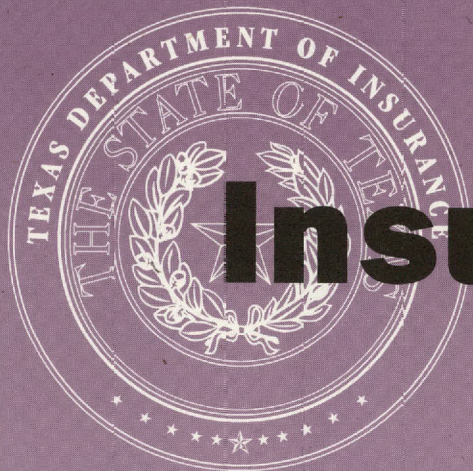


APR 19 2000



Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

Exam Cooperation a Two-Way Street

By Danny Saenz, Deputy Commissioner, Financial Analysis & Examinations

INSIDE

Surplus Lines Stamping Fee Raised	2
Nonprofit Nursing Homes Eligible for Med Mal JUA	4
Consumer Protection Assumes Disaster Response Function	5

Texas Insurance News

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

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

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

FINANCIAL EXAMINATIONS roll around every three years for most insurers and HMOs and are absolutely critical to solvency regulation, which some argue is the core function of any state insurance department.

Cooperation between TDI and companies undergoing examination is essential if the process is to go smoothly, conclude as quickly as possible and produce an exam report that fairly presents the operations of the company from a regulatory perspective.

By far the majority of carriers cooperate with TDI examiners by providing the necessary underlying information for examiners to perform comprehensive examinations in a time-efficient manner. Most examinations go smoothly and our examiners depart at the earliest possible moment.

In a few cases, however, examiners have experienced a lack of cooperation ranging from inadequate work space to unusual delays in providing information and failure to make key staff available to answer questions.

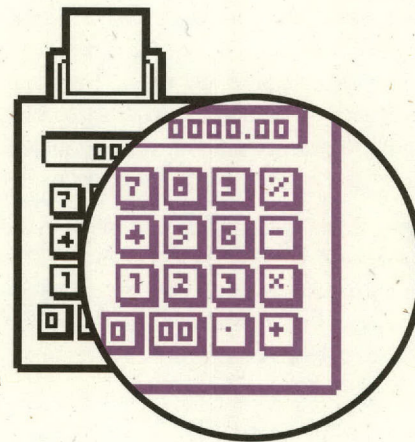
Actions by TDI and the Legislature

Cooperation should always be a two-way street. In recent years TDI and the Legislature have taken steps that generally have made examinations go more quickly and with less disruption to company operations than was true in the past. Those steps included:

- A legislative directive that wherever possible, examiners use the work papers prepared by the CPAs who performed a company's year-end audits. This eliminated much duplication of effort, made the examiners' work more efficient and reduced the duration of most examinations.
- TDI suggested a legislative change, which lawmakers adopted, to allow financially strong insurers to be examined less frequently, with exam intervals that may extend up to five years.
- A sweeping change in our timing of examinations, which in the past often had a variety of "as of" dates. All of our triennial examinations

now are done as of December 31 so that examiners can use the CPA work papers.

- Adoption of the NAIC's new Examiners' Handbook, which applies a risk-based approach to conducting examinations. Examiners focus on the riskier aspects of a company's operation and minimize the time spent on those areas deemed less risky. The effect is to shorten examinations and reduce any disruptions that an examination might occasion.
- Notification of an impending examination months in advance to give the company ample time to gather the records that the examiner will require. Again, companies can expedite examinations by taking advantage of the preparation time given by this notice.



The Statutory Framework

The Texas Insurance Code is very specific about TDI's responsibility to examine companies and the duty of companies to cooperate with examiners.

Article 1.19, for example, gives TDI and its examiners power "to require free access to all books and papers within this state" of insurance companies and agents doing business in Texas.

The basic examination statute, Article 1.15, provides sanctions if an insurer fails or refuses to comply with a request "to be examined or to provide information requested as part of an examination."

Please see **Exams** on page 9

NewsBriefs

Surplus Lines Stamping Fee Increased to 0.25%

COMMISSIONER JOSE MONTEMAYOR has granted the petition of the Surplus Lines Stamping Office of Texas to increase the surplus lines stamping fee from 0.15 percent to 0.25 percent. The fee is a percentage of the premium on surplus lines policies filed with SLSOT.

The increase takes effect April 1, 2000.

The stamping office is a nonprofit corporation subject to the Commissioner's supervision. It reviews and processes all surplus lines contracts filed by Texas surplus lines agents and assists TDI in evaluating the eligibility of surplus lines insurers to write business in Texas.

The purpose of the increase is to stabilize the stamping office fund balance at one year's budgeted expenses as required by 28 TAC § 15.101 (e)(4). The increase is expected to increase stamping office revenue by \$800,000 to \$1 million per year. ★

P&C Carriers Reminded of Cancellation Notice Law

THE DEPARTMENT has reminded P&C companies that *Texas Insurance Code* Article 6.15, as interpreted by state and federal courts, requires notice to mortgagees (lenders) when an insured requests cancellation of a commercial property/fire policy on mortgaged property.

Deputy Commissioner Marilyn Hamilton of the Commercial Property/Casualty Division issued the advisory as Commissioner's Bulletin No. B-0003-00 on January 14, 2000. The bulletin is accessible on TDI's Web site, www.tdi.state.tx.us.

Article 6.15 provides that the interest of a mortgagee or trustee under a fire insurance policy is not invalidated by acts or neglect by the mortgagor or owner of the property or by "the happening of any condition beyond the mortgagee's or trustee's control."

"The courts have held Article 6.15 requires reasonable notice to the mortgagee of any cancellation of the policy as a result of any act or neglect of the mortgagor or owner of the property," Hamilton said.

Hamilton said TDI has learned that some insurers are not providing such notice.

She said TDI will approve only commercial property/fire policies regulated under *Texas Insurance Code* Article 5.13-2 that contain language

conforming to Article 6.15. The Department also is advising insurers to review Article 6.15 and court cases cited in the bulletin and file revised policy forms as they deem appropriate. ★

TDI Fraud Unit Holds Annual Training Conference

THE INSURANCE FRAUD UNIT held its second annual two-day training conference in late January, including presentations by representatives from the Secret Service, state and federal prosecutors, the NICB, the Office of the Attorney General and GEICO.

The annual conference was in addition to the Fraud Unit's quarterly meetings with insurance company special investigative units (SIUs), prosecutors, industry representatives and others involved in combating claim fraud.

