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Texas Insurance News

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INSIDE

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A Week in the Life of the Fraud Unit

By **Linda Bayless,** *Associate Commissioner, Insurance Fraud Unit*

TO SOME, the work of TDI's Insurance Fraud Unit may appear exciting, with adrenaline rushes whenever its investigators and lawyers get the goods on criminals who file fraudulent claims, steal premiums, bleed assets from insurers or run unauthorized insurance scams.

Like most law enforcement work, however, ours involves relentless digging to assure that prosecutors have the evidence they need to make a case stick when it goes before a judge or jury.

Since insurance fraud is a white-collar crime, the reality is that evidence most likely will be developed by ploughing through boxes of mind-numbing bank records, clinic files or subpoenaed company books, not by sweating suspects and working the streets for witnesses. *NYPD Blue* or *Law and Order* it's not.

The Fraud Unit has a staff of 34, including investigators, attorneys, analysts, paralegals and support staff. Most of our cases start with reports received from insurers' special investigative units (SIUs), the public and other divisions of TDI.

The fruit of an investigator's work is almost always a referral to a state or federal district attorney or to another agency such as the FBI. Cases best resolved with a Commissioner's order are handled by TDI's Legal and Compliance Program.

Fraud Unit investigators and staff attorneys commonly work with prosecutors in preparing for trial of the cases they referred. Fraud Unit lawyers also may participate in trials, when invited by the local DA, in roles that range from advisory to actually heading the prosecution and trying the case.

The goal of a Fraud Unit investigation is a criminal conviction.

In Fiscal Year 1999, the Fraud Unit referred 178 cases for prosecution, primarily by state district attorneys. Grand juries indicted 113 individuals based on evidence developed by the Fraud Unit. Courts convicted 60 persons referred by the Fraud Unit for prosecution. Their crimes included theft, conspiracy, insurance fraud, unauthorized insurance, misapplication of fiduciary property and securing execution of documents by deception.

So what kinds of activities do Fraud Unit investigators and lawyers engage in to achieve these results? What does their work week look like? The following list depicts highlights of a recent week in the life of the Fraud Unit. For obvious reasons, it excludes any information that might identify specific cases under investigation.

Insurer Fraud Section

- Worked with a DA on a previously referred case alleging that officers of a financially troubled company hid its true condition from TDI by filing false information in violation of Texas Insurance Code Article 21.47. An investigator obtained an index to 6,000 of 10,000 boxes of documents.
- Began preparing a referral report on an agent who allegedly converted almost $500,000 in premiums. The report will include more than 300 exhibits.
- Completed referral of an unauthorized insurer to the FBI. The company sold bonds in several states and defaulted on every bond it sold to businesses in Texas.
- Prepared a referral on an agent who collected a $10,000 commission based on a faked annuity application accompanied by an equally phony check for $125,000.

Claimant and Provider Fraud Section

- Completed a referral to the Texas Department of Human Services on a case involving a Medicaid recipient who filed claims on a private insurance policy and collected money for services paid for by Medicaid.
- Issued 21 subpoenas in an investigation of a person accused of providing false insurance information in order to obtain prescription drugs from hospitals.
- Investigated a person who allegedly forged a manager's name on several thousand dollars worth of claim checks made out to the suspect.

Please see **Fraud** *on page 8*

Betterment Deductions No Longer Permissible

THE DEPARTMENT has notified auto insurers that they cannot deduct amounts for "betterment" or depreciation from first-party claim payments.

Notice was issued as Commissioner's Bulletin No. B-0014-00, dated February 24, 2000. The bulletin is accessible on TDI's Web site, **www.tdi.state.tx.us.**

Betterment becomes an issue when damaged parts are replaced with parts whose useful life is longer than the remaining useful life of the parts before they were damaged. Insurers that deducted for betterment contended that the "like kind and quality" standard of the Texas Personal Auto Policy obliged them to pay only an amount equal to the value of the damaged parts before the damage occurred, less any applicable deductible.

In the bulletin, Associate Commissioner David Durden of the Property/Casualty Program said a November 5, 1998, decision of the 3rd Court of Appeals in Austin prohibits reducing first-party auto claim payments because of betterment or depreciation. That decision came in *Great Texas County Mutual Insurance Co. vs. Emmett C. Lewis,* 979 SW2d 72.

