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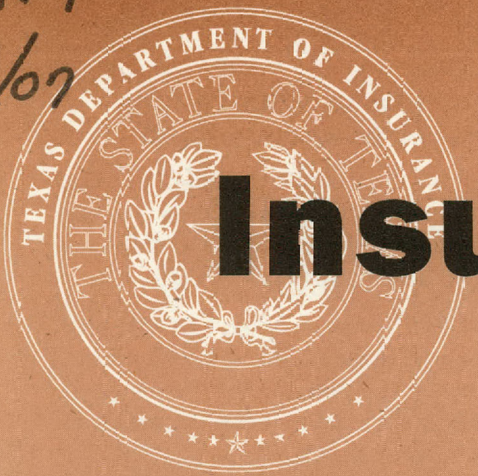

Texas InsuranceNews

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

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TexasInsuranceNews

is published each month. For a one-year subscription (12 issues), contact TDI's Publications Division at:

Texas Department of Insurance
Texas Insurance News/MC-9999
P.O. Box 149104
Austin, TX 78714-9104

Enclose a check for $30 made out to the Texas Department of Insurance.

If you have questions about subscribing, call Publications at **(512) 322-4283.**

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Texas Insurance News, MC-113-1A,
P.O. Box 149104
Austin, TX 78714-9104

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.

Legislature Enacts 90 Insurance Bills

WHEN THE 76TH LEGISLATURE adjourned on May 31, it left behind a record of strengthening HMO solvency standards and addressing such other issues as viatical settlement regulation and health coverage for uninsured children.

The Legislature passed, and Governor George W. Bush signed, or otherwise allowed to become law, approximately 90 bills amending the *Texas Insurance Code* or directly affecting insurers. These include 12 of the 16 recommendations made by TDI in the report required by Article 1.25.

The Governor, however, vetoed the agent licensing reform bill (SB 956) recommended by TDI.

In his veto message, Bush said an unrelated amendment added to the bill late in the session "relieves bail bondsmen from any liability on bond forfeitures for one year. This provision jeopardizes public safety by weakening the obligation of bondsmen to ensure criminal defendants appear in court."

This article summarizes each enacted bill amending the insurance code and several others identified as affecting the insurance industry. Bill summaries are grouped under alphabetically arranged subject headings, from **AGENTS** to **WORKERS' COMPENSATION.** Each summary begins with the bill number, the primary sponsors' names and the bill's effective date. Bills embodying TDI recommendations are indicated with an asterisk.

Readers may obtain the full text of a bill by:

- Downloading it from the Texas Legislature On-line Web site,
  www.capitol.state.tx.us,
- Phoning or writing their local legislators or
- Phoning House Bill Distribution at
  512-463-1144
  for House bills or Senate Bill Distribution,
  512-463-0252,
  for Senate bills. House and Senate Bill Distribution require payment in advance.

AGENTS

SB 957*, by Sen. Frank Madla, San Antonio, and Rep. Craig Eiland, Dickinson, 9/1/99

Authorizes TDI to issue "specialty licenses" to businesses, rather than individuals, to sell travel insurance, credit insurance, insurance covering goods stored in self-service storage facilities. (Rental car companies already are licensed to sell auto liability products on the automobiles they rent.) The bill also expands the scope of the life insurance counselor's license to include health benefit plans and eliminates the requirement of at least three years' licensure as a life agent to be eligible for a counselor's license.

AMUSEMENT RIDES

HB 1059, by Rep. Terry Keel and Sen. Gonzalo Barrientos, both of Austin, 1/1/2000

Requires TDI to issue rules requiring operators of mobile amusement rides to perform inspections, including daily inspections of safety restraints. Ride operators must post signs prescribed by TDI to inform the public how to report apparent unsafe conditions and violations of state law. Violations were raised from Class C to Class B misdemeanors (maximum six months in jail and a $2,000 fine). It also will be a Class B misdemeanor—with a minimum of 72 hours in jail—to operate a ride or assemble a mobile amusement ride while intoxicated. State and local law enforcement officers may shut down rides they believe to be unsafe or for which the operators cannot provide proof of inspections and liability insurance. Ride operators must report to TDI when a government body in any state takes action against a ride that also is operated in Texas.

AUTOMOBILE

HB 3091, by Rep. Bill Siebert, San Antonio, and Sen. J. E. "Buster" Brown, Lake Jackson, 9/1/99

Revises the law on rental car damage waivers. Requires the renter's written acceptance of a

Please see **90 Bills** *on page 3*

PersonalNotes

Waitt Accepts Top Legal and Compliance Post

COMMISSIONER JOSE MONTEMAYOR has appointed Sara Shiplet Waitt as TDI's new senior associate commissioner for Legal and Compliance.

She replaces Mary Keller, who resigned to join the Baker & Botts law firm. Keller will practice in the Houston law firm's Austin office. Keller has headed Legal and Compliance since December 1, 1993.

Waitt, a graduate of the Louisiana State University Law School, has been an associate with the Long, Burner, Parks & Sealy law firm in Austin since leaving TDI in the spring of 1998.

As chief of Legal and Compliance, Waitt heads a staff of 80 attorneys, investigators and support personnel. In addition to providing legal advice and rule-drafting services for the Department, Legal and Compliance initiates and prosecutes disciplinary actions against insurers, agents and other TDI licensees for violation of Texas insurance laws.

Waitt first came to TDI in 1987, working six years as a staff attorney in the Conservation and Liquidation Divisions before leaving to join Jo Ann Howard & Associates in Austin.

She returned to TDI in 1995 to become chief of the Financial Section in Legal and Compliance. ★

Jackson Named to Head LAH Complaint Section

AUDREY SELDEN, associate commissioner for Consumer Protection, has named Mike Jackson, a former claims manager with CIGNA Group Insurance, as the new director of Life, Accident and Health Complaints Resolution.

Andy Salmon, who had served as director of both LAH Complaints Resolution and the Advertising Unit, will return full time to Advertising.

For the past nine years, Jackson, 41, has been a team leader over CIGNA's Life, Accident and Disability Claims Department in Dallas. He personally handled numerous complaints forwarded to CIGNA by TDI and by other state insurance departments.

He is a 1980 graduate of Baylor University. ★

EnforcementActions

Credit Insurer Agrees to $1.28 Million Penalty

FINANCIAL INSURANCE EXCHANGE (FIE) has agreed to pay $1.28 million to resolve allegations that it engaged in unauthorized sales of "extended credit property insurance" on items purchased from the Fingerhut mail-order catalog company.

Commissioner Jose Montemayor issued a consent order requiring the payments and forbidding FIE to sell the coverage in question. FIE agreed to the order without admitting any violation of Texas insurance laws. The company stopped selling the coverage in 1998 after TDI objected.

FIE agreed to pay the state $1.28 million to offset TDI's investigation and compliance monitoring costs and as an amount in lieu of restitution.

FIE sold the extended credit property coverage as one option in a package that also included credit property, credit life and credit disability insurance.

The unauthorized extended credit property insurance option continued coverage of an item after a Fingerhut customer had made all the payments and completely owned the item. TDI rules do not permit such extensions of coverage after a debt is paid because the seller or lender no longer has an interest in the item as security for the debt. In addition, such coverage may duplicate the personal property coverage under a buyer's homeowners or renters insurance policy. ★

Statesman National Life Placed in Receivership

A STATE DISTRICT COURT in Austin has placed Statesman National Life Insurance Co. into permanent receivership after finding the company was insolvent by at least $557,804.

The 250th District Court issued the agreed permanent injunction and order appointing a permanent receiver on June 10, 1999. Under Texas insurance law, the order automatically stayed all litigation against the company.

Under the agreement, most of the policies have been assumed by either American Capitol Insurance Co. or Texas Imperial Life Insurance Co. A small number of individual life policies have been assumed by Southern Financial Insurance Co. All major medical policies and any policies not assumed by another insurance company will be directly assumed and administered by the guaranty associations of the state where policyholders live.

As of June 1, 1999, Statesman National had 13,800 active policies, 6,002 of them in Texas. The company wrote primarily accident and health insurance.

TDI will select a special deputy receiver (SDR) to marshal Statesman National Life's assets, process claims against the receivership estate and handle any litigation against the company. Until an SDR is appointed, staff from TDI's Conservation Division, acting as representatives of the receiver, will oversee the company's operations.

Questions about Statesman National Life should be directed to TDI staff attorney Stanton Strickland, 512 305-7618, or Conservation Division staff member Tom Green at the following address and telephone numbers:

Statesman National Life
Insurance Co. in Receivership
3815 Montrose Boulevard
Houston, Texas 77006
713 526-6000
800 456-3920

Questions about policies assumed by a guaranty association should be directed to the Texas Life, Accident and Health Guaranty Association at

512 476-5101 ★

Phone System Delayed

START-UP of the new menu-driven interactive voice response (IVR) phone system for the Agents Licensing Division has been delayed until mid-July. The $150,000 system was described in the June issue of *TIN*. ★

90 Bills, *from page 1*

waiver. Prohibits the addition of damage waivers as a mandatory charge. Prohibits coercion to purchase damage waivers. Specifies the circumstances that may void a waiver. In addition to individual disclosures, the bill requires rental car companies to conspicuously post notices advising Texas residents that their auto policies provide coverage, with no deductible, for their legal liabilities arising from the loss or damage of a rented vehicle. The notice also must warn that filing a claim under one's own policy might lead to nonrenewal of the policy if the loss was the renter's fault.

HB 3757, by Rep. Helen Giddings, DeSoto, and Sen. John Carona, Dallas, 9/1/99

Amends the Texas Driver and Safety Education Act to require the Texas Education Agency to develop standards for a separate school certification for drug and alcohol awareness programs. Also amends the *Texas Insurance Code* to require a 5 percent personal auto insurance discount for completing a drug and alcohol awareness course approved by the TEA.