Conference topics included tips on making better referrals, *Texas Penal Code* elements of fraud offenses, trends in automobile medical claim fraud, fraud schemes currently followed by NICB, information on the Medicaid Fraud Control Unit, tips on taking better statements, Nigerian organized criminal activity and federal insurance fraud prosecutions.

Presenters included Lester Blizzard, a Harris County assistant district attorney; Terry Sampson, R.N., GEICO's medical management supervisor; Mark Stowell, NICB Western Division manager; Special Agent Joseph Savinski of the U.S. Secret Service; Scott Stephenson, director of the OAG's Medicaid Fraud Control Unit; and Assistant U. S. Attorney Mark Lane. ★

IRS Letter Does Not Preempt TDI Authority

A RECENT IRS RULING on tax treatment of proceeds from self-funded multiple employer death benefit plans covered by ERISA does not alter TDI's authority to regulate carriers providing insurance to employee welfare benefit plans, the Department has advised.

Sara Shilet Waitt, senior associate commissioner of the Legal and Compliance Program, issued the advisory as Commissioner's Bulletin B-0009-00, which is available on the Department's Web site, www.tdi.state.tx.us.

The issue arose from Private Letter Ruling No. 199921036, in which the IRS determined that proceeds from a self-funded multi-employer death benefit plan covered by ERISA qualify for exclusion

from gross income because they are distributed under a life insurance contract.

In requesting the ruling, a taxpayer contended that ERISA preempted "state insurance laws that might otherwise apply to regulate the provision of death benefits by the plan within the state's jurisdiction." Waitt said the IRS ruling accepted that representation.

"Without commenting on the merits of the ruling, the Department wishes to emphasize its position that the ruling does not alter existing law under which Texas regulates life insurance policies and companies.... No company should rely upon the ruling to avoid compliance with Texas law relating to life insurance contracts or life insurance companies," Waitt said.

Questions may be addressed to Barbara Holthaus, staff attorney, at 512 305-7311. ★

Filing Smart

Edition VII

New Edition of *Filing Smart* Available from Distribution

THE SEVENTH EDITION of *Filing Smart*, TDI's guide to financial and other filing requirements is now available from the Distribution division. Copies may be ordered by calling TDI's publications line, 800-599-7467.

The goal of *Filing Smart* is to simplify filing documents that are required by Texas statutes and regulations. ★

Montemaynor Named Vice-Chair of NAIC Committees

THE NAIC announced new committee assignments in January, including the appointment of Commissioner Jose Montemaynor as vice chair of both the Financial Condition Committee and the new Financial Services Modernization Task Force.

The Commissioner noted that both are "very important areas to Texas and to the NAIC as we move into the new century."

Among the issues the committee and task force expect to see in the coming months, Montemaynor said, are ways to improve solvency monitoring and standardized procedures for examining holding company systems and transactions under provisions of the Gramm-Leach-Bliley Act. ★

TDI update

MAP Committee Seeks More Homeowner Quotes

THE EXECUTIVE COMMITTEE of the state's Market Assistance Program has called on participating companies to step up their voluntary writings of residential property policies.

Since the residential property MAP's creation by the 1995 Legislature, participating companies have issued quotes to 137 applicants and have issued only 45 policies. The MAP was established as an alternative market for "underserved" areas, including all of Tarrant County and most of Dallas County.

Jerry Jensen of State Farm, chairman of the MAP executive committee, wrote the companies to notify them of changes in the MAP statute (*Texas Insurance Code* Article 21.29-12) and to urge an intensified effort to serve more consumers who can't find coverage in the admitted market.

Jensen pointed out that two companies, Columbia Lloyds and National Lloyds, accounted for 86 percent of the quotes issued last year.

"We want to see more companies actively participate in the quote process," Jensen said. "We also want to know what reasons you have that are causing you not to quote."

The main legislative change affecting the residential property MAP allows TDI to take applications directly from consumers instead of requiring them to apply through local recording agents.

TDI also operates an auto insurance MAP.

Commissioner Jose Montemayor has conducted news conferences, issued news releases and appeared on radio talk shows to increase utilization of the auto MAP. Since the auto MAP started in July 1998, participating companies have issued quotes to 2,596 drivers in underserved areas. Policies actually sold, however, totaled only 509 through February 10, 2000. ★

Selden Promoted to Senior Associate

COMMISSIONER JOSE MONTEMAYOR has promoted Audrey Selden, head of TDI's Consumer Protection program, from Associate Commissioner to Senior Associate Commissioner.

"Audrey has proven to be a tireless leader who rallies her troops time and again to fight for the rights of policyholders in Texas," Montemayor said in making the announcement.

Selden came to TDI in 1994 as associate commissioner of Consumer Protection.

In the past six years, Consumer Protection has shown a steady increase in assisting consumers and developed a sizeable community outreach program. Consumer Protection also continues to return money to consumers, with the total in Fiscal Year 1999 reaching \$25.6 million.

Before coming to TDI, Selden served as assistant secretary of state. She received her masters and undergraduate degrees from Michigan State University and a doctor of jurisprudence from Harvard University in 1986.

In 1997, Selden received the Ma Ferguson Award for excellence in public service from the Austin chapter of Executive Women International. The award, named for the state's first woman governor, is given in the areas of business, education, community service and public service. ★

Amusement Ride Operators Warned of Requirement to Report All Injuries

DEPUTY COMMISSIONER ALEXIS DICK of the Inspections Division has reminded amusement ride operators that state law requires accurate reporting of all ride-related injuries that result in death or require medical treatment beyond mere first aid.

She issued the reminder in Commissioner's Bulletin B-0004-00, which is available on TDI's Web site, www.tdi.state.tx.us.

The bulletin was prompted by news reports documenting the failure of several San Antonio amusement parks to report injuries that required transportation to hospital emergency rooms. The deputy commissioner has demanded reports on previously unreported injuries at the San Antonio parks since September 1, 1985.

The bulletin included a warning that failure to comply with the reporting requirement "may subject the amusement ride operator to various penalties including criminal sanctions."

Meanwhile, the deputy commissioner and Richard Baker, manager of the Amusement Ride Unit, have briefed state law enforcement officials on a new statute giving peace officers authority to shut down certain unsafe rides.

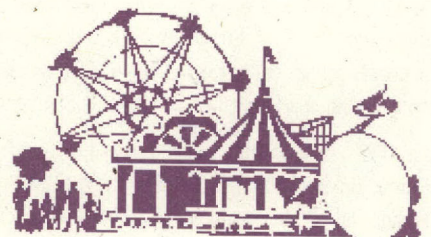
Effective January 1, 2000, city, county and state law enforcement officers have been able to inspect mobile amusement rides or theme parks and close them if they witness unsafe conditions.

