance Co.	Fire & Casualty	Springfield, IL
Disability Insurance Specialists, LLC	TPA	Bloomfield, CT
Epoch Group, L.C., The	TPA	Kansas City, MO
Medical Pathways Management-Texas Inc.	TPA	Newport, CA
Pacificare International Limited	TPA	Dublin, Ireland
Specialty Benefits Inc., dba Specialty Accident Benefits Inc.	TPA	Fort Wayne, IN
Westfield Services Inc., dba Wescom	TPA	Westfield Center, OH

For incorporation

COMPANY	LINE	HOME OFFICE
Community Neuropsychiatric Network, dba Community Behavioral Health Network	TPA	Houston, TX
Spine Center Inc., The, dba Spine Neurosurgical and Rehabilitation Center (SNRC), The	TPA	Austin, TX
Texas Behavioral Health Services Inc.	TPA	Austin, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Hansa Reinsurance Company of America	Suecia Insurance Co. Nanuet, NY	Fire & Casualty	Tarrytown, NY
Intercargo Insurance Co.	XL Specialty Insurance Co.	Fire & Casualty	Schaumburg, IL
John Hancock Property and Casualty Insurance Co.	AXA Re Property and Casualty Insurance Co.	Fire & Casualty	Wilmington, DE
Maryland Netherlands Credit Insurance Co.	NCM Americas Inc.	Casualty	Baltimore, MD
Security Mutual Life Insurance Company of Lincoln, Nebraska, The	Security Financial Life Insurance Co.	Life	Lincoln NE
Southern Farm Bureau Annuity Insurance Co.	Southern Capital Life Insurance Co.	Life	Jackson, MS
TIG Reinsurance Co.	Odyssey America Reinsurance Corp.	Fire & Casualty	Stamford, CT

DisciplinaryActions

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

AGENTS & AGENCIES NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Alpha Dental Programs Inc.	Dallas	$15,000 Fine	Violation of Prompt Claim Payments Law; Use of Unappointed Agents	00-0470	4/27/00
Clevinger, John G.	Sugar Land	$3,000 Fine	Consent Order; Alleged Charging of Illegal Fees	00-0396	4/7/00
Copeland, Billy M.	San Antonio	$750 Fine	Failure to Complete Continuing Education Requirements	00-0451	4/20/00
Gonzales, Jesusa Flores	Dallas	Group I and Group II Agent's Licenses Revoked; Local Recording Agent's License Application Denied	Felony Conviction; Material Misstatement on License Applications	00-0442	4/18/00
O'Dell, Nancy Lou	Wichita Falls	Group I Agent's License Revoked	Felony Conviction	00-0334	3/20/00
Pelt, John Henry, and Pelt, John Kyle	Duncanville	Licenses Denied	Prior License Revocations	00-0333	3/20/00
Summers, Michael Zenor, and Fred Mathisen Agency Inc.	Fredericksburg	$10,000 Fine; One-Year License Suspension Followed by One-Year Probation; Restitution of Premium Refunds Owed to Customers	Illegally Withholding Money Belonging to Insureds	00-0426	4/17/00
Weaver, William Charles	Dallas	$1,500 Fine	Unauthorized "Cancellation Fees," Since Refunded	00-0386	4/3/00
Whitley, Matt Laroy	San Antonio	Group I and Variable Contract Agent Licenses Revoked	Fraudulent or Dishonest Practices	00-0447	4/20/00
COMPANIES NAME	**CITY**	**ACTION TAKEN**	**VIOLATION**	**ORDER**	**DATE**
American Fidelity Assurance Co.	Oklahoma City	$7,500 Fine and Order Requiring Controls on Agent Advertising	Consent Order; Alleged Advertising Violations In Agent-Distributed Materials	00-0393	4/6/00
National Family Care Life Insurance Co.	Dallas	$7,000 Fine, Restitution and Correction of Non-Complying Life Policy Forms	Improper Denial of Claim; Policy Forms In Violation of Law on Incontestability	00-0397	4/7/00
Progressive County Mutual Insurance Co. Progressive Casualty Insurance Co.	Cleveland, OH Mayfield Village, OH	$25,000 Fine	Use of Unlicensed Solicitors and Adjusters; Advertising Violations; Late Response to TDI Consumer Protection Inquiries	00-0421	4/12/00
Prudential Insurance Company of America	Newark, NJ	$5,000 Fine	Consent Order; Alleged Violation of Unfair Claim Settlement Practices Act and Unfair Competition and Unfair Practices Act	00-0424	4/17/00
Aetna Life Insurance Co.	Hartford, CT	Order Requiring Adoption of Certain Guidelines for Treatment of Port Wine Stain	Consent Order; Affiliate's (Prudential's) Alleged Violation as Described in Preceding Entry	00-0425	4/17/00
Unum Life Insurance Company of America	Portland, ME	$12,000 Fine	Consent Order; Alleged Violation of Prompt Claim Payments Law	00-0454	4/24/00

