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FEB 23 2000



# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## Final Tort Reform Rate Cuts Ordered

**C**OMMISSIONER JOSE MONTEMAYOR has ordered the fifth and final round of rate reductions mandated by the 1995 Legislature to pass through the projected benefits of tort reform to liability insurance policyholders.

The new factors will take effect on January 1, 2000. Factors for private passenger and commercial auto bodily injury liability will be incorporated into "manual" rates that TDI will publish after Montemayor sets new benchmark rates.

Under Montemayor's tort reform rate reduction order, premiums for the affected liability lines will be an estimated \$685 million below what they otherwise would have been. Savings during the five-year span of such orders, 1996-2000, are estimated at \$2.9 billion.

The private passenger auto BI liability rate reduction factor, which accounts for \$211.7 million of the estimated 2000 tort reform savings, was set at 9.2 percent, the same as the current (1999) factor.

Although exempt from auto rate regulation, county mutual insurers are expected to apply the tort reform rate factors to their commercial and private passenger auto rates.

When the Legislature enacted major tort reforms in 1995, it also enacted *Texas Insurance Code* Article 5.131, which required the Commissioner to adopt "rate rollback" rules for the next five years to assure that policyholders would benefit immediately from the reforms. A bill that would have extended this mandate beyond 2000 failed in the 76th Legislature.

"Tort reform has been a tremendous success," Montemayor said. "The legislation has resulted in nearly \$3 billion in savings to businesses and consumers in Texas."

Beginning in 2001, Montemayor said, insurance companies' reduced losses due to tort reform should continue to keep their rates below what they would have been without tort reform.

"TDI actuaries will keep a close eye on insurers to see that any reduction in losses due to tort reform are appropriately reflected in future rate filings and are passed along to policyholders," Montemayor said.

The lawsuit reforms included statutes that:

- Cap punitive damages.
- Limit forum shopping.
- Require plaintiffs in medical malpractice suits to submit an expert report or post a \$5,000 bond.
- Limit the application of joint and several liability.
- Apply a 15-year "statute of repose" in products liability cases.
- Restrict the application of the Texas Deceptive Trade Practices Act.

Montemayor adopted the new factors for 2000 as amendments to 28 TAC §§ 5.9804-5.9805. The rules express the factors as reductions in the loss and allocated loss adjustment expense (ALAE) component of rates, which are then translated into overall reductions in rates.

Insurers are required to submit filings demonstrating that their liability rates reflect the required tort reform factors. TDI issued bulletin B-0052-99, providing the necessary forms and filing instructions. The bulletin also is available at TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

Aggregated by major lines and converted to overall percentage rate reductions, the factors are summarized in the table below. ★

LINE OF INSURANCE	1999 (CURRENT) RATE REDUCTION FACTORS	2000 (NEW) RATE REDUCTION FACTORS	2000 PROJECTED SAVINGS (\$000,000)
Other Liability Lines*	-1.6% to -24%	-2.1% to -21.7%	\$27.8
Medical Malpractice	-21.1%	-17.2%	\$54.9
General Liability	-22.0%	-19.6%	\$206.2
Commercial Multi Peril	-16.9%	-14.0%	\$80.9
Commercial Auto BI	-13.7%	-13.8%	\$103.9
Private Passenger Auto BI	-9.2%	-9.2%	\$211.7
<b>Total Projected Savings</b>			<b>\$685.0</b>

\* Include Products Liability and Farmowners/Ranchowners Liability

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### Texas Insurance News

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.C.Ecx 149104  
Austin, TX 78714-9104

Enclose a check for \$50 made out to the Texas Department of Insurance.

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

Direct questions or suggestions about content to (512) 463-6425 or write:

Texas Insurance News, MC-113-1A,  
P.C.Ecx 1491C4  
Austin, TX 78714-91C4

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 rates and proposed rules and amendments may change as the adoption process goes forward.

## NewsBriefs

### Montemayor Requests Redoubled MAP Effort

**COMMISSIONER JOSE MONTEMAYOR** has asked participating companies to redouble their efforts to provide basic auto liability coverage for applicants to TDI's automobile insurance Market Assistance Program (MAP).

The request coincided with the Commissioner's campaign to raise the MAP's profile through a series of public appearances throughout the state.

In letters to officials of the 10 participating companies, Montemayor praised their sales of policies to 329 applicants in the MAP's first year but said "there is more that we can and must do." The MAP's first anniversary was July 1, 1999.

"I am asking you to redouble your efforts to contact all Auto MAP applicants and offer policies to all applicants who qualify," Montemayor said. "Our Auto MAP records indicate that 59 percent of the eligible applicants were offered a policy. That is a good start but I am concerned about why 41 percent of the good drivers were not offered a policy. We must do better."