FINANCIAL

SB 901, by Sen. David Sibley, Waco, and Rep. John Smithee, Amarillo, 6/19/99

Creates an exception to the general prohibitions against rebating and profit sharing for insurers that want to share profits with policyholders who are part of a group program established by a nonprofit business association of which they are members. Such profit sharing arrangements must be approved by TDI. The insurer must notify TDI of each distribution of profits.

SB 1657 by Sen. Mike Jackson, Houston, and Rep. John Smithee, Amarillo, 9/1/99

Raises from $50,000 to $100,000 the threshold at which a salary or other payment by a domestic insurer must be approved by the company's board of directors.

HB 2711, by Rep. Senfronia Thompson, Houston, and Sen. John Carona, Dallas, 9/1/99

Amends *Texas Insurance Code* Article 21.39-B to prohibit the deposit of a Texas domestic insurance company's funds except in the company's corporate name in a pooling account with one or more affiliates or in accordance with a reinsurance agreement. If funds are deposited in a pooling account, only the company and its affiliate may hold such funds. Books and records must be sufficiently detailed to identify policies and policyholders with premium funds received by the particular company issuing the insurance. A reinsurance agreement between the company and one or more affiliates must specifically authorize the deposit of premium funds to the account of the affiliate that assumes the reinsurance.

HB 2752, by Rep. John Smithee, Amarillo, and Sen. David Sibley, Waco, 9/1/99

Repeals the law prohibiting insurers from furnishing data to or receiving information from advisory organizations without Texas subsidiaries. Provides for licensure of advisory organizations. An advisory organization's member companies may incorporate into their rate filings prospective loss costs and supplementary rating data filed with TDI by the organization. A company that relies on prospective loss costs furnished by an advisory organization may be required to provide the company's own actual data and loss experience.

HB 3020*, by Rep. John Smithee, Amarillo, and Sen. David Sibley, Waco, 9/1/99

Requires HMOs to file a withdrawal plan with TDI if they discontinue operations in a service area or in the state as a whole.

HB 3023*, by Rep. John Smithee, Amarillo, and Sen. David Sibley, Waco, 9/1/99

Establishes a true net worth requirement for HMOs. Net worth means the excess of total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with *Texas Insurance Code* Article 1.39. Basic service HMOs must maintain a minimum net worth of $1.5 million, limited service HMOs $1 million and single-service HMOs $500,000. These requirements will be phased in over a three-year period for HMOs licensed before September 1, 1999. The bill also authorizes TDI to establish risk-based net worth requirements for HMOs. These requirements must be based on such factors as enrollment, reserve adequacy, nature and types of risks underwritten or reinsured, premium volume and composition, quality, duration or liquidity of investments.

HB 3042, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 91/1/99

Requires insurers to adopt written investment plans, review them annually and make them available to TDI upon request. Insurers must maintain records covering each investment transaction and be prepared to demonstrate to TDI that all investments conform to statutory limitations. The bill clarifies that maximum limitations per category of investment apply only at the time of the initial investment. New provisions based on the NAIC Model Investment Law update the authority for property and casualty companies to invest in securities lending, repurchase agreements, dollar roll transactions and derivatives. Before investing in derivatives, an insurer's board of directors must approve a derivative use plan as part of the company's overall investment plan.

HB 3304, by Rep. Senfronia Thompson, Houston, and Sen. David Sibley, Waco, 1/1/99

Amends *Texas Insurance Code* Article 1.28, dealing with authority for domestic insurers that are affiliated with an insurance holding company system to keep their books, records and principal offices out of state. The bill clarifies that an agency of a company may maintain records, including policyholder and claim files, relating to business produced by that agency, regardless of whether the agency is an affiliate as defined by the Insurance Holding Company System Regulatory Act. For an HMO to maintain books and records out of state, it must be affiliated with other HMOs or health care providers. TDI must adopt rules allowing a domestic insurer to maintain its books and records with a non-affiliated entity other than an agency and to allow a domestic HMO to comply with this article.

FRATERNAL BENEFIT SOCIETIES

SB 1153, by Sen. Teel Bivins, Amarillo, and Rep. Craig Eiland, Dickinson, 1/1/2000

Substantially revises state laws dealing with fraternal benefit societies. Fraternals may offer policies providing the same benefits as those sold by life, accident and health insurers. The bill provides for governance, membership qualifications, changing of beneficiaries and payment of benefits. Certificate forms must be filed with TDI and must meet the same standards as policies issued by Chapter 3 life insurance companies. An applicant for licensure as a fraternal must submit a bond of from $300,000 to $1.5 million to secure refund of advance payments if the applicant fails to qualify for a license.

For certificates issued on or after January 1, 2001, the value of nonforfeiture benefits will be calculated the same as those of Chapter 3 life insurance companies.

Fraternals must have their financial statements audited by certified public accountants,

Continued on page 4

subject to the same requirements and exemptions as life insurance companies.

Fraternal agents who devote 50 percent or more of their time to selling insurance must obtain a general life, health, accident and HMO agent's license. Those devoting less than half of their time to insurance sales are exempt from licensure. The bill provides that persons are deemed to have devoted at least half their time to insurance sales if in the preceding calendar year they solicited or procured:

- Life insurance contracts that generated more than $20,000 in premiums.
- Insurance contracts, other than life insurance, insuring more than 25 lives.
- Variable life or variable annuity contracts.

The general requirement that applicants for agent licenses pass an examination prescribed by TDI will not apply to a person authorized to solicit or procure insurance for fraternals as of September 1, 1999, provided that he or she:

- Had been selling for a fraternal for at least 24 months before September 1, 1999;
- Does not sell for any other insurer or fraternal on that date;
- Does not sell to anyone not eligible for membership in the fraternal and
- Does not sell an interest-sensitive life contract exceeding $35,000 on or after September 1, 1999, without first obtaining the designation of "fraternal insurance counselor."

HEALTH CARE

SB 130, by Sen. Jane Nelson, Flower Mound, and Rep. John Smithee, Amarillo, 8/30/99

Prohibits an insurer or TPA from reimbursing a provider on a discounted fee basis unless:

- The insurer or TPA has contracted with the individual provider or a preferred provider organization that has a contract with the individual provider.
- The provider or organization of providers has agreed to provide services under the contract.
- The insurer or TPA has agreed to cover the health care services under the policy.

The bill also prohibits a party to a preferred provider contract from selling, leasing or otherwise transferring information about the contract or reimbursement terms without permission of the other contracting parties.

SB 445, by Sen. Mike Moncrief, Fort Worth, and Rep Patricia Gray, Galveston, 8/30/99

Establishes the State Child Health Plan for uninsured children under the age of 19 who are not eligible for Medicaid and whose family incomes are below thresholds to be established by the Texas Health and Human Services Commission. Health coverage for the child health plan is not subject to the *Texas Insurance Code's* mandated benefits or selection of practitioners requirements. TDI will monitor the quality of services provided by health plan providers and resolve grievances concerning those providers. At the request of the commission, TDI may assist in developing the child health plan. The bill declares legislative intent to use private resources to the maximum in administering the child health plan. The commission may, therefore, contract with a TPA to provide enrollment and related services or with some other entity, including the Texas Healthy Kids Corp., to obtain coverage for eligible children. Licensed insurers and HMOs are eligible to be health plan providers and must be represented on regional advisory committees that will make recommendations concerning the program's operation. Health care plan providers, other than a state-administered primary care case management network, must be licensed by TDI. The program envisions at least two health plan providers in each metropolitan area.

SB 569, by Sen. Jane Nelson, Flower Mound, and Rep. Leticia Van de Putte, San Antonio, 9/1/99

Prohibits a utilization review agent (URA) from requiring the observation of a psychotherapy session or the submission of a mental health therapist's notes. A URA may, however, require submission of a patient's medical record summary.

SB 602, by Sen. Mike Moncrief, Fort Worth, and Rep. Jaime Capelo, Corpus Christi, 9/1/99

Places a TDI representative on the Interagency Council for Genetic Services. A state agency represented on the council must coordinate with the council before proposing or issuing a rule relating to human genetics or human genetic services.

SB 781, by Sen. Frank Madla, San Antonio, and Rep. Kevin Bailey, Houston, 9/1/99

Requires HMO and preferred provider contracts with podiatrists to:

- Require insurers or HMOs, upon a podiatrist's request, to furnish a copy of coding guidelines and payment schedules governing the podiatrist's compensation under the contract.
- Prohibit insurers and HMOs from unilaterally making retroactive changes in coding guidelines and payment schedules.
- Allow a podiatrist, acting within the scope of Texas laws regulating podiatry, to furnish x-rays and non-prefabricated orthotics covered by the insurer or HMO.

SB 881, by Sen. Mike Jackson, Houston, and Rep. Joe Moreno, Houston, 9/1/99

Modifies enrollment period requirements for both large and small employer plans. The initial enrollment period must be at least 31 days, with a 31-day annual open enrollment period. Previously, the enrollment period was a calendar month, but with a February enrollment period extending to March 2. (Duplicates HB 1217.)

SB 890, by Sen. Chris Harris and Rep. John Smithee, Amarillo, 9/1/99

Establishes a regulatory framework for use when HMOs delegate functions to "delegated networks." A delegated network is an entity, other than an HMO, that arranges for or provides medical care in exchange for a predetermined payment on a prospective basis and performs for an HMO any function regulated by the HMO Act. The term does not apply to individual physicians. Nor does it include a group of employed physicians practicing medicine under one federal tax ID number and whose total of claims paid to providers not employed by the group is less than 20 percent of the group's annual collected revenue. An HMO that uses a delegated network must have a written agreement with the network and send a copy to TDI within 30 days after executing it. The agreement must include a monitoring plan that tracks provider payments and complaints about delayed claim payments and nonpayment of claims. The monitoring plan also must include a description of financial practices that will assure tracking and reporting of incurred but not reported liabilities.

If an HMO delegates its claim payment function to a delegated network, the network must be licensed as a third-party administrator (TPA). If an HMO delegates its utilization review function, the delegated network must be licensed as a utilization review agent (URA).