"In accordance with this decision, when an insurer elects to…repair or replace the property with other of like kind and quality, the insurer should not deduct for betterment or depreciation," Durden said. "Insurers are expected to ensure that their claims adjusting practices are in accordance with the law as interpreted by the court."

The court case arose from an accident in which Lewis' 1989 Dodge Caravan sustained damage to the engine, which had 110,000 miles on it. Great Texas determined it would cost $3,608.27 to replace the damaged engine with a rebuilt engine. It then subtracted the $527 deductible and $2,031.72 for betterment or depreciation, for a total claim payment of $1,049.55. Lewis sued Great Texas in a state district court and won a ruling that the Personal Auto Policy does not allow insurers to deduct for betterment or depreciation.

Great Texas appealed to the 3rd Court of Appeals, contending that the "like kind and quality" standard authorized the company to subtract betterment or depreciation from the claim payment. The appeals court, however, affirmed the district court's ruling.

Great Texas did not appeal the 3rd Court's decision to the Texas Supreme Court, leaving the ruling in place as the Texas judiciary's final word on the subject. ★

Mid-Century Agrees to $11 Million Refund

MID-CENTURY INSURANCE COMPANY of Texas, the largest Texas auto writer in the Farmers Insurance Group, has agreed to refund approximately $11 million in premium overcharges and to reduce its current rates by 3 percent.

A consent order signed by Commissioner Jose Montemayor and Mid-Century President John P. Hageman requires the 3 percent rate reduction as well as the refund of 1.5 percent of the premiums collected on personal auto policies effective from April 15, 1998, through May 15, 1999.

Farmers and Mid-Century denied any violation of Texas insurance laws and rules. TDI actuaries had challenged Mid-Century's filed rates as unreasonable and excessive.

"I'm very pleased that Farmers was willing to come to the table and resolve our differences over Mid-Century's rates through good-faith negotiations," Montemayor said. "The overall effect of this agreement is rates that are fair for both consumers and Farmers."

Farmers is the state's second largest personal auto insurer, with more than $1 billion a year in premiums. Mid-Century, the group's "preferred" company, accounted for almost two-thirds of those premiums in 1998.

Under the agreement, Mid-Century has 120 days from March 6, 2000, the date of the consent order, to make the premium refunds. Current policyholders eligible for refunds may receive them either as checks in the mail or as credits against their premiums. Former policyholders entitled to the refund will receive a check mailed to their last known address. Approximately 800,000 policyholders will get refunds.

In response to TDI's challenge of its 1999 rate filing, Mid-Century filed new rates in February, reflecting the 3 percent reduction required by the consent order. The reduction, effective April 1, 2000, will save Mid-Century's policyholders an estimated $8 million, in addition to the $11 million in refunds. ★

TDI update

New Credit Rates Take Effect April 1

NEW PRESUMPTIVE RATES for credit life and disability insurance took effect April 1, 2000, and carriers are required to file the rates to be used on and after that date.

Deputy Commissioner Ana M. Smith-Daley of the Life/Health Division issued a bulletin (B-0015-00) reminding insurers of the effective date of the rates that Commissioner Jose Montemayor approved in October 1999. The bulletin, which includes the new presumptive rate tables, may be accessed at TDI's Web site, **www.tdi.state.tx.us/commish/bulletin.html..**

Montemayor reduced credit life rates by an average of 21 percent and credit disability rates by an average of 18 percent.

Smith-Daley noted that for the first time, the rate order includes discount factors applicable to all single-premium credit life and credit disability plans. The factors recognize the fact that single-premium plans give insurers the use of a customer's entire premium over several years. Because of the discount factors, single premium presumptive rates will vary by the number of months of coverage.

Rate filings should be submitted to:

Texas Department of Insurance
Filings Intake Division (MC 106-1E)
P. O. Box 149104
Austin, TX 78714-9104

Companies using previously approved policy forms are not required to re-file their forms. All companies, however, are required to file the new rates they will charge on and after April 1, 2000. They can accomplish this by submitting rate schedules that clearly indicate that their rates comply with the Commissioner's order. A rate filing should identify each policy form number, the date approved and the rates to be used as of April 1, 2000. ★

RuleMaking

AMUSEMENT RIDES

APA Proposal

Implementation Rules

- Commissioner Jose Montemayor has scheduled a public hearing for April 12, 2000, on proposed amendments to 28 TAC §§5.9001–5.9014, the Department's amusement ride rules. The hearing will begin at 10 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

The proposed amendments would implement House Bill 1059 of the 76th Legislature.