Montemayor also solicited suggestions to improve the MAP and help it meet its ultimate goal, "that good drivers in all areas of Texas pay good drivers' rates."

The MAP is available to persons whose three-year motor vehicle records are free of tickets for moving violations and accidents and who live in "underserved" ZIP codes. These are ZIP codes where a higher-than-average percentage of drivers obtain their insurance through county mutuals and the Texas Automobile Insurance Plan Association.

Participating insurers are Allstate, American National Property & Casualty, Farmers, GEICO, Nationwide, Progressive, Prudential, State Farm, Southern Farm Bureau and SAFECO. ★

### Codification Meeting Planned

**TDI PLANS TO HOLD** a meeting in mid-November to discuss the possible adoption of the new NAIC codification of statutory accounting and reporting standards.

Meeting notices will be mailed to industry trade associations. Persons interested in attending should contact their trade associations. Those whose companies are not members of a trade association and want more information should call Yolanda Kirkland at 512 322-4399. ★

### Coastal Building Expands After Code Takes Effect

**THE NUMBER OF NEW** building permits issued in coastal areas jumped 10.7 percent in the 10 months after Texas' new *Building Code for Wind Resistant Construction* took effect.

Commissioner Jose Montemayor furnished that information in a mid-September briefing for legislators and their staffs on the Texas Windstorm Insurance Association (TWIA).

The TWIA is the residual market for wind and hail coverage in the 14 coastal counties and portions of Harris County on Galveston Bay.

The code became effective on September 1, 1999. Homes and non-engineered commercial structures started on and after that date must be built to the code to qualify for coverage by the TWIA.

Montemayor furnished data showing that 20,668 building permits were issued in the TWIA area during the 10 months following the code's effective date compared to 18,665 permits issued during the comparable period a year earlier. The number of permits dropped in three counties, remained the same in three counties and increased in nine.

The new code replaced one that had been in effect since the early 1970s and represented a strengthening of standards to be followed. A Texas A&M cost-benefit study indicated the new code would raise construction costs by 2 percent to 5 percent while reducing hurricane damage by 50 percent. Critics of the code in the coastal construction industry predicted it would increase costs more than that and would have a negative impact on coastal construction.

The Commissioner noted that the current threshold beyond which insurers may receive premium tax offsets for their TWIA assessments is \$843 million. He said that so far, TWIA has assessed member insurers only once because of a major loss event. That was for \$157 million following Hurricane Alicia in 1983.

Montemayor said that as of June 30, 1999, the TWIA had 75,624 policies in force with a total exposure of \$11.6 billion. ★

### Fraud Unit Prosecutions

#### Convictions

**Summers, Michael Zenor**, pleaded guilty in Fredericksburg to theft and was sentenced to two years' deferred adjudication, 1,000 hours

community service and \$2,379 restitution. **Vincent, Mark Eugene**, pleaded guilty in McKinney to insurance fraud and was sentenced to a \$5,000 fine, restitution of \$3,471 and 300 hours of community service.

#### Indictments

**Laffleur, Monica**, indicted in San Antonio on charges of tampering with a government record and attempted theft.

**DeLaGarza, Steven**, indicted in San Antonio on charges of insurance fraud.

**Spellman, Charles Mac Jr.**, indicted in Austin on charges of insurance fraud, theft and securing the execution of a document by deception.

**Mercado, Irma**, indicted in San Antonio on charges of theft and misapplication of fiduciary property.

**Reyes, Josephine**, indicted in San Antonio on theft charges.

**Martinez, Sonia**, indicted in San Antonio on theft charges.

**Alexander, Harold**, indicted in San Antonio on theft charges.

**Johnson, Russell Gary**, indicted in Austin on charges of making a false statement in a written instrument.

### Data Call Reminders

*(Failure to comply with TDI's reporting requirements may result in disciplinary action)*

#### Quarterly Closed Claims Reports

Reports for claims closed during the third quarter of 1999 were due October 10, 1999. TDI contact is Paul Vestal, 512 475-3024. E-mail address: [paul\\_vestal@tdi.state.tx.us](mailto:paul_vestal@tdi.state.tx.us) or Nita Rene Smith, 512 475-1999. E-mail address: [nita\\_rene\\_smith@tdi.state.tx.us](mailto:nita_rene_smith@tdi.state.tx.us)

#### Call for Quarterly Experience

The Call for Third Quarter 1999 Experience was mailed the end of September 1999 and is due November 15, 1999. The bulletin and forms may be downloaded directly from TDI's web page, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). TDI contact is Vicky Knox, 512 475-1879. E-mail address: [vicky\\_knox@tdi.state.tx.us](mailto:vicky_knox@tdi.state.tx.us)

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

The Call for Third Quarter 1999 Experience was mailed the end of September 1999 and is due November 15, 1999. The bulletin and forms may be downloaded directly from TDI's web page, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). TDI contact is Vicky Knox, 512 475-1879. E-mail address: [vicky\\_knox@tdi.state.tx.us](mailto:vicky_knox@tdi.state.tx.us)

# TDI update

## New Phone System Boosts Licensing's Response Rate

**T**HE LICENSING DIVISION'S new Interactive Voice Response (IVR) telephone system has improved the division's call response rate from 80 percent to approximately 90 percent since it began operation on August 27.