The Texas Commission on Law Enforcement Standards and Education (TCLOSE) has agreed to carry articles about the law in its quarterly newsletter to 2,400 local law enforcement agencies. The Texas Department of Public Safety agreed to notify its state troopers and Criminal Investigation Division officers.

The new law requires mobile carnivals to inspect rides daily, keep records of actions taken by governmental units and post notices advising park patrons where and to whom they can report unsafe rides.

Peace officers can require these records when investigating the safety of a mobile amusement park ride. If an officer closes a ride, the operator has three ways to reopen it: **1)** get clearance from the same officer or his/her designee; **2)** have a qualified inspector reinspect the ride; or **3)** obtain a court order.

TDI staff is drafting implementation rules for the new law, and a public hearing will be held later this year. ★



LegalNotes

Federal Court Rules on Coverage Under School Leaders E&O Policy

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

THE 5TH U.S. CIRCUIT COURT OF APPEALS recently issued an opinion addressing the "personal profit or advantage" exclusion in an errors and omissions insurance policy. For more information regarding this case, please consult the opinion of the court.

Jarvis Christian College v. National Union Fire Insurance Company of Pittsburgh, Pennsylvania

Jarvis Christian College (Jarvis) is a community college in Wood County, Texas. Jarvis purchased a school leaders errors and omissions insurance policy from National Union Fire Insurance Co. of Pittsburgh, Pennsylvania (National Union). The liability limits on the policy totaled \$1 million.

This policy insured against the "wrongful acts" of the school's directors and officers. The policy also contained a "personal profit or advantage" exclusion. As a result, coverage was excluded for "any claim arising out of the gaining in fact of any personal profit or advantage to which the Insured is not legally entitled."

Jarrell J. Cosby (Cosby) was a member of the board of trustees of Jarvis. Cosby proposed that Jarvis invest \$2 million of its endowment funds in Action Funding. Action Funding was a relatively new business that made short-term loans and accepted accounts receivable as security for the loans. Cosby was a 49 percent owner and employee of Action Funding. However, Cosby did not disclose his personal interest in Action Funding to the other Jarvis board members. Cosby's partner in Action Funding made a presentation to the Jarvis board. Cosby then recommended that the board approve the investment and \$2 million was transferred to Action Funding. The investment failed. Action Funding went out of business in 1991. In September 1992, the Jarvis board learned of Cosby's involvement with Action Funding.

Jarvis sued Cosby and Action Funding. The jury determined that Cosby had breached the duty of care and the duty of loyalty to Jarvis. A judgment of \$1,815,000 was entered against Cosby and a judgment of \$2,015,000 was entered against Action Funding. However, neither Cosby nor Action Funding made any payments on the judgment.

Jarvis also filed a claim on its policy with National Union. Jarvis claimed that it had suffered a loss arising out of a wrongful act of a board member.

National Union denied the claim. National Union asserted, among other things, that coverage was excluded by the "personal profit or advantage" exclusion. Jarvis filed a lawsuit against National Union. The trial court ruled that coverage was excluded by the personal profit or advantage exclusion. Jarvis appealed to the 5th U. S. Circuit Court of Appeals (the court).

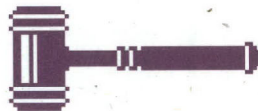
The court began by stating that under Texas law,

If a policy clause is ambiguous, the court must adopt the insured's construction of the clause as long as that construction is not unreasonable, even if the construction urged by the insurer appears more reasonable or a more accurate reflection of the parties' intent.

However, the court went on to state: "The fact that the parties disagree as to coverage does not create an ambiguity."

The court noted that since Cosby was a 49 percent owner of Action Funding, he would personally benefit from capital investments in Action Funding. In addition, the investment of capital into Action Funding created an opportunity for Cosby's business and for Cosby. As an owner, Cosby expected to make a profit as a result of the investment. Furthermore, even if Cosby did not actually gain a profit from the investment, he did gain a personal advantage. The personal advantage included continuing to earn a salary as an employee of Action Funding and the opportunity to make a profit. Cosby therefore gained a personal profit or advantage by the investment.

As a result, the court determined that Jarvis' claim was excluded by the personal profit or advantage exclusion. The court affirmed the trial court's decision in favor of National Union. (The court also discussed other provisions of the policy that had been raised by National Union as a basis for denying the claim. For a discussion of those provisions, please consult the opinion of the court.) *Jarvis Christian College v. National Union Fire Insurance Company of Pittsburgh, Pennsylvania, 1999 WL 1095488 (5th Cir.-1999).* ★



Nonprofit Nursing Homes JUA Eligible

COMMISSIONER JOSE MONTEMAYOR has approved a TDI staff proposal opening the Texas Medical Liability Insurance Underwriting Association—commonly known as the Joint Underwriting Association (JUA)—to Texas' 208 nonprofit nursing homes.

The JUA may begin selling medical liability insurance to the nursing homes once it files rates and receives TDI approval of its policy forms.

Montemayor entered a finding that medical liability insurance is not reasonably available to nursing homes in the voluntary market. *Texas Insurance Code* Article 21.49-3 requires such a determination before the JUA, the state's medical liability insurer of last resort, can provide coverage to a provider category. The JUA statute lists nonprofit, but not for-profit, nursing homes as an eligible provider category.

TDI staff testimony in a hearing cited a declining market for nursing homes to purchase medical liability insurance, which resulted in "a matter of serious concern" for availability and affordability of this coverage.

The Texas Legislature created the JUA in 1975 to provide medical liability insurance on a self-supporting basis to physicians and health care providers who cannot find coverage in the voluntary admitted market. All insurers authorized to write liability insurance in Texas must participate in the JUA and, when necessary, pay assessments to cover its deficits.

According to staff, only three groups of admitted carriers companies may be writing nursing home liability coverage in Texas, compared with eight in November 1996.

"The prevailing factor cited by most sources is evidence of increased litigation and the threat of large punitive damage awards against nursing homes," the staff testimony said.

Data from admitted carriers indicate that closed claims against nursing homes rose from \$10.1 million in 1996 to \$25.9 million in 1998.

Montemayor said testimony from the nursing home industry showed that the same problem exists for for-profit nursing homes in Texas, but he said he lacks authority to include them in the JUA. He said he will suggest to the 2001 Legislature that lawmakers "at least take a look" at adding for-profit nursing homes to the categories of providers eligible for JUA coverage based on testimony offered at the hearing. ★

Consumer Protection Assigned Disaster Response Function

TDI HAS ADOPTED its FY 2000 Catastrophe Plan, which outlines the Department's role in assisting consumers after a hurricane, flood or other disaster.