Among other things, the legislation established new reporting requirements for amusement ride operators. It further directed the Commissioner to adopt rules requiring mobile amusement ride operators to perform inspections of rides, including daily inspections of safety restraints. The new laws also require the Commissioner to prescribe the language and location of signs informing the public how to report rides that appear unsafe or whose operators appear to be violating the law.

TDI records indicate that 134 fixed amusement ride parks and approximately 128 traveling shows that include mobile amusement rides are operating in Texas.

The proposed amendments include provisions that would:

- Increase from $20 to $40 the annual administration fee that owners and operators must pay for each ride when submitting to TDI the insurance policies and inspection certificates (TDI Form AR-100) required by Texas law.
- Require that inspections and reinspections performed on behalf of insurers include a method to test the stress- and wear-related damage to critical parts whose failure could result in injuries. Such inspections and reinspections also would have to include a review of the owner or operator's own daily inspection records. Reports of inspections and reinspections made on behalf of insurers would have to be made available to law enforcement officers upon request.
- Require owners or operators of mobile amusement rides to perform and record daily inspections of each ride. The inspections would be required to include items in at least 14 different categories, including safety belts, bars, locks and other passenger restraints. Before opening each day, a ride would have to be operated through one complete cycle of proper functioning.
- Mandate the posting of signs informing the public how to report amusement rides that appear unsafe or to report amusement rides operators who appear to be violating the law. A sign would have to be 20 inches by 30 inches, in both English and Spanish, with type of at least 50-point bold-faced capital block letters, readable from 25 feet away. Owner/operators would have to post the signs at the principal entrances to sites where an amusement ride is located or at any location on that site where tickets for a ride are available.
- Require owner/operators to keep accurate records of governmental actions taken toward their rides in any state and to report such actions quarterly to TDI. These actions would include inspections resulting in the repair or replacement of equipment used in the operation of the ride. Owner/operators would have to maintain copies of the governmental action reports and make them available on demand by law enforcement officers.
- Prescribe standards of the American Society for Testing and Materials as the minimum standards applicable to each ride sold, maintained or operated in Texas. If an ASTM standard conflicts with the requirements of Texas law, the more stringent requirement or standard would apply.
- Incorporate into TDI rules provisions of the new law that authorize municipal, county or state law enforcement officers to enter and inspect rides and, if necessary, shut them down until they comply with state safety requirements.

Publication: 25TexReg 1966, March 10, 2000
Earliest possible adoption: April 9,2000
Further information: 512 463-6327

FINANCIAL

APA Adoptions

HMO Minimum Net Worth

- Commissioner Jose Montemayor has amended 28 TAC §§ 11.801, 11.802, 11.803 and 11.807 to implement House Bill 3023 of the 76th Legislature, which established true net worth requirements for HMOs.

Basic service HMOs licensed after September 1, 1999, must have a minimum net worth of $1.5 million. The net worth requirement is $1 million for limited health care HMOs and $500,000 for single service HMOs. HMOs licensed before September 1, 1999, are required to increase their net worth incrementally, beginning December 31, 2000, and achieving the full amount by December 31, 2002.

House Bill 3023 defined net worth as the excess of total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with *Texas Insurance Code* Article 1.39.

The new rules include detailed specifications of the types of assets in which an HMO may invest the funds used for meeting minimum net worth and other financial requirements.

HMOs must give TDI 30 days' notice before paying dividends or distributions exceeding the greater of 10 percent of their net worth as of the preceding December 31 or their net gain from operations

Projected publication date: March 24,2000
Effective date: March 30, 2000
Further information: 512 463-6327

HMO Risk-Based Capital Rules

- Commissioner Jose Montemayor has amended 28 TAC § 11.2 and adopted new 28 TAC § 11.809. The rule changes implement HB 3023 of the 76th Legislature by establishing risk-based capital requirements for HMOs.

Risk-based capital (RBC) is a method of measuring the minimum amount of capital appropriate for an HMO to support its overall business operations, taking into account its size, structure and risk profile. The RBC formula applies factors to various assets, premium and expense items. The factor is higher for items with greater underlying risk and lower for less risky items.