The bill prescribes certain mandatory provisions of delegation contracts, including a

hold-harmless clause and language specifying that the agreement does not limit the HMO's authority or responsibility for complying with statutory and regulatory requirements.

The bill sets out procedures, including possible TDI intervention, when an HMO receives information indicating that a delegated network is violating its agreement or operating in a way that is hazardous to enrollees. TDI may conduct an on-site audit and may revoke or suspend a delegated network's license as a TPA or URA.

Starting with contracts effective on January 1, 2000, HMO disclosures to their customers must include any restrictions or limitations related to limited provider networks or delegated networks.

SB 982, by Sen. Frank Madla, San Antonio, and Rep. Leticia Van de Putte, San Antonio, 9/1/99 (applicable to health plans delivered, issued for delivery or renewed on or after 1/1/2000)

Amends *Texas Insurance Code* Article 21.53G, which requires health plans that cover diabetes to pay for diabetes equipment, supplies and self-management training. The bill elaborates on the self-management and nutrition counseling services that must be covered, including training given by a multi-disciplinary team. It spells out in greater detail the required qualifications of those who provide the training.

SB 1030, by Sen. Frank Madla, San Antonio, and Rep. David Farabee, Wichita Falls, 9/1/99 (applicable to health plans delivered, issued for delivery or renewed on or after 1/1/2000)

Adds new *Texas Insurance Code* Article 21.52J, concerning the use of prescription drug formularies by group health benefit plans. Some plans are exempt, most notably small employer plans. The bill requires disclosure to enrollees that a formulary is used and how it works. A plan is required to disclose to an individual, upon request, whether a specific drug is on its formulary.

An insurer or HMO that drops a drug from its formulary must continue to cover that drug at the contracted benefit level for enrollees already taking it—until the next renewal date of their health plans. The extension requirement does not prevent a physician from prescribing a different but medically appropriate drug that is listed in the plan's formulary.

An enrollee may appeal and seek independent review of a decision not to pay for a nonformulary drug that the enrollee's doctor has determined to be medically necessary.

SB 1084, by Sen. Chris Harris, Arlington, and Rep. John Smithee, Amarillo, 6/19/99

Expands the Article 21.53 definitions of "employee benefit plan" and "health insurance policy" to include those providing dental care services—not merely dental care benefits in the event of accident or sickness. The bill authorizes assignment of benefits to dentists. It specifies that a dental policy may not require that a particular hospital or person render a covered service.

SB 1131, by Sen. Frank Madla, San Antonio, and Rep. Jaime Capelo, Corpus Christi, 9/1/99

Combines duplicate *Texas Insurance Code* Article 21.52 (3). Adds licensed chemical dependency counselors, physician assistants and advanced practice nurses to the selection of practitioners law.

SB 1237, by Sen. Jane Nelson, Flower Mound, and Rep. Leticia Van de Putte, San Antonio, 9/1/99

Brings pharmacy benefit managers under *Texas Insurance Code* Article 21.07-6, third-party administrators statute. Requires administrators of pharmacy benefit plans to provide enrollees with identification cards meeting standards issued by TDI. A card must include the administrator's identification number from the American National Standards Institute, a contact phone number and co-payment information for generic and brand name drugs. Pharmacy benefit managers may not sell patient lists. They must keep confidential all data identifying individual patients. Health plans that provide pharmacy benefits must show on their enrollee ID cards the name or logo of the entity administering those benefits if different from the health plan itself.

SB 1351, by Sen. Gonzalo Barrientos, Austin, and Rep. Sherri Greenberg, Austin, 9/1/99

Requires the Employees Retirement System of Texas to fund 80 percent of the cost of basic health coverage for state employees' children who are not eligible for Medicaid and who would be eligible for the new Children's Health Insurance Program if they were not employees of the state.

SB 1468, by Sen. Chris Harris, Arlington, and Rep. John Smithee, Amarillo, 9/1/99

Establishes a mechanism for competing physicians to jointly negotiate with health plans on 16 different categories of contract terms and conditions. Joint negotiations generally may affect no more than 10 percent of the doctors in a service area. While joint negotiations are allowed, strikes or other joint withholding of health care services are not. Health plans are not required to negotiate and may contract with, or offer different contract terms and conditions to, individual doctors. The new law expires on September 1, 2003.

Negotiable terms and conditions generally exclude fees and discounts. Joint negotiations about fees are permissible, however, if a plan has substantial market power, as determined by the state Attorney General, and if fees and other economic terms and conditions have affected or threaten to adversely affect the quality and availability of patient care. TDI may gather data on each health care plan's monthly average enrollment in each county and on the annual impact, if any, of negotiations on average physician fees.

The Attorney General must authorize the negotiations and then approve any contract resulting from the negotiations. In deciding whether to allow negotiations or approve a contract, the Attorney General must decide whether the likely benefits outweigh any disadvantages attributable to a reduction in competition that might result from the joint negotiations or the proposed contract.

Competing physicians may authorize a third party to negotiate on their behalf. Before negotiating on behalf of physicians, a third party representative must report to the Attorney General on such matters as the proposed subject of the negotiations, the expected impact of the negotiations on patient care and the benefits of a contract between the physicians and the health plan in question.

SB 1884, by Sen. David Sibley, Waco, and Rep. John Smithee, Amarillo, 9/1/99

Addresses independent reviews done at the request of a health plan sued for medical professional liability. The review must be performed in accordance with *Texas Insurance Code* Article 21.58C, which sets standards for independent review organizations. The health insurance carrier, HMO or managed care entity requesting the review must agree to cooperate

Continued on page 6.

with the IRO, comply with the IRO's determination and pay for the review.

HB 213, by Rep. Scott Hochberg, Houston, and Sen. Jane Nelson, Flower Mound, 9/1/99

Amends the *Civil Practice and Remedies Code* by requiring health care providers to bill patients on a timely basis and by barring recovery from patients when the timely billing requirement is not met. Generally, providers must bill patients or their health care plans within 10 months after providing services. If a provider is under contract with a health plan, then the billing deadline set by the contract prevails over the 10-month general deadline. Similarly, if a provider is required or allowed to directly bill a third-party payor operating under federal or state law, including Medicare and Medicaid, the contract deadline prevails.

HB 362, by Rep. Suzanna Gratia Hupp, Kempner, and Sen. Tony Fraser, Marble Falls, 6/19/99

Prohibits a public community college from providing benefits under the Texas Employees Uniform Group Insurance Benefits Act to employees hired to perform services outside the state unless the college elects to allow them to participate.

HB 610, by Rep. Kyle Janek, Houston, and Sen. John Carona, Dallas, 9/1/99

Revises the statutes requiring prompt payment of preferred providers and HMO network providers. The bill defines "clean claim" as a completed claim, to be further defined by TDI rules. An HMO or insurer has 45 days to

1. pay the total amount of a clean claim in accordance with its provider contract,
2. pay the undisputed portion and notify the provider in writing why the rest won't be paid or
3. notify the provider in writing why the claim will not be paid.

Prescription claims that are processed electronically must be paid within 21 days after the treatment is authorized. When an HMO or insurer acknowledges coverage but wants to audit a claim, it must pay the charges at 85 percent of the contracted rate within 45 days. After the audit is done, the HMO or insurer must make any additional payment within 30 days. Providers who owe refunds to an HMO or insurer must make them within 30 days after the provider receives the audit results or the enrollee exhausts any appeal rights, whichever comes later.

HMOs and insurers that violate these requirements are liable to a provider for the full amount of the claim, minus amounts previously paid or charges for services not covered. TDI can impose fines of up to $1,000 per day for each day a claim remains unpaid in violation of the statute. HMOs and insurers must furnish providers with copies of all applicable utilization review policies and claim processing policies or procedures, including required data elements and claim formats. HMOs and insurers must give 60 days' notice to providers if there are additions or changes to the data elements that must be submitted.

HB 714, by Rep. Elliott Naishtat, Austin, and Sen. Mike Moncrief, Fort Worth, 9/1/99

Requires health benefit plans that provide coverage for family members to pay for hearing loss screening tests for newborns and necessary diagnostic follow-ups through a child's first 24 months. Benefits may be subject to copayment and coinsurance amounts but not to deductibles or dollar limits.

HB 969, by Rep. Leticia Van de Putte, San Antonio, and Sen. John Carona, Dallas, 9/1/99 (applicable to health plans delivered, issued for delivery or renewed on or after 1/1/2000)

Requires most health plans providing benefits to children under 18 to define reconstructive surgery for craniofacial abnormalities to mean surgery to improve the function of, or to attempt to create a normal appearance of, an abnormal structure caused by congenital defects, developmental deformities, trauma, tumors, infections or disease. Small employer plans are exempt.

HB 1097, by Rep. Garnet Coleman, Houston, and Sen. Frank Madla, San Antonio, 9/1/99

Revises Texas Health Insurance Risk Pool eligibility standards. Rejection for health reasons by one insurer, rather than two, will be sufficient to qualify for the pool. A person also may qualify by providing a certification from an agent or salaried representative that companies he or she represents will not provide coverage because of the individual's medical condition.

HB 1194, by Rep. Bob Turner, Coleman, and Sen. Troy Fraser, Marble Falls, 9/1/99

Directs the Commissioner of Insurance to consider certain "urbanized areas" as eligible to participate in the statewide rural health care system if their existing emergency or primary care services are limited or unavailable. The bill requires rural health care systems to obtain certificates of authority as HMOs if they provide or arrange for health care to enrollees in exchange for a predetermined payment per enrollee on a prepaid basis.

HB 1211, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 9/1/99

Clarifies that HMOs may offer small employers any state-approved health benefit plan that complies with *Texas Insurance Code* Chapter 26 (the small employer statute), the Texas HMO Act, Title XIII of the federal Public Health Service Act and its subsequent amendments, and rules adopted under these laws.