The IVR system provides the initial response to calls to the main Agents Licensing number, **512 322-3503**. It is available 24 hours a day, seven days a week.

The system has 28 dial-in lines, state of the art audio text and fax-back capability. Callers with touch-tone phones can move through a menu to get quick answers to such commonly asked questions as the status, renewal date, issue date and expiration date of a license.

Matt Ray, deputy commissioner of Licensing, said staff continues to refine the system to improve the response rate even more. One such change will make information about processing dates a menu choice rather than an item all callers must listen to before reaching the menu.

In addition, Licensing recently developed a Quick Reference Guide to help agents bypass listening to menu choices and go directly to the information they need. For example, individual agents or applicants wanting the status of their applications, renewals or appointments can press 1, 1, 1, 1, followed by their TDI license numbers, or 1, 1, 1, 2, followed by their Social Security numbers.

The guide is available on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Copies also can be obtained by calling the Licensing number and talking to a customer representative.

★

## Norma Garcia Appointed No. 2 in Legal

**N**ORMA GARCIA has been named deputy commissioner in TDI's Legal and Compliance Division. Garcia will work on special projects under the direction of Sara Waitt, senior associate commissioner for Legal and Compliance, and will perform Waitt's duties when she is absent. Garcia joined TDI in March 1998 as chief of Legal's Financial Section. Prior to that, she represented TDI on numerous occasions while serving in the Attorney General's Financial Litigation Division.

Garcia received an accounting degree from SMU and became a CPA while working as an auditor in the State Comptroller's Department during the 1980s. She graduated from the UT Law school in 1990.

Stan Strickland will replace Garcia as chief of the Financial Section. Strickland joined TDI as a staff attorney in the Financial Section in February 1996. A native of Conroe, Texas, Strickland graduated from Baylor University with a bachelor's degree in business administration and received his law degree from South Texas College of Law in Houston. Afterwards, he worked as an in-house ad valorem tax attorney for the Aldine Independent School District before joining TDI. ★

## Paula Robertson Heads Title Section

**P**AULA ROBERTSON, an attorney with extensive title, real estate and insurance experience, is the new director of TDI's Title Section. She replaces Merritt Hopson, who left for a job in private industry. Before joining TDI, Robertson was in private practice in Houston for 11 years, handling mostly commercial real estate litigation and insurance law. She resigned as president of Gordon & Robertson, P.C., to move to Austin and join TDI.

Robertson served for seven years as a property and casualty claims adjuster in Liberty Mutual's Dallas and Corpus Christi offices before going into law. She also has worked as a life insurance underwriter for Prudential Insurance Co. and as a licensed real estate broker.

A Dallas native, Robertson is a 1988 graduate of the University of Houston Law School. She received her undergraduate degree in finance from the University of Texas at Austin. ★

## Nearly All Major Insurers on Target for Y2K

**A**S THE YEAR 2000 APPROACHES, nearly all "nationally significant" insurers appear to be on schedule for assuring that their computers can handle the change to the new century.

"Overall, the insurance industry has made a great effort to prepare for the millennium change, and the Department expects that the companies will continue to perform their insurance functions in the new year," said Senior Associate Commissioner Betty Patterson of the Financial Program.

As vice-chair of the NAIC Y2K task force, TDI conducted conference calls with the insurance departments of all 50 states and the District of Columbia. One purpose of the calls was to determine the readiness of almost 1,200 nationally significant insurers that write more than 86 percent of total U.S. life/health and P&C premium. (A nationally significant company operates in at least 17 states and has at least \$50 million in life/health or \$30 million in P&C annual premium.)

The Task Force determined that regulators have conducted on-site reviews to verify Y2K compliance of companies with 96 percent of the P&C and 95 percent of the life/health business written by nationally significant insurers. Regulators identi-

fied fewer than 3 percent of these companies as behind schedule on Y2K plans.

For its part, TDI followed up on responses (and non-responses) to its 1997 Y2K survey of 3,500 Texas-licensed insurance entities. TDI requested Y2K plans, held numerous management conferences, addressed Y2K in regular examinations, required Y2K disclosures in annual statements and considered Y2K when reviewing Form As.