The Consumer Protection Program will coordinate the agency's disaster response, assuming a function formerly performed by a unit of the old Regulation and Safety Program. That program was eliminated last year, and most of its functions were divided among the new Property and Casualty and Life, Health and Licensing Programs.

The Catastrophe Plan calls for TDI to provide information to the public and the industry, to resolve complaints and to conduct any necessary follow-up activities to assure that disaster victims are adequately served. Consumer Protection will direct TDI's efforts to:

- Provide disaster victims with information on minimizing property losses,
- Expedite the insurance claims process and
- Reduce fraud and unethical practices.

Volunteers from TDI will move into a disaster area as soon as travel conditions are safe and workspace is available. As in past disasters, they will work out of state-federal disaster recovery centers and walk neighborhoods to assist victims with insurance problems and questions. The volunteers also will report daily on the nature and extent of the damage and the degree of communication and cooperation among insurers, local government officials and other agencies.

Depending on the nature and severity of the disaster, TDI's Public Information Office (PIO) may coordinate with the Commissioner and representatives of major insurers to schedule a fly-over of the disaster area.

TDI's Web site and Disaster HelpLine (1-800-852-5246) will serve as key communication links for consumers, providing information on the locations and telephone numbers of disaster recovery centers, Red Cross centers, insurers in the disaster area and insurance service centers. Consumers and the media may use the Web site and Disaster Helpline after communications lines are restored to obtain insurance tips and information about the claim process and how to file complaints with TDI.

TDI and the state's Division of Emergency Management are examining a proposal by two industry groups that would speed up access to disaster areas for adjusters and other insurer representatives. The Property and Casualty Program is exploring the idea of a compact with the industry similar to an agreement in Florida between key state agencies and the industry. ★

Fraud Unit Prosecutions

Convictions

Bellinger, Rodney James, pleaded guilty in Dallas to insurance fraud, a state jail felony. Sentenced to two years' probation and a \$1,000 fine.

Holt, Kristie Breeden Allen, pleaded guilty in Fort Worth to insurance fraud, a state jail felony. Sentenced to 180 days in jail, probated to five years, 160 hours of community service and restitution of \$9,000.

Ortiz, Raul R., pleaded guilty in San Antonio to insurance fraud, a state jail felony. Sentenced to 18 months in the Texas Department of Criminal Justice (TDCJ), a \$1,000 fine and restitution of \$4,302.

The following individuals pleaded guilty in Dallas to charges of securing execution of a document by deception and received sentences as indicated. The charges were filed as a result of TDI's viatical settlement investigations:

Roe, Kent, 48 months' deferred adjudication and a \$300 fine.

Puckett, Ricky Cason, 60 months' deferred adjudication and a \$300 fine.

Karr, Karry, 12 months' deferred adjudication and a \$200 fine.

Lively, Damon, 12 months' deferred adjudication and a \$200 fine.

Butler, I. B., 60 months' deferred adjudication and a \$500 fine.

Blackwell, Kevin Mark, 60 months' deferred adjudication and a \$300 fine.

Bordayo, Reyes, 48 months' deferred adjudication and a \$300 fine.

Fuentez, Arturo, 60 months' deferred adjudication and a \$300 fine.

Hudman, William Larry, 48 months' deferred adjudication and a \$500 fine.

Johnson, Gerry, 60 months' deferred adjudication and a \$300 fine.

Kaup, Linc, 48 months' deferred adjudication and a \$300 fine.

Keeling, Steven C., 48 months' deferred adjudication and a \$500 fine.

Kellick, Dale K., 48 months' deferred adjudication and a \$300 fine.

Lambert, Daniel, 48 months' deferred adjudication and a \$500 fine.

Nutt, Steven Mack, 48 months' deferred adjudication and a \$300 fine.

Smith, Michael, 48 months' deferred adjudication and a \$500 fine.

Stuart, Jimmy, 48 months' deferred adjudication and a \$300 fine.

Hambleton, John, 48 months' deferred adjudication and a \$300 fine.

Syoun, Alula, 48 months' deferred adjudication and a \$300 fine.

Tidwell, Joe, 48 months' deferred adjudication and a \$300 fine.

William, Douglas, 48 months' deferred adjudication and a \$300 fine.

Scott, Kenny, 48 months' deferred adjudication and a \$300 fine.

Coney, Harrison, 24 months' deferred adjudication and a \$300 fine.

Forest, Richard, 48 months' deferred adjudication and a \$300 fine.

Indictments

Bellinger, Rodney James, indicted in Dallas on charges of insurance fraud, a state jail felony.

Blum, Jack, indicted in Dallas on charges of insurance fraud, a state jail felony.

Kuckenbacker, Karl A., indicted in Dallas on charges of insurance fraud, a state jail felony.

Seeler, Brent, indicted in Dallas on charges of securing execution of a document by deception, a second-degree felony.

Williams, Laquita, indicted in Dallas on charges of insurance fraud, a state jail felony.

Montes, Raymundo, indicted in El Paso on charges of misapplication of fiduciary property, a state jail felony.

Arrests

Lopez, Anastacio, arrested in Austin on charges of misapplication of fiduciary property, a state jail felony.

Oloton, Robison, arrested in Mesquite on charges of money laundering, a third-degree felony.

RuleMaking

AUTOMOBILE

Exempt Adoption

Alcohol/Drug Training Credits

■ Commissioner Jose Montemayor has amended *Texas Automobile Rules and Rating Manual* Rules 74, 77 and 79 regarding the 5 percent private passenger auto premium credit for taking approved drug and alcohol awareness courses. The changes are effective with policies issued or renewed on and after January 1, 2000.

The rule changes implement House Bill 3757 of the 76th Legislature, which made statutory the mandatory discount that was enacted by TDI rule in the early 1990s.

As amended, the rules now delete references to the Texas A&M University Safety Education Program and award the credit only for completion of courses regulated and approved by the Texas Education Agency (TEA) under the Texas Driver and Traffic Safety Education Act.

The credit will apply for a three-year period following successful completion of an approved course, subject to the exception described in the next paragraph. A policy receiving the credit under Rule 74.E.3, as it existed immediately prior to January 1, 2000, may continue to receive the credit for the remainder of the 36-month period that extends beyond January 1, 2000, subject to the provisions of the rule.

If a customary operator is convicted of DWI or a similar offense, then any person under the policy (unless the convicted person is excluded from the policy) will be ineligible for the credit for seven years from the conviction date. If the convicted operator takes a course within three years before the seven-year period expires, he or she can begin receiving the credit when the seven years end. The credit will continue until the remaining portion of the three years runs out. For example, if a customary operator takes the course five years after the date of conviction, he or she will receive the credit for one year, beginning two years from the date when the course was completed.

The rule change clarifies that the discount applies to miscellaneous type vehicles, including motorcycles and motor scooters.