HB 1217, by Rep. Joe Moreno, Houston, and Sen. Mike Jackson, Houston, 9/1/99

Modifies enrollment period requirements for both large and small employer plans. The initial enrollment periods must be at least 31 days, with a 31-day annual open enrollment period. Previously, the period was a calendar month, but with a February enrollment period extending to March 2. (Duplicates SB 881.)

HB 1431*, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 5/28/99

Authorizes the Commissioner to increase the Texas Health Insurance Risk Pool's payments to its administering insurer or TPA to as much as 15 percent of the pool's gross premium receipts in the current calendar year if necessary to cover the pool's administrative expenses. The present cap is 12.5 percent of the preceding year's gross premiums.

HB 1627, by Rep Glen Maxey, Austin, and Sen. David Cain, Dallas, 9/1/99

Requires an insurer's bid for a city employee health plan, including stop-loss coverage, to stand as the insurer's entire offer. An insurer may not change or limit the terms of the coverage after the contract has been made. A company may not exclude an otherwise eligible individual from coverage or raise that person's deductible because of his or her medical history.

HB 1628, by Rep. Glen Maxey, Austin, and Sen. David Cain, Dallas, 9/1/99

Requires insurers, HMOs and approved nonprofit health corporations holding competitively bid health care contracts with state agencies and political subdivisions to report certain information. The information includes claim experience of the governmental body and the dollar amount of each "large claim," as defined by that body, during the preceding year. Only aggregate claim information is re-

quired. Individuals covered by the plan cannot be identified. The data must be kept confidential and may be viewed or used only for contract bidding purposes.

The bill also amends the private employer health plan statute by adding Article 26.96, which allows an employer to require its health carrier to report 12-month data on:

- Total amount of charges submitted to the carrier for persons covered by the health benefit plan.
- Total amount of payments made by the carrier to health care provider for those persons.
- A breakdown on claims paid by type of provider, including hospitals, physicians and pharmacies, to the extent available.

The information is due not later than 30 days before the anniversary/renewal date but not earlier than 30 days after the request. Carriers are not required to report information whose release is prohibited by federal laws or regulations. Claim information must be provided in the aggregate and cannot identify individuals.

HB 1764, by Rep. David Farabee, Wichita Falls, and Sen. John Whitmire, Houston, 6/19/99

Includes reciprocal exchanges among the types of insurers whose health plans must pay for reconstructive surgery after a mastectomy. The bill requires this coverage to include surgery and reconstruction of both the affected and the non-affected breast to achieve a symmetrical appearance. Coverage also must include the cost of prostheses and treatment of physical complications, including lymphedemas at all stages of mastectomy. Health plans may not condition, limit or deny enrollment or renewal solely to avoid post-mastectomy breast reconstruction requirements. Plans must provide notice of the availability of this coverage in accordance with rules issued by TDI.

HB 1919, by Rep. Pete Gallego, Alpine, and Sen. Chris Harris, Arlington, 8/30/99

Establishes a joint interim committee, appointed by the Speaker and Lieutenant Governor, to study mandated benefits and issue a report by January 1, 2001. The committee will use data obtained by TDI from insurers and employers.

HB 1924, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 9/1/99 (applicable to policies delivered, issued for delivery or renewed on or after 1/1/2000)

Authorizes health insurers to inform their customers about the Texas Health Insurance Risk Pool and tell them how to get information for use in comparing their current coverage with the benefits offered by the pool. This notice must be in a manner prescribed by TDI.

HB 2049, by Rep. Senfronia Thompson, Houston, and Sen. Frank Madla, San Antonio, 9/1/99 (applicable to policies delivered, issued for delivery or renewed on or after 1/1/2000)

Adds acupuncturists licensed by the Texas State Board of Medical Examiners to the selection of practitioners law.

HB 2061, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 9/1/99 (applicable to policies delivered, issued for delivery or renewed on or after 1/1/2000)

Requires health benefit plans that provide prescription drug coverage to pay for any drug—including a drug not on a plan's formulary—prescribed to treat an enrollee for a covered chronic, disabling or life-threatening illness if certain conditions are met. The drug must be FDA-approved for at least one indication and be recognized in a prescription drug reference book approved by the Commissioner or in peer-reviewed medical literature for treatment of the enrollee's illness.

HB 2748, by Rep. John Smithee, Amarillo, and Sen. Davis Sibley, Waco, 8/30/99

Requires HMOs to provide well-child care from birth. The coverage must comply with federal requirements as implemented by the Texas Department of Health. HMOs also must cover immunization against rotavirus and any other childhood immunizations required by statute or rule.

HB 2969*, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 9/1/99

Repeals the requirement that carriers certify each year whether they are offering small or large employer health benefit plans. Carriers must submit revised certifications only if they change their status with respect to providing small or large employer plans. Carriers must give TDI and their customers at least 90 days' notice before discontinuing small or large employer coverage.

HB 3016*, by Rep. John Smithee, Amarillo, and Sen. David Sibley, Waco, 9/1/99

Requires utilization review agents to send notice of determinations to enrollees' providers of record in all cases. Requires adverse determination notices to include information about the complaint and appeal process. Clarifies that a complaint expressing dissatisfaction or disagreement with an adverse determination constitutes an appeal of that determination.

HB 3021*, by Rep. John Smithee, Amarillo, and Sen. David Sibley, Waco, 9/1/99

Revises HMO complaint, appeal and review requirements to include provider complaints and makes these requirements consistent with those for utilization review agents. Establishes a Consumer Assistance Program for HMOs and authorizes TDI to contract with a nonprofit organization to operate it. The program would help individual consumers with complaints and appeals involving HMOs, utilization review agents, Medicaid and Medicare.

HB 3178, by Rep. Glenn Lewis, Fort Worth, and Sen. Eliot Shapleigh, El Paso, 9/1/99

Amends qualifications for retired employees of state universities to participate in health plans under the Texas State College and University Employees Uniform Insurance Benefits Act.

LIFE INSURANCE

SB 333, by Sen. David Sibley, Waco, and Rep. John Smithee, Amarillo, 8/30/99

Immunizes persons or entities involved in the issuance of a qualified charitable gift annuity against lawsuits brought by a donor or a donor's heirs who allege that the issuance of the annuity amounted to engaging in the business of insurance. A charitable gift annuity must be considered as such in litigation or other proceedings if the donor treated it as such in a filing with the Internal Revenue Service. The bill applies key provisions of *Texas Insurance Code* Article 1.14-1A, the charitable gift annuity law, to charitable gift annuities issued before, on or after the bill's effective date.

SB 405, by Sen. Frank Madla, San Antonio, and Rep. Kip Averitt, Waco, 1/1/99

Authorizes group life coverage for an eligible person's spouse, children under 21 and children over 21 enrolled full-time in an educational institution or disabled and under parental supervision. The amount of such coverage may not exceed the amount of the insurance for which the group member is eligible. *Texas Insurance Code* Article 3.51-4A previously limited such extensions to term life policies. SB 405 removes that limitation.

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SB 1196, by Sen. Florence Shapiro, Plano, and Rep. Craig Eiland, Dickinson, 1/1/99 (applicable to policies delivered, issued for delivery or renewed on or after 1/1/2000)

Clarifies that a third party may buy insurance on a person's life, with that person's written consent, designating the third party as owner, beneficiary or both. In this situation, the third party beneficiary or policy owner has an insurable interest in the life of the named insured. Funeral homes and other persons or entities "engaged in the business of burying the dead" may not, however, have an insurable interest in the life of a named insured under this law.

SB 1388, by Sen. Eliot Shapleigh, El Paso, and Rep. Harold Dutton, Houston, 9/1/99

Authorizes the use of structured settlements in lawsuits in which a minor or incapacitated person with no legal guardian is represented by a next friend or an appointed guardian ad litem. The settlement may be funded by an annuity contract issued by an appropriately licensed life insurance company that meets the following criteria:

- Not affiliated with a liability insurer involved in the suit.
- Not connected in any way to a person obligated to fund the structured settlement.
- Has $1 million of capital and surplus.
- Approved by the court, which may consider financial strength ratings by at least two rating organizations.

HB 2559, by Rep. Bob Turner, Coleman, and Sen. Bill Ratliff, Mount Pleasant, 9/1/99

Raises from $10,000 to $15,000 the maximum death benefit of life policies reserved on the 1956 Chamberlain table and sold by stipulated premium companies.

LONG-TERM CARE

HB 1586, by Rep. Elliott Naishtat, Austin, and Sen. Judith Zaffirini, Laredo, 9/1/99

Requires the Commissioner to revise standards for long-term care insurance policies to allow for coverage of parents of the insured and parents of the spouse of the insured. The additional standard must be in place by March 1, 2000, and will apply only to policies issued or renewed starting April 1, 2000.

HB 3089, by Rep. Beverly Woolley, Houston, and Sen. J. E. "Buster" Brown, Lake Jackson, 6/1/99

Authorizes group long-term care insurance for state, public school and state college and university employees, their spouses, parents, grandparents and parents-in-law. The government entities would not pay any of the premiums.

MEDICAID

SB 1248, by Sen. Jane Nelson, Flower Mound, and Rep. Glen Maxey, Austin, 9/1/99

Addresses third-party Medicaid recoveries. Expands the information that health insurers and health plan administrators must maintain to include

- policyholders' and subscribers' addresses and group policy numbers and
- names, addresses and dates of birth of covered dependents.

Allows the Texas Department of Health to impose administrative penalties for failure to comply with information requests.

MOTOR VEHICLE DEALERS

HB 3515, by Rep. Kenny Marchant, Carrollton, and Sen. David Sibley, Waco, 6/19/99.

Authorizes motor vehicle dealers to offer involuntary unemployment insurance to buyers at the time an installment contract is executed. The bill also specifies that a warranty or service contract sold by a retail seller of a motor vehicle to a retail buyer is not insurance.