The newly enacted rules adopt by reference the 1999 NAIC Managed Care Organizations Risk Based Capital Report for Managed Care Organizations, including Overview and Instructions, which include the RBC formula and required diskettes. In the event of conflicts, the *Texas Insurance Code* and TDI rules will take precedence over the NAIC formula and instructions.

The new rules phase-in the RBC requirement over two years. HMOs are required to have 50 percent of the authorized control level risk-based capital in the RBC Report as of

Continued on page 4

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December 31, 2000. As of December 31, 2001, and thereafter, each HMO must have at least 70 percent of the authorized control level risk-based capital in the RBC Report. Once the phase-in is complete, TDI may take the following actions against an HMO that fails to maintain the minimum 70 percent of the authorized control level risk-based capital:

- Order the HMO to stop writing new business.
- Place the HMO in supervision or conservation.
- Find the HMO to be in hazardous financial condition as provided by *Texas Insurance Code* Article 20.19 and 28 TAC § 11.810.
- Find the HMO to be in violation of the minimum net worth requirements of *Texas Insurance Code* Article 20A.13C and take action as provided by *Texas Insurance Code* Article 20A.31.
- Apply any sanctions as provided by the *Texas Insurance Code* or Title 28 of the *Texas Administrative Code.*

The new rules state TDI's position that while comparison of an HMO's total adjusted capital to its risk-based capital is a regulatory tool that may indicate the need for corrective action, such a comparison is inappropriate for ranking HMOs generally. The rules, therefore, prohibit publicizing components derived in an HMO's RBC calculations.

Projected publication date: March 24,2000
Effective date: March 30, 2000
Further information: 512 463-6327

HMO Hazardous Condition Rules

■ Commissioner Jose Montemayor has adopted new 28 TAC § 11.810, establishing hazardous financial condition criteria for HMOs. The Commissioner may revoke an HMO's certificate of authority or require corrective action when its financial condition is such that its continued operation might be hazardous to its enrollees, creditors and the general public. Possible corrective actions include (but are not limited to) reducing the total amount of present and potential liability for benefits by obtaining reinsurance; reducing expenses; suspending or limiting the writing of new business for a period of time; and increasing capital and surplus.

After notice and an opportunity for hearing, an HMO could be determined to be in hazardous financial condition if TDI finds one or more of the following conditions:

- Revocation or discontinuation of its federal qualification designation and/or National Committee on Quality Assurance accreditation.
- The HMO's reported claims in process exceed 12 percent of its annualized medical and hospital expenses—i.e., a backlog of 45 days or longer.
- The HMO's parent or sponsoring organization is operating in a hazardous condition.
- A material adverse finding or findings in the HMO's annual CPA report.
- Failure to comply with the Texas Health Maintenance Organization Act or with TDI's HMO rules codified in Chapter 11 of the *Texas Administrative Code.*
- An inadequate provider network.
- The refusal of an administrative or management company under contract with the HMO on a capitation or percentage of premium basis to submit financial statements to the HMO or the submission by such contractors of financial statements reflecting a hazardous condition.
- Failure of the HMO to file a financial statement with TDI within the time required by the *Texas Insurance Code* or as requested by TDI.
- A pattern of balance billing on the part of a health care provider under contract, directly or indirectly with the HMO.
- The filing of false or misleading financial information with TDI.
- Failure to amend the HMO's financial statement when requested by TDI.
- Overstatement of the HMO's net worth by 25 percent or more.
- Reliance on the HMO's corporate parent's forgiveness of debt or frequent surplus contributions to finance its operations or to maintain its minimum risk-based capital.
- Failure to maintain the HMO's books and records in a way that permits examiners to determine the HMO's financial condition.
- The lack of experience, competence or trustworthiness on the part of management to operate the HMO in a safe and sound manner.
- Unlawful transactions by the HMO's management.
- A pattern of denial or nonpayment for emergency care.
- Failure to follow the HMO's policy on rating and underwriting standards appropriate to the risk.
- The issuance of an administrative or judicial order, initiated by another state's insurance department, against the HMO, its parent or an affiliate, or the initiation of a regulatory action by another agency within the HMO's state of domicile.
- Failure to maintain the minimum net worth required by the *Texas Insurance Code.*
- Failure to meet risk-based capital requirements.
- Any condition that the Commissioner of Insurance finds may present a hazard to policyholders, creditors or the general public.