Publication: 25TexReg821, February 4, 2000
Effective date: January 1, 2000
Reference Number A-1099-17-1
Further information and copies: 512 463-6326

Notice of Filing

TAIPA Plan of Operation Changes

- The Texas Automobile Insurance Plan Association (TAIPA) has petitioned for approval of two amendments to its plan of operation. The proposed changes would:
 - Make TAIPA's premium installment plan available to commercial auto risks other than those requiring an SR-22A and those whose premiums are financed through a premium finance company.
 - Add a miscellaneous complaint category under Section 13, "Performance Standards for Insurers." TAIPA categorizes complaints against insurers according to nine specific performance standards. TAIPA contacts insurers that exceed complaint tolerances described in the plan of operation in an effort to correct their performance. The proposed miscellaneous category would enable TAIPA to evaluate a complaint that does not clearly fall within any of the other standards to determine whether the action complained of was reasonable within the purpose and intent of the plan of operation. If the action was deemed unreasonable, it could be considered as a valid complaint against the insurer.

The filing is subject to TDI approval without a hearing.

Publication: 25TexReg619, January 28, 2000
Reference number: A-1099-16
Further information and copies: 512 463-6327

FINANCIAL

APA Adoption

Annual and Quarterly Statements

- Commissioner Jose Montemayor has adopted new 28 TAC § 7.69, setting out requirements and instructions for filing 1999 annual statements and 2000 quarterly statements. Significant changes from prior years' instructions are summarized below.

Although NAIC annual statement instructions require companies to file paper copies of certain schedules only with their domiciliary states and the NAIC, the new TDI rule requires both foreign and domestic insurers to file such copies with the Department. Although TDI supports electronic filings, it believes paper filings are necessary to avoid possible disruptions in the flow of key financial information to regulators until the electronic filing system goes online.

Fraternal are now required to file their quarterly statements only with TDI and not with the NAIC.

HMO actuarial opinions must include assurances that an actuarial report and underlying work papers will be maintained at the company and will be available for examination for seven years. In addition, the actuarial opinion must specifically list the premium deficiency reserve as an item and disclose the amount of such reserve.

The HMO supplement (a TDI Form for HMOs) was amended to capture information regarding "point of service" riders.

Publication: 25TexReg1114, February 11, 2000
Effective date: February 16, 2000
Further information: 512 463-6327

HEALTH CARE

APA Adoption

Health Insurance Risk Pool

- Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 21.2302–21.2306, concerning notice of the availability of coverage under the Texas Health Insurance Risk Pool. The amendments implement House Bills 1097 and 1924 of the 76th Legislature.

The amended rules require a health carrier (insurer or HMO) that issues individual coverage to provide written notice of pool availability to eligible individuals who have applied for health coverage if the health carrier has:

- refused to issue them substantially similar health coverage,
- offered substantially similar health coverage but with riders excluding coverage of an individual or a medical condition or an illness, or
- offered substantially similar coverage but at higher rates than the carrier's standard rate.

The rule changes add specified disease, long-term care, disability income, Medicare supplement, Medicare Select or coverage by Medicare to the list of coverages excluded from the term "health coverage and substantially similar health coverage."

The required notice specifies that a person is eligible for Texas Health Insurance Risk Pool coverage after receiving only one written refusal or rejection (instead of two) for substantially similar health coverage due to a medical condition. The notice also spells out a

RuleMaking

new criterion for pool eligibility: an agent's (or salaried representative's) certification that the underwriting guidelines of a carrier he or she represents would result in declination of the individual's coverage due to a medical condition.

Under the new rules, a health carrier may provide written notices of pool availability to enable its covered individuals to compare their current coverage with pool coverage. Such notices must include a statement that pool rates are based on the "standard rate" for substantially similar health coverage and are subject to change based on changes in the standard rate and the pool's claim experience. The notices must also list the types of coverage whose denial would not qualify a person for the pool. These include but are not limited to specified disease, long-term care, dental-only, vision-only and Medicare supplement insurance.

Publication: 25TexReg271, January 14, 2000
Effective date: January 23, 2000
Further information - 512-463-6327

LONG-TERM CARE

APA Adoption

Optional Benefit Level

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 3.3818, 3.3829, 3.3830 and 3.3839, concerning standards for group and individual long-term care insurance policies and certificates.

Previous rules triggered benefits when a covered person is certified as "cognitively impaired" or cannot perform without assistance any two of the following activities of daily living (ADL): bathing, continence, dressing, eating, toileting and transferring.

The new rule allows policies to provide a higher dollar level of benefits when a covered person cannot perform three (as opposed to just two) ADLs.

A policy or certificate offering higher benefits at the three-ADL level also must provide higher benefits for cognitive impairment and must also provide benefits for the inability to perform two ADLs. A policy or certificate listing a three-ADL benefit level must disclose in the same location and with equal prominence the benefits paid based on cognitive impairment and on inability to perform two ADLs. This disclosure requirement also applies to applications and marketing materials.

Insurers must offer prospective insureds (or the group policyholder of a policy to be issued to an employer, labor union or continuing care retirement center) the option of buying coverage providing benefits based on cognitive impairment or the inability to perform two ADLs. In such instances, the carrier must obtain a written rejection or written acknowledgement.

Projected publication date: February 25, 2000
Effective date: February 29, 2000
Further information: 512 463-6327

WORKERS' COMPENSATION

Exempt Adoption

Group Purchase Discounts

■ Commissioner Jose Montemayor has amended Rule XVIII and Forms GPP-1 and GPP-2 of the Texas workers' compensation manual to allow a group to establish a predetermined premium discount evaluation date in lieu of a common expiration date for determining the group's premium discount.

The amendment was requested by CompGroup AGC Inc., which was formed by the Associated General Contractors of America - Texas Building Branch as a group for the purchase of workers' comp insurance for Texas commercial building contractors that belong to AGC.

CompGroup contended that the change would increase participation in workers' compensation group insurance programs, including its own.

CompGroup's petition said the old requirement of a common policy expiration date for workers' comp conflicted with the need of many businesses to package all their property/casualty coverages with a single expiration date. If a workers' comp group's common expiration date differed from the expiration date of a business' other P&C policies, a firm could end up with a workers' comp policy for less than a full year or have gaps in coverage. In addition, CompGroup said, the MGA administering the program is burdened by having to renew coverage for many employers at the same time to assure coverage is in place by the group's common expiration date.