PROFESSIONAL LIABILITY

HB 1354, by Rep. Will Hartnett, Dallas, and Sen. John Carona, Dallas, 9/1/99

Requires the medical malpractice insurance Joint Underwriting Association to notify persons aggrieved by the JUA's actions of their appeal rights. Similarly, the Commissioner must provide notice of appeal rights when he acts on appeals from the JUA board.

PROPERTY

SB 139, by Sen. Mike Moncrief, Fort Worth, and Rep. Glenn Lewis, Fort Worth, 9/1/99

Authorizes insurers to give residential property insurance premium discounts, in amounts established by the Commissioner, for stovetop fire suppression devices approved by the State Fire Marshal.

SB 323*, by Sen. Rodney Ellis, Houston, and Rep. Senfronia Thompson, Houston, 9/1/99

Amends the market assistance program (MAP) statute to reflect that farm and ranch owners insurance no longer is a residential line.

SB 324*, by Sen. Rodney Ellis, Houston, and Rep. Senfronia Thompson, Houston, 9/1/99 (applicable to applications submitted on and after 1/1/2000)

Authorizes TDI to take residential property insurance MAP applications directly and forward them to participating insurers without going through agents. Applicants may, however, apply through licensed agents if they choose.

SB 677, by Sen. Mike Jackson, Houston, and Rep. Gene Seaman, Corpus Christi, 9/1/99

Replaces the existing windstorm advisory committee with a new nine-member Windstorm Building Code Advisory Committee on Specifications and Maintenance. The committee must consist of three building industry representatives from the coastal area served by the Texas Windstorm Insurance Association (TWIA), three insurance industry representatives and three public members, including a licensed professional engineer, who live in the TWIA area. The committee's job is to analyze and make recommendations for changes in building specifications adopted by the Commissioner of Insurance. Before adopting a committee recommendation, the Commissioner must determine that it will not weaken the integrity or reduce the effectiveness of a building specification.

SB 1610, by Sen. Eduardo A. Lucio, Brownsville, and Rep. Ismael Flores, Mission, 9/1/99

Authorize fire rate credits for communities with fire fighting equipment that employs compressed air foam technology.

HB 2941, by Rep. Glenn Lewis, Fort Worth, and Sen. Ken Armbrister, Victoria, 9/1/99

Authorizes property insurers to write home protection insurance up to $2,000 per occurrence. Home protection insurance is defined as coverage insuring purchasers of home protection services or products against actual property loss. Home protection services or products are those used to protect residential property, including those provided by a person regulated under the Private Investigators and Private Security Agencies Act.

HB 2252, by Rep. Craig Eiland, Dickinson, and Sen. Mike Jackson, Houston, 9/1/99

Extends for two years—to January 1, 2003—the provision of *Texas Insurance Code* Article 21.49 that limits TWIA rate changes for commercial structures to 15 percent of the rates in effect in each rate classification on September 1, 1995.

HB 2253, by Rep. Craig Eiland, Dickinson, and Sen. Mike Jackson, Houston, 9/1/99

Clarifies the status of the TWIA's catastrophe reserve trust fund. Adds a statement of legislative intent confirming the fund's creation to shelter the state treasury from dissipation due to hurricane losses. Specifies that none of TWIA's earnings may go for the benefit of any private shareholder or individual and that upon dissolution its assets revert to the state. Beginning in Fiscal Year 2002, permits TDI to use up to 10 percent of the catastrophe reserve fund's prior year's investment income to finance mitigation and preparedness activities, of which $1 million per year may be used for the windstorm inspection program.

RECODIFICATION

SB 1467, by Sen. Chris Harris, Arlington, and Rep. Steve Wolens, Dallas, 9/1/99

Non-substantive recodification of certain articles in *Texas Insurance Code,* Chapter 1.

SERVICE CONTRACTS

SB 1775, by Sen. David Sibley, Waco, and Rep. Kenneth Brimer, Arlington, 9/1/99 (applicable to service contracts entered into on or after 1/1/2000)

Establishes regulation of service contracts by the Texas Department of Licensing and Regulation. The commission will be advised by a Service Contract Providers Advisory Board, which must include an officer, director or employee of an insurer approved by TDI to sell reimbursement insurance policies.

The bill exempts the marketing, sale, offering for sale, issuance, making, proposing to make and administration of service contracts from the *Texas Insurance Code.* The new service contract regulatory scheme does not apply to service contracts sold by motor vehicle dealers if the dealers themselves are the providers and cover their obligations under the contract with a reimbursement insurance policy. The bill specifically provides that service contracts sold by motor vehicle dealers to vehicle buyers are not insurance.

Service contract providers must select a financial security arrangement from several options listed in the bill. These include reimbursement insurance policies issued by licensed insurers or eligible surplus lines carriers. Such a policy obligates the insurer to reimburse or pay on the service contract provider's behalf amounts for which the contract obligates the provider or to provide the service called for by the contract. If a consumer with a service contract does not receive the covered service within 60 days of proving loss, the insurer would either provide the required service or pay the consumer the amount owed under the contract. The service contract provider is considered the insurer's agent for purposes of obligating the insurer to service contract holders.

STATE FIRE MARSHAL

HB 3189*, by Rep. Joe Driver, Garland, and Sen. Mike Jackson, Houston, 9/1/99

Exempts licensed burglar alarm installers from fire alarm licensing requirements when installing burglar alarm systems with fire alarm panic buttons in one- and two-family residences. Prohibits certain political subdivisions from monitoring residential fire alarms.

TAXATION

SB 530, by Sen. Jon Lindsay, Houston, and Rep. Jessica Farrar, Houston, 1/1/2000

Exempts premiums paid for group life, accident and health policies purchased for employees of hospital districts and county and municipal hospitals from the gross premiums tax.

HB 1837, by Rep. Kenneth Brimer, Arlington, and Sen. Bill Ratliff, Mount Pleasant, 1/1/2000

Reduces the maximum gross premiums tax rate for property and casualty insurers from 3.5 percent to 1.6 percent. Reduces the maximum gross premiums tax on title insurers from 2 percent to 1.35 percent. Repeals formulas for reducing such companies' tax rates based on the extent to which they hold Texas investments. Provides for reciprocity when another state reduces tax rates or grants tax credits for investments or offices in that state.

TITLE

SB 92, by Sen. Chris Harris, Arlington, and Rep. Jim Pitts, Waxahachie, 9/1/99

Authorizes TDI to take disciplinary measures against former title agents, even though they have voluntarily surrendered or automatically forfeited their licenses. Surrender or forfeiture of a license does not affect an agent's culpability for acts committed before the surrender or forfeiture.

SB 105*, by Sen. Chris Harris, Arlington, and Rep. Bill Carter, Fort Worth, 9/1/99

Repeals a requirement that title companies examine and analyze audit reports furnished by their agents and direct operations and report their findings to TDI on forms prescribed by the Department. Companies not receiving such audits within 90 days from the end of an agent's or direct operation's fiscal year must report the omission to TDI within 30 days.

SB 888, by Sen. Chris Harris, Arlington, and Rep. Tom Ramsay, Mount Vernon, 5/10/99

Authorizes county clerks to accept instruments by electronic filing under certain conditions and from certain persons, including title insurance companies and title insurance agents licensed to do business in Texas. The bill also creates an Electronic Recording Advisory Committee that would include representatives of the title insurance industry.

HB 1453, by Rep. Todd Smith, Euless, and Sen. Frank Madla, San Antonio, 1/1/99 (applicable to owner policies delivered, issued for delivery or renewed on or after 1/1/2000)

Authorizes TDI to adopt additional residential property owners' title coverages that insure against:

- Ad valorem taxes that are delinquent on the effective date of the title policy because of the sale, diversion or change of use of the property, unless excluded because the insured has actual knowledge of the delinquent taxes.
- Ad valorem taxes owed for a previous tax year because of an exemption granted to a previous owner under Section 11.13, *Tax Code,* or because of improvements not assessed for a prior tax year, unless excluded because the insured has actual knowledge of the taxes owed.

TRADE PRACTICES

HB 2284, by Rep. Kip Averitt, Waco, and Sen. David Sibley, Waco, 9/1/99

Subjects automatic withdrawals of premiums from escrow accounts to the same 30-day notice requirement as traditional bank accounts when an insurer intends to increase the premium withdrawals.

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SB 984, by Sen. Frank Madla, San Antonio, and Rep. Leticia Van de Putte, San Antonio, 9/1/99 (applicable to cancellations, declinations or nonrenewals that occur on or after 9/1/2000)

Requires an insurer's written statement giving reasons for cancellation, declination or nonrenewal to:

- State the precise incident, circumstance or risk factor that violated the company's underwriting guidelines.
- State the insurer's source of information about the incident, circumstance or risk factor.
- Specify any other information deemed relevant by TDI.

TDI must issue rules implementing this bill.

VIATICAL SETTLEMENTS

HB 792, by Rep. Glen Maxey, Austin, and Sen. John Carona, Dallas, 9/1/99

Brings "life settlements" under the same regulations as viatical settlements. Life settlements involve the sale of an interest in the death benefit of a life insurance policy on a person who does not have a catastrophic or life-threatening illness. The bill gives TDI several specific grounds for denying, suspending or revoking the registration of persons in the viatical settlement and life settlement businesses.

WORKERS' COMPENSATION

HB 729, by Rep. Scott Hochberg, Houston, and Sen. Robert Duncan, Lubbock, 9/1/99 (applicable to workers' comp benefits that become due on or after 9/1/2000)

Requires workers' comp carriers to offer certain injured workers the option of having benefits electronically deposited to their bank accounts. The Texas Workers' Compensation Commission (TWCC) must issue implementing rules that specify the duration of benefits that is sufficient to justify electronic fund transfers.

HB 1826, by Rep. Scott Hochberg, Houston, and Sen. Robert Duncan, Lubbock, 9/1/99

Limits the ability of workers' comp carriers to require medical examinations more than once a year to determine whether an injured employee's condition has improved enough to permit him or her to return to work. The limitation takes effect after the worker has received supplemental income benefits for two years and the worker's condition did not improve enough in the preceding year to permit a return to work. In the event of a dispute over whether the employee can return to work, TWCC may require an examination by a doctor chosen by TWCC. TWCC must base its determination on the doctor's report unless other medical evidence refutes that report.