Projected publication date: March 24, 2000
Effective date: March 30, 2000
Further information: 512 463-6327

PROPERTY

APA Adoption

Stovetop Fire Suppression Devices

■ Commissioner Jose Montemayor has adopted new 28 TAC §§ 34.1001—34.1004, concerning standards for State Fire Marshal approval of residential stovetop fire suppression devices eligible for optional residential property insurance premium discounts.

Only stovetop fire suppression devices approved by the fire marshal are eligible for the optional premium discounts.

The new rules adopt the following Underwriters Laboratories documents as product performance standards:

- UL 1254 "Standard for Pre-engineered Dry Chemical Extinguishing System Units."
- UL 299 "Dry Chemical Fire Extinguishers."
- UL Subject 300A "Outline of Investigation for Extinguishing System Units for Residential Range Top Cooking Surfaces."

A stovetop fire suppression device will be considered approved by the fire marshal for the optional premium discount if:

- It has been tested by an approved testing laboratory and, at the time of testing, meets the applicable criteria of the most recent edition of UL 299 or UL 1254 and the fire tests of UL Subject 300A;
- It carries the certification mark of the approved testing laboratory; and

RuleMaking

- Installation, operation, recharge, inspection and maintenance instruction manuals, as submitted to the approved testing laboratory, are provided with each device sold.

Projected publication: March 24, 2000
Effective date: March 27, 2000

WORKERS' COMPENSATION

Exempt Adoption

Maintenance Tax Surcharge Refunds

■ Commissioner Jose Montemayor has adopted new Rule XX of the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers Liability* concerning the return of the maintenance tax surcharge to qualifying policyholders.

The rule implements *Texas Insurance Code* Article 5.76-5, Section 10A, which requires the Texas Workers' Compensation Insurance Fund to return to insurance companies and self-insurers the amount of maintenance tax surcharge paid for calendar years 1991 through 1996. It further requires insurers to send a proportionate share of the refunds they receive to qualified policyholders.

The new rule establishes procedures and formulas for calculating the refunds and for issuing payments to insurers and, in turn, to the insurers' policyholders for the years in question. Included are specific requirements for a diligent search for former policyholders, including the use of telephone books, the Internet and newspaper notices

Publication: 25TexReg1727, February 25, 2000
Further information: 512 322-4147
Effective date: March 11, 2000 ★

LegalNotes

Appeals Court Rules on Injuries Incurred in Rental Car

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

THE AUSTIN COURT OF APPEALS recently issued an opinion about the circumstances under which a rental car is considered a "covered auto" under an automobile insurance policy. For more information regarding this case, please consult the opinion of the court.

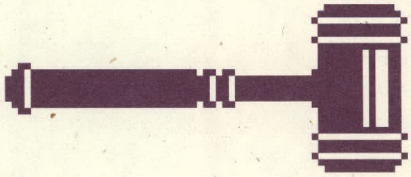
Villegas v. Nationwide Mutual Insurance Company

Keith Villegas and his wife, Melissa Villegas, owned a 1994 Mazda Protégé. They had purchased an automobile insurance policy from Nationwide Mutual Insurance Company (Nationwide) covering the Protege. In May 1997, they began having brake and engine problems with the Protégé. Therefore, they only drove the Protégé for short trips near their home in Round Rock, Texas.

On July 12, 1997, Keith and Melissa were preparing to travel to New Braunfels, Texas, to attend a birthday party. They intended to return home following the birthday party. Keith's mother, Alice, and Keith's sisters, Sharon and Margaret, as well as Margaret's daughter, Kiva, were accompanying Keith and Melissa on this trip. They planned to use Alice's car, an Oldsmobile Cutlass, for the trip. However, on the day of the trip, Alice's Oldsmobile Cutlass would not operate. Alice instructed Sharon and Keith to rent a car to drive to New Braunfels. They rented a Nissan Maxima from Enterprise Rent A Car. Sharon paid for the rental car with a credit card from a bookkeeping business owned by Alice. The car was rented for three days. Alice planned to keep the car for the three days covered by the car rental agreement. Keith was listed as an additional driver on the agreement.