Projected publication date: February 18, 2000
Effective date: March 4, 2000
Reference No.: W-0999-15
Further information or copies: 512 322-4147

Notice of Filing

WC Fund Plan of Operation Changes

- The Texas Workers' Compensation Insurance Fund has petitioned for approval of amendments to the Fund's plan of operation. The proposed amendments would:
 - Update various organizational information about the Fund.
 - Reword the three goals of the Fund to conform to the language of *Texas Insurance Code* Article 5.76-3.
 - Delete reference to the retirement or defeasance of revenue bonds. The bonds were completely defeased during 1999.

The filing is subject to TDI approval without a hearing unless an objection is filed within 15 days after *Texas Register* publication of the notice of filing.

Projected publication date: February 18, 2000
Reference Number: W-1299-23
Further information or copies: 512 322-4147 ★

Exams... from page 1

The statute on insurer delinquencies and rehabilitation, Article 21.28A, authorizes TDI to place a company under supervision for, among other things, "exceeding its powers." This includes refusal to permit examination of its books, papers, accounts, records or affairs.

What Companies Can Do

Companies can create a cooperative atmosphere for TDI examiners by:

- Making advance preparations that put necessary records at the disposal of examiners without undue delay,
- Making key personnel available immediately when examiners have questions and
- Providing a comfortable and adequate space in which examiners have room to do their work.

It is in a company's interest to cooperate with examiners. For instance, delays add to examination costs, which companies must pay. In addition, a company that is slow to produce essential records often raises questions and invites deeper scrutiny than it otherwise might receive.

Again, lack of cooperation with examiners is the exception rather than the rule. Making examinations run smoothly and conclude quickly is a goal all companies should be able to achieve with planning, common courtesy and thorough preparation. ★

Annual Report Excerpts

10-Year History—Certificates of Authority

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Life/Health										
Domestic	409	376	349	318	295	276	274	263	248	233
Foreign	759	760	753	742	741	728	697	680	669	649
Sub-Total	1,168	1,136	1,102	1,060	1,036	1,004	971	943	917	882
Property/Casualty										
Domestic	279	277	273	270	267	262	256	254	247	250
Foreign	755	773	790	812	826	840	845	854	861	877
Sub-Total	1,034	1,050	1,063	1,082	1,093	1,102	1,101	1,108	1,108	1,127
Other										
Domestic	128	159	186	197	211	232	279	308	333	359
Foreign	121	182	215	249	286	291	317	335	368	390
Sub-Total	249	341	401	446	497	523	596	643	701	749
Grand Total	2,451	2,527	2,566	2,588	2,626	2,629	2,668	2,694	2,726	2,758*

Life/Health includes: Stock life, mutual life, stipulated premium, non-profit life insurance, fraternal, multiple employer welfare arrangements, statewide mutual assessment life, accident and health, local mutual aid, local mutual burial, exempt associations, non-profit hospital service corporations.

Property/Casualty includes: Stock fire, stock fire and casualty, mutual fire and casualty, stock casualty, Mexican casualty, Lloyds, reciprocals, title, risk retention groups, joint underwriting associations, county mutuals, farm mutuals.

Other includes: Non-profit legal services corporations, third party administrators (TPAs), continuing care retirement communities (CCRCs) and health maintenance organizations (HMOs). CCRCs were added to the category in Fiscal Year 1988 and TPAs were added in Fiscal Year 1989.

* FY99 Grand Total includes 2,011 licensed insurance companies, 73 health maintenance organizations (HMOs), 19 continuing care retirement communities (CCRCs) and 655 third party administrators (TPAs). It does not include 238 premium finance companies and their 54 branch offices.

New Companies Organized or Admitted to Texas Between September 1, 1998 and August 31, 1999

	TEXAS	FOREIGN	TOTAL
Stock Life Insurance Companies		6	6
Stock Fire & Casualty Insurance Companies	1	14	15
Mutual Fire & Casualty Insurance Companies		4	4
Stock Casualty Insurance Companies	1	6	7
Lloyds	3		3
Reciprocal Exchanges		1	1
Title Insurance Companies		1	1
Health Maintenance Organizations	3		3
Third Party Administrators	37	33	70
Total	45	65	110

Numbers and Types of Agents' Licenses FY98-FY99

AGENTS	FY98	FY99
Group I Life	104,129	108,214
Group II Life	32,460	32,946
Variable Contracts	27,561	31,049
Local Recording	25,168	26,858
Solicitor	16,405	17,209
Insurance Service Rep	2,273	2,463
Non-Resident Fire/Casualty	7,097	7,819
Managing General	3,897	4,063
State/Salary/Special	5,395	5,331
Agricultural	280	312
Surplus Lines	2,368	2,582
Prepaid Legal	4,647	6,032
Total	231,680	244,878

Montemayor Issues E-Commerce Guidance

COMMISSIONER JOSE MONTEMAYOR has issued guidance to help insurers, agents and other licensees remain in compliance with Texas insurance laws while moving into the rapidly evolving field of electronic commerce.

The guidance was issued as Commissioner's Bulletin B-0012-00, which is available on TDI's Web site, www.tdi.state.tx.us.

Montemayor observed that existing Texas insurance laws and rules do not specifically address the use of electronic commerce in the marketing and sale of insurance to Texas residents. This means that persons conducting insurance transactions over the Internet must comply with the statutes and rules that apply to standard insurance transactions using paper.

The bulletin provides the following list—not intended to be an exclusive list—of items to be considered when engaging in electronic commerce:

- Any insurer, agent or other regulated entity that wishes to do the business of insurance in Texas in any form, including electronic commerce, must be properly licensed or registered in this state. Surplus lines business must be properly eligible as required in *Texas Insurance Code* Article 1.14-2.
- An Internet site marketing insurance to Texas residents must comply with Texas advertising statutes and rules.

- Contracts and policies marketed to Texas residents via electronic commerce are subject to all Texas laws and rules including, but not limited to, requirements for prior approval; file and use subject to review and approval; and file for information and/or exemption from review.
- Record retention procedures should be reviewed to ensure proper maintenance, security and privacy of electronic documents.

The bulletin points out that Texas has no law authorizing digital signatures for insurance transactions. Congress, however, is considering legislation permitting the use of digital signatures in e-commerce throughout the United States.

Montemayor said insurers, agents and other regulated entities engaging in e-commerce in Texas should review their marketing procedures and electronic forms to assure compliance with all applicable Texas insurance laws and regulations.