Nurses... *from page 5*

ance companies, obtaining insurance coverage for their long-term follow-up treatment may be difficult. Fitzgerald's goal is to obtain the knowledge necessary to help her client population obtain optimal insurance coverage and follow-up care.

Reardon, a graduate of Baylor University School of Nursing, was charged with relaying knowledge gained about insurance regulation and policy to her colleagues at school. With Crismon, she wrote a presentation entitled "Development of the Nurse Consultant in a Regulatory Agency." Reardon also planned a full day continuing education event, "Navigating the Managed Care Maze," for health care administrators and managers, nurses, case managers, social workers, quality improvement and utilization management personnel and health care personnel in managed care companies.

The FIRST grant has allowed TDI to share its expertise of insurance regulation with the nursing profession while gaining valuable clinical and research expertise from graduate nursing students. The grant is an excellent example of the type of collegial project that benefits health care consumers, healthcare providers, regulators, and the managed care industry. The grant also has served as an excellent recruiting tool for TDI. After receiving their master's degrees, Talley and Parker accepted full-time positions with TDI.

Robin Talley, Colleen Parker and Jennifer Reardon contributed to this article. ★

EnforcementActions

Davis Convicted in Clean Sheeting Scam

A DALLAS JUDGE has convicted Michael Lee Davis of Plano of felony charges that identified him as the ringleader of a "clean sheeting" scam that led insurance companies to issue more than $5 million worth of life insurance policies to people with life-threatening illnesses.

Judge Harold Entz of the 194th State District Court convicted Davis of money laundering and securing the execution of documents by deception at the close of a two-week non-jury trial. Davis requested trial before a judge rather than a jury.

Formal sentencing is scheduled in June. Because of a prior felony conviction for murder, Judge Entz could sentence Davis to a maximum of life imprisonment.

The Insurance Fraud Unit of the Texas Department of Insurance, the State Securities Board and the Dallas County District Attorney's office developed the evidence in the case. A Fraud Unit attorney testified at the trial, and several Fraud Unit investigators assisted the Dallas County DA's office in prosecuting Davis.

"This conviction is a major victory in the war on insurance fraud in Texas," said Insurance Commissioner Jose Montemayor. "The Insurance Fraud Unit and all the others who investigated this case and prosecuted the wrongdoers deserve congratulations for a job well done."

"We hope that this verdict will send a message that white collar crime will not go unnoticed and the state of Texas will prosecute these kinds of cases to the fullest extent of the law," said Dallas County Assistant District Attorney Brian Flood, the lead prosecutor.

More than 20 people involved in Davis' scheme to defraud life insurers already had pleaded guilty to securing the execution of documents by deception. At Davis' trial, several of them testified that they were HIV-positive but lied about their condition to obtain policies that they later sold through Davis on the viatical settlement market.

Davis, 45, legally changed his name from Walter Alfred Waldhauser Jr. after serving time on a 1981 Houston murder conviction. Davis was paroled in 1990. He became involved in the viatical settlement industry as vice president of marketing for Southwest Viatical Inc. He opened a viatical settlement company called First American Fidelity Corp. in 1997.

Witnesses at Davis' trial testified that Davis and another man recruited HIV-positive individuals and sent them to Sammy Squyres II, an insurance agent who helped them apply to several life insurance companies he represented. Squyres pleaded guilty to charges of forgery and securing the execution of a document by deception. He was sentenced to 10 years' probation, with 180 days actually to be spent in jail.

The life insurance applications disclosed no health problems, although the individuals were HIV-positive or suffering from other life-threatening illnesses. The applications were for policies with death benefits falling below the insurance companies' thresholds for requiring medical examinations. The death benefits ranged from $25,000 to $100,000.

People who allegedly falsified their applications immediately sold their policies on the viatical settlement market for a few thousand dollars, far below the full amount of the death benefits. Investors bought the policies with the expectation of making a profit when the insured persons died. Each of the indicted policyholders bought and viaticated several policies. ★

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