On the trip to New Braunfels, the rental car was driven by Keith. When returning from New Braunfels, the rental car was involved in a collision. The collision was the result of the negligence of the driver of another car, Nita Crober. Margaret, Kiva and Alice were seriously injured in the collision. Ms. Crober's insurance was insufficient to compensate Alice, Margaret, and Kiva for their injuries.

Keith's and Melissa's policy with Nationwide covered damages resulting from bodily injuries sustained by a "covered person" in an auto accident caused by an underinsured motorist. The policy defined a "covered person" to include Keith and Melissa, as well as persons occupying a "covered auto." A "covered auto" under the policy includ-



ed the Protégé and any auto that Keith and Melissa did not own "while used as a temporary substitute for any other vehicle described in this definition which is out of its normal use because of its: (a) breakdown; (b) repair; (c) servicing; (d) loss; or (e) destruction."

Alice, Margaret and Kiva filed a claim on the underinsured motorist coverage of Keith's and Melissa's auto policy with Nationwide. Alice, Margaret, and Kiva claimed that the rental car was intended to be a substitute for the Mazda Protégé. Nationwide denied the claim. Alice, Margaret, and Kiva filed a lawsuit against Nationwide seeking coverage under Keith's and Melissa's policy. The trial court ruled in favor of Nationwide. The trial court determined that the rental car was not being used as a temporary substitute for the Mazda Protégé at the time of the accident. Alice, Margaret and Kiva appealed to the Austin Court of Appeals.

The Austin Court of Appeals began by examining the evidence presented to the trial court. Alice, Margaret and Kiva argued that the rental car was needed because the Protégé could not be taken on long trips. However, the court noted that several family members had testified that the family had intended to drive Alice's Oldsmobile Cutlass to New Braunfels. The court also pointed out that the rental car had been rented with Alice's company credit card and that Alice, not Keith or Melissa, planned to drive the car for the three days the car was rented. It therefore appeared that the rental car was intended to be a temporary substitute for Alice's Oldsmobile, rather than Keith's and Melissa's Protégé.

Therefore, the court upheld the decision of the trial court that the rental car was not a covered auto under Keith's and Melissa's policy with Nationwide. As a result, the injuries sustained by Alice, Margaret and Kiva were not covered under the policy with Nationwide. *Villegas v. Nationwide Mutual Insurance Company,* 10 S.W. 3d 380 Tex. App.-Austin 2000, no writ history). ★

CompanyLicensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
DAN Services Inc.	TPA	Durham, NC
Disability Insurance Specialist, LLC	TPA	Bloomfield, CT
Performax. Inc.	TPA	Wilmington, DE
Westfield Services Inc., *doing business under the assumed name of* WesCom	TPA	Westfield Center, OH

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Interworld Insurance Co.	Fire & Casualty	Addison, TX
Millennium Group Employee Benefit Trust	MEWA	Odessa, TX
The Spine Center Inc.	TPA	Austin, TX
Tejas Behavioral Health Services Inc.	TPA	Austin, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Albany Insurance Co.	Liberty Insurance Underwriters Inc.	Fire & Casualty	New York, NY
Alpine Life Insurance Co.	Hart Life Insurance Co.	Life	Simsbury, CT
Centris Life Insurance Co.	HCC Life Insurance Co.	Life	Indianapolis, IN
Hansa Reinsurance Company of America	Suecia Insurance Co.	Fire & Casualty	Nanuet, NY
Intercarge Insurance Co.	XL Specialty Insurance Co.	Fire & Casualty	Schaumburg, IL
Investors Equity Insurance Co.	CMG Mortgage Assurance Co.	Fire & Casualty	San Francisco, CA
Royal Life Insurance Company of America	Servus Life Insurance Co.	Life	Simsbury, CT
TIG Reinsurance Co.	Odyssey America Reinsurance Corp.	Fire & Casualty	Stamford, CT

To do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Managed Dentalguard Inc.	HMO	Dallas, TX

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Coordinated Vision Care Inc.	TPA	Wilmington, DE
International Solutions, LLC, *dba* Texas International Solutions, LLC	TPA	Wilmington, DE
MGIC Mortgage Reinsurance Corp.	Casualty	Milwaukee, WI
MGIC Residential Reinsurance Corp.	Casualty	Milwaukee, WI
Provantage Health Services Inc.	TPA	Wilmington, DE