HB 2510, by Rep. Dawna Dukes, Austin, and Sen. Eliot Shapleigh, El Paso, generally 9/1/99

Amends various workers' compensation provisions of the *Labor Code*. The changes include:

- Tying the definition of intoxication to the definition in *Penal Code* Section 49.01 (2), which now provides that a driver with a blood alcohol level of 0.08 percent is legally intoxicated.
- A provision penalizing employees who fail or refuse, without good cause, to appear for an examination by a physician selected by the workers' comp carrier. A carrier may suspend temporary income benefits during the period when a worker fails to submit to an examination unless TWCC determines there was good cause for the failure.
- A provision requiring 14 days' notice to TWCC before a carrier suspends temporary income benefits based on a doctor's finding that an employee can return to work or has reached maximum medical improvement. TWCC is required to hold an expedited benefit review conference within 10 days after receiving the carrier's suspension notice.
- A requirement of interest payments on accrued but unpaid income benefits at the time the benefits are paid.
- Authorization for TWCC to provide by rule for monthly, instead of weekly, benefit payments when requested by the employee and agreed to by the carrier. TWCC also may issue rules allowing monthly payment of death benefits.
- Permission for carriers to use annuities to pay lifetime income benefits and death benefits if certain requirements are met.
- Repeal of a requirement that workers' comp insurers submit audited reports on their reserves by June 30 each year.

HB 2511, by Rep. Helen Giddings, DeSoto, and Sen. Kenneth Armbrister, Victoria, 9/1/99

Authorizes TWCC to designate a data collection agent and establish an electronic reporting and information access program.

HB 2512, by Rep. Helen Giddings, DeSoto, and Sen. Royce West, Dallas, 9/1/99

Allows TWCC's benefit review officers, hearing officers and executive director to issue interlocutory orders requiring payment of all or part of medical benefits or income benefits. The subsequent injury fund must reimburse insurers for overpayments made under an interlocutory order that is subsequently reversed or modified by a final action of TWCC or a court. TWCC must adopt a periodic reimbursement schedule, providing for reimbursement at least annually.

HB 2513, by Rep. Allan Ritter, Nederland, and Sen. Kenneth Armbrister, Victoria, 9/1/99

Requires TWCC to notify insurers when injured workers need vocational rehabilitation or training services. An insurer may use a private provider rather than the Texas Rehabilitation Commission to furnish those services. TWCC may require private providers to maintain certain credentials and qualifications as a condition for receiving workers' comp reimbursement. TWCC must start a program to encourage modified duty as a way to return injured employees to work sooner.

HB 2514, by Rep. Allan Ritter, Nederland, and Sen. Kenneth Armbrister, Victoria, 9/1/99

Provides that an insurer or safety consultant cannot be held liable for a worker's injury or occupational disease based on an allegation that it was caused by or could have been prevented by an accident prevention program conducted by the insurer. Existing law already exempted insurers from liability for accidents based on such an allegation. Amends the law requiring TWCC inspection of insurer accident prevention services. TWCC must reinspect the services, at the insurer's expense, between 180 and 270 days after determining the services are inadequate.

HB 3697, by Rep. Bill Siebert, San Antonio, and Sen. David Sibley, Waco, 1/1/2000

Repeals the 2 percent gross premium tax and maintenance tax credits for the Texas Workers' Compensation Insurance Fund. Makes the fund a member of the Texas Property and Casualty Insurance Guaranty Association, subject to association assessments as needed. Requires the fund to refund workers' comp maintenance tax surcharges to all insurers that paid them during the years 1991–1996. Refunds will come from the fund's surplus. Insurers must pass the refunds through to policyholders unless a policyholder's total refund comes to less than $25. ★

U.S. Supreme Court Addresses ERISA Issue

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

THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA) is a federal law governing certain employer-established benefit plans. These plans are often referred to as "ERISA plans." Federal law provides that ERISA supersedes or preempts state laws relating to ERISA plans. However, state laws which regulate insurance are not preempted by ERISA.

The McCarran-Ferguson Act is a federal law that provides that the business of insurance is subject to state regulation. The McCarran-Ferguson Act further provides that laws of the federal government are not to be interpreted to supersede state laws regulating the business of insurance.

Courts are often faced with the question of whether a state law that affects some aspect of an ERISA plan, is a law relating to ERISA (which is preempted by federal law) or a law regulating the business of insurance (which is not preempted by federal law). The United States Supreme Court recently addressed this issue. Although this case involves a California law, it is helpful in evaluating laws of other states that may have an effect on claims under an ERISA plan.

UNUM LIFE INSURANCE CO. OF AMERICA V. WARD

Background

John E. Ward (Ward) was employed in California by Management Analysis Company (MAC) from 1983 through May 1992. UNUM Life Insurance Company of America (UNUM) issued a long-term group disability policy to MAC. The policy was effective November 1, 1983. The policy was an insured welfare benefit plan governed by ERISA.

On May 5, 1992, Ward became permanently disabled. In April 1994, Ward realized that he was covered by the long-term group disability policy issued to MAC by UNUM. Ward applied for disability benefits. UNUM received the application and proof of claim in April 1994.

The UNUM policy required that a claim for benefits be filed within one year and 180 days after the onset of the disability. Under the policy, Ward's claim was required to be filed by November 5, 1993. Since Ward's claim was filed five months late, UNUM denied the claim. However, under California law, in order to deny a claim because it is filed late, an insurer must prove that the insurer suffered actual prejudice or harm as a result of the late notice. This California law is known as the "notice-prejudice rule."

Ward sued UNUM claiming, among other things, that the notice-prejudice rule applied to his claim. He argued that UNUM was not harmed by the late claim. Ward alleged that UNUM wrongfully denied the claim. UNUM, on the other hand, argued that the notice-prejudice rule was a law relating to an ERISA plan and was preempted by federal law. Ward argued that the notice-prejudice rule was a law regulating insurance that was not preempted.

Lower Court Decisions

The District Court determined that the notice-prejudice rule was preempted by federal law. The District Court therefore ruled in favor of UNUM. Ward appealed to the Ninth Circuit Court of Appeals. The Court of Appeals determined that the notice-prejudice rule regulated insurance. As a result, the Court of Appeals determined that the notice-prejudice rule was not preempted by ERISA. UNUM appealed to the United States Supreme Court (the Court).

Supreme Court Decision

The Court began by noting that there were two methods of analyzing the issue. First, the Court would consider whether from a "common-sense view of the matter" the notice-prejudice rule regulates insurance. Next, the Court would consider whether the notice-prejudice rule regulates the "business of insurance" as that term is used in the McCarran-Ferguson Act.

In considering whether the notice-prejudice rule regulates insurance from a common-sense view, the Court stated, "[T]he notice-prejudice rule addresses policy concerns specific to insurance." As a result, the notice-prejudice rule appeared not to be a general rule of law, but a rule of law applicable only to insurance matters. Therefore, the Court determined that the notice-prejudice rule "appears to satisfy the common-sense view as a regulation that homes in on the insurance industry."

The Court next addressed three factors used to determine whether the notice-prejudice rule regulates the "business of insurance" under the McCarran-Ferguson Act. The three factors to be addressed are **1)** "whether the practice has the effect of transferring or spreading a policyholder's risk;" **2)** "whether the practice is an integral part of the policy relationship between the insurer and the insured;" and, **3)** "whether the practice is limited to entities within the insurance industry."

The Court stated that the three factors were relevant, but not required. It was therefore not necessary that a regulation meet all three factors to be considered a regulation of the business of insurance.

The Court did not rule on the first factor. However, the Court found that the notice-prejudice rule did meet the second factor because it "dictates the terms of the relationship between the insurer and the insured, and consequently, is integral to that relationship." The Court also determined that the notice-prejudice rule met the third factor. The Court stated, "California's notice-prejudice rule focuses on the insurance industry."

UNUM argued that the notice-prejudice rule was preempted because it conflicted with provisions of ERISA in three ways. First, UNUM argued that under federal law, an ERISA plan is to be administered "in accordance with the documents and instruments governing the plan." UNUM asserted that the notice-prejudice rule was contrary to the documents and instruments governing the plan. However, the Court pointed out that it had previously determined that "state laws mandating insurance contract terms are saved from preemption."

Next, UNUM argued that since ERISA includes provisions regarding enforcement, ERISA preempts actions based on the notice-prejudice rule. Again the Court disagreed. The Court noted that Ward had sued under the relevant ERISA provision regarding enforcement. The notice-prejudice rule was merely a law to be applied in the lawsuit.

Finally, UNUM argued that the notice-prejudice rule conflicts with claims provisions of ERISA. ERISA requires that when a claim is denied, the plan participant must be provided with a written notice explaining why the claim was denied. ERISA also requires that a plan participant be given the opportunity for a full and fair review of the decision denying the claim. The Court again disagreed. "By allowing a longer period to file than the minimum filing terms mandated by federal law, the notice-prejudice rule complements rather than contradicts ERISA and the regulations."

The Court therefore concluded that the notice-prejudice rule was not preempted by ERISA. *UNUM Life Insurance Co. of America v. Ward,* No. 97-1868, April 20, 1999. ★

RuleMaking

AUTOMOBILE

APA Adoption

Automobile Theft Prevention Authority Fee Pass-Through

■ Commissioner Jose Montemayor has amended 28 TAC § 5.205 to make it consistent with rule changes recently adopted by the Automobile Theft Prevention Authority (ATPA). The TDI rule allows insurers to recoup from policyholders (with proper notice) the $1 per motor vehicle year fee assessed by ATPA to finance that agency's activities. Until recently, the ATPA assessed the fee only on policies providing primary liability coverage. However, ATPA changed its rules to assess the fee on all policies of motor vehicle insurance, as defined by Texas Insurance Code Article 5.06.