"Electronic commerce is a rapidly evolving medium, as are the laws governing it," the Commissioner said. "The Texas Department of Insurance anticipates insurance transactions via electronic commerce will change as the laws and technologies evolve. Further guidance will be provided as such changes occur." ★

Data Call Reminders

Quarterly Closed Claims Reports

Reports for claims closed during the fourth quarter of 1999 were due January 10, 2000. TDI contact is Paul Vestal, 512 475-3024. E-mail address: paul.vestal@tdi.state.tx.us

Call for Quarterly Experience

The Call for Third Quarter 1999 Experience was mailed the end of December 1999 and was due February 15, 1999. The bulletin and forms may be downloaded direct from TDI's Web site, www.tdi.state.tx.us. TDI contact is Vicky Knox, 512 475-1879. E-mail address: vicky.knox@tdi.state.tx.us

Call for Quarterly Experience, Workers' Compensation Deductible Plans

The Call for Third Quarter 1999 Experience was mailed the end of December 1999 and was due February 15, 1999. The bulletin and forms may be downloaded direct from TDI's Web site, www.tdi.state.tx.us. TDI contact is Vicky Knox, 512 475-1879. E-mail address: vicky.knox@tdi.state.tx.us

Disallowed Expense Call

The Disallowed Expense Call for 1999 Experience (Commissioner's Bulletin #B-0006-00) was mailed February 7 and is due on or before April 3. The bulletin and forms may be downloaded direct from TDI's Web site, www.tdi.state.tx.us. TDI contact is Julie Jones, 512 475-3027. E-mail address: julie.jones@tdi.state.tx.us

Title Insurance Agents Statistical Report

The 2000 Texas Title Insurance Agents Statistical Report for Calendar Year Ended December 31, 1999, was scheduled for mailing in early March and will be due in early April. The bulletin, forms and data entry program may be downloaded direct from TDI's Web site, www.tdi.state.tx.us. TDI contact is Michael Davis, 512 322-5029. E-mail address: michael.davis@tdi.state.tx.us

Texas Title Insurance Company Call

The 2000 Texas Title Insurance Company Call for Calendar Year Ended December 31, 1999, was scheduled for mailing in early March and will be due in mid April. The bulletin, forms and data entry program may be downloaded direct from TDI's Web site, www.tdi.state.tx.us. TDI contact is Julie Jones, 512 475-1878. E-mail address: julie.jones@tdi.state.tx.us

Comparison of Texas Private Passenger Automobile Insurance Market (Rate-Regulated/Non Rate-Regulated Insurers, 1993-1998)

YEAR	NUMBER OF VEHICLES INSURED ¹			% OF VEHICLES INSURED	
	RATE-REGULATED ²	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	7,881,680	1,210,450	9,092,130	86.7%	13.3%
1994	8,067,506	1,483,783	9,551,289	84.5%	15.5%
1995	8,078,856	1,634,022	9,712,878	83.2%	16.8%
1996	7,903,124	2,145,112	10,048,236	78.7%	21.3%
1997	7,950,495	2,442,774	10,393,269	76.5%	23.5%
1998	8,412,394	2,423,928	10,836,322	77.6%	22.4%

YEAR	AMOUNT OF PREMIUM WRITTEN ³			% OF PREMIUM WRITTEN	
	RATE-REGULATED	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	\$5,361,488,501	\$1,370,879,294	\$6,732,367,795	79.6%	20.4%
1994	\$5,688,060,661	\$1,576,439,099	\$7,264,499,760	78.3%	21.7%
1995	\$5,859,332,046	\$1,762,885,914	\$7,622,217,960	76.9%	23.1%
1996	\$5,796,258,626	\$2,152,607,943	\$7,948,866,569	72.9%	27.1%
1997	\$5,856,932,799	\$2,436,436,967	\$8,293,369,766	70.6%	29.4%
1998	\$5,975,246,388	\$2,390,247,747	\$8,365,494,135	71.4%	28.6%

1 Source: Texas Private Passenger Automobile Statistical Plan, Quarterly Market Report

2 Rate-regulated includes assigned risk figures.

3 Source: State of Texas P&C Insurance Experience by Coverage and Carriers Report.

Company Licensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
American Reserve Life Insurance Co.	Life	Tulsa, OK
Bass Administrators Inc.	TPA	Lafayette, LA
Claims Management Services Inc. (doing business under the assumed name of CMS Inc.)	TPA	Roswell, GA
LifeMark Corporation (doing business under the assumed name of HMO Blue Star+Plus)	TPA	Wilmington, DE
Response Indemnity Company of Delaware	Fire & Casualty	Wilmington, DE
Response Insurance Company of America	Fire & Casualty	Washington, D.C.
Westcor Land Title Insurance Co.	Title	Roseville, CA

For incorporation

COMPANY NAME	LINE	HOME OFFICE
JNT Group Inc. (doing business under the assumed name of JEM Resource Partners)	TPA	Webster, TX
Memorial Hermann HealthNet Providers, Inc.	TPA	Houston, TX
SGP Benefit Plan Inc.	MEWA	Flower Mound, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Certus Healthcare, L.L.C.	Wellcare Health Plans of Texas, L.L.C.	HMO	McAllen, TX
The College Life Insurance Company of America	Americo Financial Life and Annuity Insurance Co.	Life	Dallas, TX
Federated Rural Electric Insurance Corporation	Federated Rural Electric Insurance Exchange	Reciprocal	Lenexa, KS
Gan National Insurance Co.	Rampart Insurance Co.	Fire & Casualty	New York, NY
John Hancock Mutual Life Insurance Co.	John Hancock Life Insurance Co.	Prepaid Legal	Boston, MA
John Hancock Property and Casualty Insurance Co.	Axa Re Property and Casualty Insurance Co.	Fire & Casualty	New York, NY
Texas R.V.O.S. Insurance Co.	Priority One Insurance Co.	Fire & Casualty	Temple, TX

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Ascendia Healthcare Management Inc.	TPA	Owings Mills, MD
Benecard Services Inc.	TPA	Trenton, NJ
Companion Commercial Insurance Co.	Fire & Casualty	Columbia, SC
Companion Property and Casualty Insurance Co.	Fire & Casualty	Columbia, SC
First American Administrators Inc.	TPA	Phoenix, AZ
First Colonial Insurance Co.	Casualty	Jacksonville, FL
IPA Management Associates, L.P., dba North American Medical Management of Texas	TPA	Nashville, TN
Medical Group Insurance Services Inc.	TPA	Salt Lake City, UT
Meyer and Associates	TPA	Chatham, NJ
National Worksite Advantage Inc.	TPA	Mequon, WI
Total Benefit Services Inc.	TPA	New Orleans, LA

For incorporation

COMPANY	LINE	HOME OFFICE
CBIZ Benefits & Insurance Services of Texas Inc.	TPA	Dallas, TX
Healthplan Management Group Inc.	TPA	Lubbock, TX
Legacy Health Plan Inc.	Non-Profit Corporation	San Angelo, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Carolina Continental Insurance Co.	Continental American Insurance Co.	Life	Columbia, SC
New Life Insurance Co.	Compdent Insurance Co.	Life	Houston, TX