For incorporation

COMPANY	LINE	HOME OFFICE
Kean Financial Services Inc.	TPA	Rockwall, TX
London Benefit Services Inc.	TPA	Dallas, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Allendale Mutual Insurance Co.	Factory Mutual Insurance Co.	Fire and/or Casualty	Johnston, RI
Certus Healthcare, L.L.C.	Wellcare Health Plans of Texas Texas, L.L.C.	HMO	McAllen, TX
Constitution Reinsurance Corp.	Gerling Global Reinsurance	Fire & Casualty	New York, NY
Gerling Global Reinsurance Corporation of America	Constitution Insurance Co.	Fire & Casualty	New York, NY
Heart of America Fire and Casualty Co.	Kemper Employers Insurance Co. (Long Grove, IL)	Fire & Casualty	Kansas City, MO
Managed Care Solutions Inc.	Lifemark Corp.	TPA	Wilmington, DE
TIG Countrywide Insurance Co.	Nationwide Insurance Company Of America, (Madison, WI)	Fire & Casualty	San Francisco, CA

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
Andrade, Victor	Dallas	$1,050 Fine	Failure to Meet Continuing Education Requirement	00-0148	2/7/00
Bethune, John Gilmore	Odessa	$500 Fine	Falsification of Continuing Education Compliance Records	00-0182	2/15/00
East Texas Title & Abstract Co.	Nacogdoches	$6,000 Fine	Escrow Account Violations; Insufficient Surety Bond	00-0196	2/18/00
Garrett, W. Jay III	Belton	Local Recording Agent's and Risk Manager's Licenses Revoked	Fraudulent or Dishonest Acts	00-0089	1/25/00
Lukas, Timothy John	Dallas	Insurance Service Representative's License Revoked	Fraudulent or Dishonest Acts	00-0081	1/21/00
Martinez, Sergio	El Paso	$500 Fine	Failure to Meet Continuing Education Requirements	00-0183	2/15/00
Morales, Nelson A.	Houston	$4,765.62 Restitution and Revocation of Group I and Local Recording Agent's Licenses	Fraudulent or Dishonest Practices and/or Acts	00-0072	1/20/00
Poindexter, Naomi Ann	Spring Branch	$625 Fine	Failure to Meet Continuing Education Requirements	00-0025	2/28/00
Prause, Ellman G.	Victoria	Group I and Local Recording Agent's Licenses Revoked	Conversion of Premium	00-0212	2/23/00
Stroud, Cartha L.	Arlington	Group I and Variable Contract Licenses Revoked	Conviction of a Crime Involving Dishonesty and Moral Turpitude	00-0146	2/7/00
Wallace, George Alvin	Dallas	$750 Fine and One-Year License Suspension (Probated)	Submission of Life Insurance Application with Incorrect Medical Information	00-0179	2/15/00
Womble, Joe Layne Jr.	McKinney	Group I License Revoked	Failure to Meet Continuing Education Requirement (Default Order)	00-0099	1/27/00
Woolard, Billy Claude	Arlington	License Application Denied	Felony Conviction; Prior License Revocation	00-0082	1/21/00

COMPANIES NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
American Economy Insurance Co., American States Insurance Co., American States Insurance Company of Texas	Indianapolis, Indianapolis, Richardson	$4,000 Fine	Late Filing of Commercial Auto Insurance Experience Rating Data	00-0198	2/18/00
American Manufacturers Mutual Insurance Co., American Motorists Insurance Co., American Protection Insurance Co., Lumbermens Mutual Casualty Co.	Long Grove, IL	$10,500 Fine	Late Filing of Commercial Auto Insurance Experience Rating Data	00-0224	2/28/00
Crum & Forster Indemnity Co., North River Insurance Co., United States Fire Insurance Co.	Morristown, NJ, Plano, Plano	$3,000 Fine	Late Filing of Commercial Auto Insurance Experience Rating Data	00-0197	2/18/00
General Casualty Company of Wisconsin	Sun Prairie, WI	$2,250 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0178	2/15/00
Puritan Financial, Inc.	Plano	$2,500 Fine	Consent Order: Alleged Advertising Violation	00-0181	2/15/00
The Yasuda Fire & Marine Insurance Company of America	New York, NY	$2,250 Fine	Late Filing of Commercial Auto Experience Rating Data	00-0134	2/2/00

Fraud Unit Prosecutions

Convictions

Horton, Randy Lee, pleaded guilty in Duval County to charges of forgery. Sentenced to 60 months' deferred adjudication and ordered to pay $13,948 in restitution.