The revised TDI rule conforms § 5.205 to ATPA rules by allowing recoupment of the $1 per motor vehicle year pass-through on each motor vehicle policy as defined by the ATPA rule.

Publication: 24TexReg4237, June 4, 1999
Effective date: June 7, 1999
Further information: 512 463-6327

FINANCIAL

APA Adoption

Appeal of Examination Reports

■ Commissioner Jose Montemayor has repealed 28 TAC §7.83 concerning the filing and adoption of examination reports of insurance companies and adopted a new §7.83 in its place. The rule change is intended to streamline the appeals process while giving examined companies ample opportunity for review to make sure their examination reports are fair and accurate.

The newly adopted rule establishes a two-level system for appeals of final examination report.

A report is considered final and subject to appeal after it has been reviewed by the chief examiner or, in the case of HMO quality of care examinations, the deputy commissioner for HMOs and Utilization Review Agents (HMO/URA).

Companies have 14 days after receiving an examination report to file a first-level appeal. The appeal goes to the chief examiner or, in the case of quality of care exams, to the deputy commissioner for HMO/URA. An appeal must include documentation of the alleged error or bias contained in the report. A company also may request an informal hearing before the chief examiner or deputy commissioner for HMO/URA. TDI must act on the appeal within 14 days after receiving a written rebuttal or conducting an informal hearing.

After receiving the outcome of the first-level appeal, a company has 14 days to file a second-level appeal with the associate commissioner of the Financial Program or, in the case of quality of care examinations, the associate commissioner for Life, Health and Managed Care. A company may request an informal hearing. The appropriate associate commissioner has 14 days after receiving a written rebuttal or conducting an informal hearing to rule on an appeal. The ruling may be that no changes are necessary, or the associate commissioner may change the examination report to correct any error or bias identified in the appeal process.

An exam report is deemed adopted if not appealed or upon the outcome of the appeal process outlined above. Unlike the previous version of 28 TAC § 7.83, the newly adopted version provides no further appeal to the Commissioner of Insurance. As under the previous rule, other states' examination reports on foreign and alien companies are deemed adopted when filed with TDI.

If the Department initiates regulatory action against a company as a result of information and findings in an examination report, the company is entitled to a contested case hearing under the APA.

Each company's board of directors must show in its minutes that each member of the board has reviewed the exam report.

Publication: 24TexReg4238, June 4, 1999
Effective date: June 10, 1999
Further information: 512 463-6327

HOW APA WORKS

The Administrative Procedure Act (APA) requires agencies to publish both proposed and adopted rules in the Texas Register.

The entire text of a proposed rule will appear in the Texas Register after an agency's governing body or officer approves it for publication. This appearance marks the first day of a mandatory 30-day comment period. Only after that period has elapsed may the agency adopt the proposed rule unless it is an emergency rule.

After adopting a rule, the Agency must publish notice of its action in the Register. Rules become effective 20 days after the date on which they are filed with the Register.

HEALTH CARE

APA Adoption

Community Mental Health Centers

■ Commissioner Jose Montemayor has adopted new 28 TAC §§ 11.2101–11.2104, concerning standards for community mental health centers. The rules are necessary to implement House Bill 587 of the 75th Legislature.

This legislation enables community centers to create nonprofit corporations to provide health care services (HMOs). It also directs the Department to establish procedures and standards for an entity seeking to obtain a certificate of authority as a limited health care service plan providing behavioral health care services.

The new rules are intended to enable communities to increase the availability and accessibility of mental health/mental retardation services in settings other than large residential facilities.

Under the new rule, a community health maintenance organization (CHMO) must:

- Comply with all requirements for a limited health care service plan.
- Provide coverage for treatments in progress.
- Clearly specify that an enrollee must agree to have the treatment completed by a participating provider in the HMO delivery network or as otherwise arranged by the limited service HMO.

Before obtaining a certificate of authority, an applicant CHMO must comply with each requirement for issuance of such a certificate that Texas law and TDI regulations impose on limited health care service plans.

Publication: 24TexReg4342, June 4, 1999
Effective date: June 10, 1999
Further information: 512-463-6327

PROPERTY

APA Adoptions

Improved Texas Windstorm Insurance Association Cover

■ Commissioner Jose Montemayor has adopted three rule changes designed to modernize and improve the wind and hail coverages provided by the Texas Windstorm Insurance Association. The changes took effect June 15, 1999.

RuleMaking

The changes are described below, in order of the *Texas Administrative Code* provisions that were amended.

Policy Forms

Amendments to 28 TAC § 5.4101 adopt by reference two new policy forms, one for residential and the other for commercial coverage. TWIA formerly used a single policy form for both residential and commercial coverages, and this form had not changed materially since the Legislature established TWIA 27 years ago.

In petitioning for the new forms, TDI staff said they were needed to address separately the specific coverage needs of the residential and commercial markets, provide certain coverages that were available in the voluntary market but were not available through TWIA at that time, simplify language, conform TWIA policies to companion policies issued by the voluntary market and implement new legislation.

The additional residential coverages include:

- A limited extension for property located off premises,
- Pro rata cancellation provisions in lieu of the present "short rate" requirement,
- Twenty-five additional days of coverage for property removed to another location because of the threat of wind or hail storms,
- Expanded coverage to include certain motor vehicles such as equipment used by people with disabilities, power mowers, golf carts and vehicles used for recreational purposes on the described premises, and
- New coverage for removal of trees that are blown down and have damaged covered property.

Significant additional commercial coverages include:

- Landlord coverage for fire extinguishing equipment in the covered building and for refrigeration, ventilation, cooking, dishwashing and laundry appliances,
- Coverage for improvements and betterments belonging to the owner of a commercial condominium unit, and
- Expanded coverage to include certain motor vehicles.

TWIA policy forms have been simplified in language, format and organization and are now patterned after policy forms currently used in the voluntary market.

The new policy forms close certain gaps that may occur when wind and hail coverage is excluded from a "companion" residential or commercial property insurance policy. In addition, the Declarations page has been simplified for easier use.

Legislation enacted in 1997

1. provided replacement cost coverage for outbuildings when a policy covers dwelling extensions and
2. allowed coverage to be extended for property located away from the insured premises for all risks except public buildings. The new dwelling and commercial policy forms provide such coverage.

ENDORSEMENTS

Amendments to 28 TAC § 5.4201 promulgate endorsements for use with the new TWIA residential and commercial policies.

Following are lists of the new endorsements, revised endorsements and repealed endorsements.

New

TWIA-1, Blank Schedule Form
TWIA-12, Assignment of Interest or Change in Mortgagee or Trustee
TWIA-18, Builders Risk-Stated Value Form
TWIA-21, Builders Risk-Actual Completed Value Form
TWIA-23, Cancellation Report
TWIA-26, Church Form
TWIA-65, Large Deductible Endorsement
TWIA-77, General Change Endorsement
TWIA-112, Loss Payable Clause
TWIA-113, Lost Policy Voucher
TWIA-115, Lumber Form—Specific—Retail Yard
TWIA-130, Mortgage Clause (Without Contribution)
TWIA-151A, Premium Assignment Clause
TWIA-164, Replacement Cost Endorsement
TWIA-175, Sale Contract Clause
TWIA-176, School Form
TWIA-195, Sworn Statement in Proof of Loss
TWIA-280, Condominium Property Form—Additional Policy Provisions
TWIA-400, Actual Cash Value—Roofs (One or Two Family Dwellings)
TWIA-410, Conversion to Farm and Ranch Dwelling Policy
TWIA-420, Exclusion of Cosmetic Damage to Roof Coverings Caused by Hail
TWIA-430, Extension of Coverage-Increased Cost in Construction

Amended

TWIA-29, Mandatory Endorsement
TWIA-282, Condominium Property Form—Additional Policy Provisions
TWIA-310, Extensions of Coverage
TWIA-315, Extensions of Coverage
TWIA-320, Extensions of Coverage
TWIA-325, Extensions of Coverage
TWIA-326, Extensions of Coverage
TWIA-328, Extensions of Coverage
TWIA-330, Extensions of Coverage
TWIA-335, Extensions of Coverage
TWIA-340, Extensions of Coverage
TWIA-345, Extensions of Coverage
TWIA-350, Extensions of Coverage
TWIA-365, Replacement Cost Endorsement—Personal Property
TWIA-570, Mobile Home Percentage Deductible Clause
TWIA-575, Mobile Home Percentage Deductible Clause

Repealed

TCPIA 280, Condominium Property Form

Repealed but Rolled into New Policy Forms

TCPIA 300, Mandatory Breakaway Wall Exclusion Endorsement
TCPIA 500, One Hundred Dollar Deductible Clause Other Than One Or Two Family Dwelling
TCPIA 510, Dwelling Percentage Deductible Clause
TCPIA 520, Dwelling One Hundred Dollar Deductible Clause
TCPIA 525, Dwelling Optional Large Deductible Clause
TCPIA 530, Dwelling $250 Deductible Clause

MANUAL RULES

Amendments to 28 TAC § 5.4501 adopt by reference a revised TWIA manual of rules. The revisions include new rules governing the new policy forms and endorsements. The amendments also simplify, clarify, reorganize and reformat the manual for ease of reading and understanding, repeal obsolete rules and implement legislation enacted in 1997.

Five new rules not previously in the manual are summarized below.

Continued on page 14.

RuleMaking

New Rule II-B-3 governs the use of the new Actual Cash Value-Roofs (Dwelling) Endorsement TWIA-400. The endorsement and rule implement Senate Bill 1837 of the 75th Legislature, which authorized actual cash value instead of replacement cost coverage of roof coverings on dwellings insured by TWIA. The endorsement may be used only when the deductible is 1 percent or less and the roof shows significant deterioration, improper installation or repair or is at least 15 years old. The rule requires a 15 percent premium credit when the endorsement is attached. Deductions for depreciation generally are limited to 75 percent. The endorsement may not be attached when a roof receives a premium credit for impact resistance. The endorsement must include a disclosure that roof coverage is limited to actual cash value and, thus, reduces the amount of the loss settlement. The ACV endorsement is not valid without the policyholder's signed acknowledgement of receipt of the disclosure.