Disciplinary Actions

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

AGENTS & AGENCIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Administrative Services of Texas Inc. and Administrative Services of Texas Inc. in Receivership		Houston Austin	Third-Party Administrator's License Revoked	Insolvency	00-0013	1/7/00
	Arriaga, Manuel H.	Austin	\$750 Fine	Failure to Meet Continuing Education Requirement	00-0062	1/18/00
	Baggett, Curtis Leo	Richardson	Group I Agent's License Revoked	Rebating Premiums; Material Misstatement on License Application	00-0055	1/18/00
	Barnett, Brian A.	Corpus Christi	\$1,500 Fine and One-Year Probation As Qualified Building Inspector	Consent Order; Alleged Failure to Provide Information Supporting Approval of a Re-roof Job	00-0071	1/20/00
	Curry, Eardie Augusta Jr.	San Antonio	Group I Agent's License Revoked	Felony Conviction; Material Misstatements on License Applications	00-0063	1/18/00
	Garcia, Olivia Trevino	Corpus Christi	\$950 Fine	Failure to Meet Continuing Education Requirement	00-0094	1/25/00
	Goldsmith, Curtis Ray	Everman	Group I and Local Recording Agent's Licenses Revoked	Felony Conviction; Material Misstatements on License Applications	00-0064	1/18/00
	Gully, Michelle Rae	Arlington	Group 1 Agent's License Denied	Felony Conviction	99-1717	12/28/99
	Harrison, Richard Craig, dba Pioneer Abstract and Title Co.	Jayton	Title Agent and Title Escrow Officer Licenses Revoked	Hazardous Financial Condition and other Violations of Texas Insurance Code	00-0049	1/14/00
	Perez, Guadalupe Antonio	Laredo	Group I and Stipulated Premium Life Agent's Licenses Revoked	Fraudulent or Dishonest Practices and/or Acts	00-0057	1/18/00
	Staveley, Ryan Texas	San Antonio	Group I, Local Recording Agent's and Variable Contract Agent's Licenses Revoked	Fraudulent or Dishonest Acts	00-0056	1/18/00
Sullivan Kelly & Associates Agency Inc.		Dallas	\$1,500 Fine	Failure to Timely Report Policy Premiums and Pay Fees on Surplus Lines Policies to Surplus Lines Stamping Office	99-1721	12/29/99
	Trevino, Efrain Jr.	Laredo	Restitution of \$2,681 To Insurer; Two-Year Probation	Failure to Refund Commission on Cancelled Life Insurance Policy	00-0054	1/18/00
	Vaughn, Alfred E.	Katy	Qualified (Building) Inspector Appointment Canceled	Consent Order; Alleged Failure to Respond to TDI Request for Supporting Information	00-0029	1/11/00
	Vaughn, Neil Lynn	Wolfforth	Six-month License Suspension, Probated	Misappropriation or Conversion of Money Belonging to an Insurer (with Mitigation)	00-0061	1/18/00

COMPANIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Acceptance Casualty Insurance Co.	Lubbock	\$2,400 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0093	1/25/00
	Charter Oak Fire Insurance Co, Travelers Indemnity Co., Travelers Indemnity Company of America, Travelers Indemnity Company of Connecticut, Travelers Property & Casualty Insurance Co.	Hartford, CT	\$16,800 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0080	1/21/00
	Commercial Union Insurance Co., Employers Fire Insurance Co., General Accident Insurance Company of America, Pennsylvania General Insurance Co., Potomac Insurance Company of Illinois	Boston	\$8,000 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0092	1/25/00
	Continental Life Insurance Co.	Carmel, IN	\$5,000 Fine	Consent Order; Alleged Advertising Violation	00-0078	1/21/00
	Coregis Insurance Co.	Chicago	\$3,600 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0007	1/6/00
	Employers Mutual Casualty Co.	Des Moines, IA	\$3,600 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0115	1/28/00

Montemayor Outlines TDI's Technology Priorities

COMMISSIONER JOSE MONTEMAYOR has outlined TDI priorities for greater exploitation of computer technology as a regulatory and customer service tool.

He urged managers to include three technology initiatives in their business plans and work to implement them during the state's current fiscal biennium, which ends August 31, 2000.

The initiatives are as follows:

- Participation in a legislatively mandated demonstration project for increasing state government's use of the Internet for transactions

with the public. Montemayor mentioned the possible use of the Internet for agent license renewals as an example. TDI is a member of the interagency task force working on the demonstration project.

- Implementation of all NAIC initiatives collectively known as State Regulation 2000. TDI already has implemented seven of the 11 initiatives. The remaining four are PIN (nonresident agent licensing and appointments), ALERT (company licensing), CER (continuing education reciprocity) and UT (uniform treatment). Montemayor noted that in some in-

stances, state laws must be changed to enable TDI to implement the NAIC initiatives in full.

- Increased use of the System for Electronic Rate and Form Filing (SERFF). Montemayor said this could include extension of SERFF to all filings (property/casualty and life/health).

"These three initiatives give us goals to strive for at the beginning of the new millennium," Montemayor said. "These goals, once achieved, will go a long way to help make TDI the finest financial services regulatory agency in the world." ★

TDI Approves PacifiCare Purchase of Harris Methodist

THE DEPARTMENT has entered a Commissioner's order approving the acquisition of Harris Methodist Texas Health Plan Inc. and its insurance affiliate, Harris Methodist Health Insurance Co., by PacifiCare Health Plan Administrators Inc. for \$117.5 million.

"PacifiCare's application met all the legal requirements for acquisition of HMOs and insurance companies in Texas. I'm satisfied that this purchase will benefit Harris Methodist Texas Health Plan's 300,000 enrollees by assuring them continued HMO coverage," said Senior Associate

Commissioner Betty Patterson, who reviewed and approved the transaction.

Harris Methodist Health Plan lost \$99 million in 1998 and sustained additional losses of \$49.1 million in the first three quarters of 1999. PacifiCare's Texas HMO operations, meanwhile, had an after-tax profit of \$10.9 million in 1998 and reported net after-tax income of \$11.7 million for the first three quarters of 1999.

The order notes PacifiCare's commitment to assure a smooth transition of Harris' business operations into those of PacifiCare.

Harris Methodist Insurance Co. recently notified its 17,000 individual health insurance policyholders that, because of its acquisition by PacifiCare, their policies will end on or before July 14. However, the commissioner's order commits PacifiCare and Texas Health Resources, the parent company of Harris Methodist, to take special measures to help the policyholders find other coverage. Individual health carriers interested in obtaining information about the policyholder list may contact George Kitzmiller of Harris at 817-462-7333. ★



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