Escobedo, Mario R, pleaded guilty in Austin to felony unauthorized insurance. Sentenced to five years' probation, fined $500 and ordered to pay $2,237 in restitution.

Indictments

Oloton, Robinson, indicted in Dallas on charges of money laundering and forgery.

Orobor, Prince Clifford, indicted in Dallas on charges of money laundering.

Oshiniwo, Felix Eyato, indicted in Dallas on money laundering charges. ★

NewsBriefs

Fraudulent "Draft Bulletin" Circulated Outside TDI

SOMEONE OUTSIDE the Texas Department of Insurance has written and distributed a "draft bulletin" (dated February 15, 2000) relating to Senate Bill 130, which concerns certain restrictions in the payment of discounted fees to health care providers.

The draft bulletin is fraudulent and was not issued by TDI. Although the fictitious bulletin is not on TDI letterhead, it does include the language, "Texas Department of Insurance, Commissioner's Bulletin," and space for a bulletin number.

Use of this fictitious bulletin to defraud or harm another is a violation of *Texas Penal Code* Sections 32.21 (Forgery) and 37.10 (Tampering with a Government Record). Anyone with information about this fraudulent bulletin should contact Dennis Pompa, chief investigator, Insurance Fraud Unit, at 512 322-3568. Persons who have received the bulletin and have questions about SB130 may contact Diane Moellenberg at 512 322-4270. ★

April Hearing Scheduled On TWIA Reinsurance

COMMISSIONER JOSE MONTEMAYOR will hold an April 5, 2000, public hearing on a Texas Windstorm Insurance Association petition for approval of a new reinsurance program.

TWIA said the proposed new agreement would provide $325 million in reinsurance in three layers excess of the first $100 million of company assessments and pro rata with the Catastrophe Reserve Trust Fund or additional company assessments. The structure is similar to the expiring contract but adds an additional $25 million of reinsurance in the first layer above the $100 million in company assessments.

According to TWIA, the gross cost will be $18.6 million, compared to the 1999 cost of $16.8 million. TWIA said the increase is considered cost-justified because of additional protection provided at the lower layer. ★

Data Call Reminders

(In most cases, the applicable data call bulletin and forms can be downloaded from TDI's website, **www.tdi.state.tx.us***)*

Quarterly Closed Claims Reports

Reports of claims closed during the first quarter of 2000 are due April 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 First Quarter 2000 Experience was mailed the end of March 2000 and is due May 15, 2000. TDI contact is Vicky Knox, 512 475-1879. E-mail address: **vicky.knox@tdi.state.tx.us**

Call for Quarterly Experience, Workers' Comp Deductible Plans

The Call for First Quarter 2000 Experience was mailed the end of March 2000 and is due May 15, 2000. 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. 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 mailed March 1, 2000, and is due April 17, 2000. 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 mailed March 2, 2000, and is due May 1, 2000. TDI contact is Julie Jones, 512 475-1878. E-mail address: **julie. jones@tdi.state.tx.us**

Fraud... from page 1

- Worked on two referrals involving $17,000 in allegedly fraudulent disability insurance claims.
- Attended out-of-town meetings with attorneys involved in the case of a person charged with laundering the proceeds of a large staged accident ring.

Legal Section

- Completed an offense report involving a person suspected of staging fake burglaries to induce insurers to pay fraudulent homeowners claims that amounted to six figures.
- Along with an investigator from the Insurer Fraud Section, helped a Dallas County assistant DA prepare for the pre-trial hearing of a former viatical settlement broker accused of masterminding a "clean sheeting" scheme. More than 24 individuals already have entered guilty pleas in connection with TDI's clean sheeting investigation.

Convictions may come months or even years after our work is done. The important thing, however, is that insurance fraud in Texas is costing perpetrators a lot of money, time and grief and, in some cases, their freedom. As the old law enforcement saying goes, "If you do the crime, you gotta do the time." That's our goal. ★

THE STATE OF TEXAS

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