New Rule II-B-4 excludes coverage of cosmetic damage to roofs for which policyholders are receiving premium credits for impact resistance. The exclusion is effective only if the insured signs the endorsement.

New Rule III-C-2 provides mandatory premium credits of from 4 percent to 14 percent for roofs meeting Underwriters Laboratories Standard 2218 for impact resistance that are installed on or after June 15, 1999. The amount of the credit depends on the UL classification of the roof covering. The revised manual will include a certificate of installation form for completion by roofers. TWIA has the right to inspect a roof before granting the credit.

New Rule II-B-7 governs the writing of endorsement TWIA-430, which provides coverage for the increased cost of construction when a structure must be rebuilt or repaired in accordance with the windstorm resistant building code applicable to the area where the structure is located. The insured may select limits of 5, 10 or 15 percent of the Coverage A limit of liability. Premium rates for the endorsement are 2 cents per $100 of building coverage for the 5 percent limit of liability endorsement, 3.5 cents per $100 for the 10 percent limit of liability endorsement and 5 cents per $100 for the 15 percent limit of liability endorsement.

New Rule I-J-2 establishes three new standard deductible amounts for commercial and public buildings. The deductibles are $250 on policies with limits up to $49,999, $500 on policies of $50,000 to $99,999 and $1,000 on policies of $100,000 or more. These replace the present standard deductible of $100, regardless of policy limits. Premium credits are 3 percent for the $250 deductible, 6 percent for the $500 deductible and 12 percent for the $1,000 deductible.

Modifications to existing rules include several that recognize that farm and ranch coverage is now commercial rather than residential and incorporate into the manual manufactured housing rules now expressed only in a TWIA bulletin.

Publication: 24TexReg4395, June 11, 1999
Effective date: June 15, 1999
Further information: 512 463-6327 ★

Nationwide Agrees to Increase Insurance Availability in Minority Neighborhoods

THE NATIONWIDE GROUP has committed to increase its auto and homeowners insurance sales in high-minority neighborhoods in Texas.

In an assurance of voluntary compliance (AVC) with TDI, Nationwide agreed to open 20 new sales offices and increase its auto and homeowner insurance sales in predominantly minority neighborhoods of Houston, Dallas, El Paso, Austin, Fort Worth and Hidalgo County.

Nationwide estimates that it will spend more than $9 million to develop the new sales offices.

The AVC commits Nationwide to increasing its sales in about 100 ZIP codes where minority populations exceed 60 percent. Nationwide agreed to bring its auto and homeowners sales in minority neighborhoods up to "parity" within five years. Parity means Nationwide's percentage market share in minority neighborhoods would at least equal its percentage market share statewide. In this instance, market share is Nationwide's percentage of auto policies and homeowners policies.

As interim goals, Nationwide agreed to insure 23,000 additional vehicles in heavily minority ZIP codes by the end of 2001 and more than 5,200 additional homes in such neighborhoods by the end of 2002.

Failure to reach the interim goals or to achieve parity in minority ZIP codes in five years would obligate Nationwide to add still more sales offices in high-minority neighborhoods.

"This agreement commits Nationwide to make a substantial investment toward improving insurance availability and affordability throughout the state," said Commissioner Jose Montemayor. "This is the kind of investment in minority neighborhoods that I would encourage all insurance companies to make."

The AVC concluded a two-year TDI investigation of Nationwide's lack of insurance sales in minority neighborhoods. In agreeing to the AVC, Nationwide denied any violation of Texas insurance consumer protection and anti-discrimination laws.

Data published by TDI indicates that Nationwide is the state's sixth largest auto and homeowners insurer, with approximately 2.8 percent of the total written premiums for line. ★

TDI Issues Loss Control Warning to Carriers

TDI's INSPECTIONS DIVISION has reminded commercial and professional liability insurance carriers of the importance of providing adequate loss control services to their insureds.

"Recent audits by TDI indicate a number of companies with recurring major deficiencies in the implementation of their loss control programs in Texas, resulting in repeat evaluation ratings of "inadequate,"' says a bulletin signed by Alexis Dick, deputy commissioner of the Inspections Division.

"'Inadequate' ratings of an insurance company's Texas loss control program are unacceptable and can result in enforcement action by TDI, to impose sanctions available under Articles 1.10 §7 and 1.10E of the *Texas Insurance Code."*

Articles 5.06-4, 5.15-2 and 5.15-3 require writers of commercial auto liability, medical professional liability, general liability and certain non-medical professional liability lines to provide loss control information and services to their policyholders.

TDI evaluates the adequacy of those services. ★

CompanyLicensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
American Group Administrators Inc.	TPA	Purchase, NY
Gladstone Consulting Group Inc.	TPA	Mt. Arlington, NJ
Horace Mann Lloyds	Fire & Casualty	Springfield, IL
Mid-America Associates, Inc.	TPA	Madison Heights, MI
Ohio Security Insurance Co.	Fire & Casualty	Hamilton, OH

For incorporation

COMPANY	LINE	HOME OFFICE
Capital Benefits Associates	TPA	San Antonio, TX
EBS Employee Benefit Services Inc.	TPA	San Antonio, TX
Flexible Spending Systems Inc.	TPA	Grapevine, TX
MGB Co-Sourcing Solutions L.L.C.	TPA	Houston, TX
Plan Benefit Services Inc.	TPA	Austin, TX
Southwest Medical I.P.A., P.A.	TPA	Lubbock, TX
Texcare HMO Inc.	HMO	Richardson, TX

To use the assumed name

COMPANY	BY	LINE	LOCATION
Valley Health Plan	Valley Baptist Health Plans Inc.	HMO	Harlingen, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Aetna Dental Care of Texas Inc.	Aetna U.S. Healthcare Dental Plan Inc.	HMO	Houston, TX
Arcadia National Life Insurance Co.	Reliance Life Insurance Co.	Life	Phoenix, AZ
The Baloise Insurance Company of America	Providence Washington Insurance Company of New York	Fire & Casualty	Garden City, NY
Bay Colony Insurance Co.	GE Auto & Home Assurance Co.	Fire & Casualty	Norristown, PA
Best Life Assurance Company of California	Best Life and Health Insurance Co.	Life	Irvine, CA
Cigna Fire Underwriters Insurance Co.	Ace Fire Underwriters Insurance Co.	Fire & Casualty	Philadelphia, PA
Cigna Indemnity Insurance Co.	Ace Indemnity Insurance Co.	Fire & Casualty	Philadelphia, PA
Cigna Insurance Co.	Ace American Insurance Co.	Fire & Casualty	Philadelphia, PA
Cigna Insurance Company of Texas	Ace Insurance Company of Texas	Fire & Casualty	Irving, TX
Cigna Lloyds Insurance Co.	Ace American Lloyds Insurance Co.	Fire & Casualty	Irving, TX
Cigna Property and Casualty Insurance Co.	Ace Property and Casualty Insurance Co.	Fire & Casualty	Bloomfield, CT
Cigna Reinsurance Co.	Ace American Reinsurance Co.	Fire & Casualty	Philadelphia, PA
Concord General Life Insurance Co. Inc.	Concord Heritage Life Insurance Company Inc.	Life	Concord, NH
Foundation Health, A Texas Health Plan, Inc.	Amcare Health Plan of Texas Inc.	HMO	Houston, TX
Jefferson National Life Insurance Company of Texas	Conseco Life Insurance Company of Texas	Life	Amarillo, TX
PM Group Life Insurance Co.	Pacific Life & Annuity Co.	Life	Phoenix, AZ

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Adminiquest Inc.	TPA	Wilmington, DE
Colorado Casualty Insurance Co.	Fire & Casualty	Englewood, CO
Country Mutual Insurance Co.	Fire and/or Casualty	Bloomington, IL
Disability Reinsurance Management Services Inc., dba Disability RMS	TPA	Dover, DE
Mid-State Surety Corp.	Casualty	Grosse Pointe Farms, MI
New Hampshire Indemnity Co. Inc.	Fire & Casualty	Philadelphia, PA
TIAA-CREF Life Insurance Co.	Life	New York, NY

Continued on back page.

CompanyLicensing

Applications Approved

For incorporation

COMPANY	LINE	HOME OFFICE
Menninger Care Systems of Texas Inc.	TPA	Plano, TX
Platinum Safety and Claims Services L.L.C.	TPA	Tyler, TX
Underwriters Lloyds of Texas	P&C	Houston, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Catholic Life Insurance Union	Catholic Life Insurance	Fraternal	San Antonio, TX
Guidant Lloyds Insurance Co.	Guideone Lloyds Insurance Co.	Lloyds	Arlington, TX
Kemper Reinsurance Co.	GE Reinsurance Corp.	Fire & Casualty	Long Grove, IL
USLife Credit Life Insurance Co.	American General Assurance Co.	Life	Schaumburg, IL

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
Ogundana, Sylvester Lanre	Houston	Six-Month Suspension of Group I, HMO and Local Recording Agent's Licenses, followed by One-Year Probation	Conversion	99-0634	4/29/99
Rodriguez, Oscar H. Jr.	El Paso	License Denied	Previous License Revocation; Fraudulent or Dishonest Acts	99-0691	5/12/99
Singleton, James W. III	Dallas	Probated Suspension of Group I and Variable Contract Agent's Licenses	Felony Conviction	99-0660	5/5/99
White, Latricia Ann	Houston	Group II and Local Recording Agent's Licenses Revoked	Misappropriation and Conversion; Fraudulent and Dishonest Practices and Acts	99-0618	4/23/99

COMPANIES NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
International Casualty & Surety Co. Ltd.	Auckland, N.Z. Scottsdale, AZ	Cease-and-Desist Order	Unauthorized Insurance	99-0661	5/5/99

Texas Department of Insurance
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