A major effort was on-site review of companies that TDI's 1997 survey or other information indicated were high risk in terms of Y2K preparation or that were scheduled for financial examinations. Y2K consultants retained by TDI conducted or are conducting 236 on-site examinations of such companies. The consultants also performed or are performing 539 desk audits of Y2K plans filed with the Department. TDI staff reviewed another 57 companies' plans on site or through desk audits.

Meanwhile, the NAIC Task Force is nearing completion of a standard Y2K survey form for groups or companies to report on their operations in the first days and months of 2000. Reporting dates will be January 5, February 3, and April 5. ★

# RuleMaking

## FINANCIAL

### APA Adoption

#### New Version of "XXX"

■ Commissioner Jose Montemayor has adopted a new version of 28 TAC §§ 3.4501–3.4508, which embodies the 1999 version of the NAIC's model rule—known as "XXX"—on the valuation of life insurance policies. He repealed the earlier version based on the 1995 version of XXX. The new rules apply to life insurance policies issued on or after January 1, 2000.

The primary differences between the earlier rules and the newly adopted ones are:

- The new rules allow the use of significantly reduced mortality rates that could result in large reductions in deficiency reserves. Use of the reduced mortality rates by any company would have to be supported annually by an actuarial opinion.
- Lower mortality rates are also allowed for basic reserves over a period of up to 20 years as opposed to the 15-year limit under the earlier rule.

Anticipated public benefits of TDI's new XXX rules include greater consistency in reserving practices and the establishment of reasonable reserve conservatism for indeterminate premium products. In addition, the new mortality tables contained in the rules should enable insurers to reserve and price more closely in line with the level of mortality and the risks encountered.

The newly adopted rules based on XXX significantly affect certain products, such as indeterminate premium reduction policies, whose guaranteed maximum premiums after the initial period of years are much higher than the guaranteed low premiums during the initial period of years. Insurers selling these products and reserving only for the expected cost of insurance in the current year may experience an increase in reserves as a result of these rules. Based on certain assumptions, increases would be immaterial when the initial period is less than five years. When the initial period is 10 years, however, the increase in reserves could be two to five times. A tenfold increase in reserves could occur when the initial period is 20 years.

For insurers that experience such reserve increases, the estimated range of price increases for these products is 5 percent when the initial period is 10 years and 28 percent

when the initial period is 20 years. The rate impact should be immaterial when the initial period is less than five years.

Price increases are anticipated only if an insurer funds reserve increases solely from premiums. The effect of XXX on prices also would depend on whether an insurer chooses to continue to offer the product as presently designed. Actual price increases will vary based on a host of other assumptions. Average risks would, for example, see smaller increases than "super-select" risks.

Meanwhile, other products where a similar level of reserve conservatism already was required may experience reductions in reserves as a result of the new mortality tables contained in the rules. These reductions could result in lower prices for these products.

*Projected publication date: October 29, 1999*

*Effective date: January 1, 2000*

*Further information: 512 463-6327*

## LIFE, ACCIDENT AND HEALTH

### APA Proposals

#### Forms Exempt from Review

■ The Department has proposed amendments to 28 TAC §§ 3.4004, 3.4008 and 3.4020.

The changes to § 3.4004 would expand the list of life, accident, health and annuity form types that are exempt from TDI review and approval. The Department has determined that review of the additional forms is neither required nor necessary for the protection of the public. The Department also has determined that the proposed amendments would streamline the filing, review and official action process. In addition, exempting additional routine, standard and commonplace forms would enable staff to devote more time to complex and innovative products.

The proposed amendment to § 3.4008 would clarify insurers' responsibility for taking corrective action and bringing a form previously filed as "exempt" into compliance if they later find that the form violates a state or federal law or did not qualify for an exemption.

Policy forms added to the exempt list would include:

#### Life

- Last survivor forms.
- Variable life policies with a separate account only.

- Roth IRA riders and endorsements.
- Dividend option riders.
- Additional insured riders.
- Additional insurance on base insured riders.
- Endorsements waiving surrender charges on disability or confinement in a hospital or nursing home.
- Step-up or roll-up death benefit endorsements.

#### Annuities

- Variable single-premium immediate annuities.
- Individual deferred annuities that do not include persistency bonuses or additional interest credits of any type, waiver of surrender charges (except for death, disability or confinement in a hospital or nursing home), two-tier values or a market value adjustment.
- Guaranteed investment contracts (GICs), synthetic GICs, funding agreements and unallocated group annuities funding pension plans.
- Variable annuities with a separate account only which do not include a provision for guaranteed living benefits.
- Reversionary annuities.

#### Accident and Health

- Group stop loss/excess loss policies containing an attachment point of \$5,000 or more.
- Prescription drug policies.

## 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.

# RuleMaking

## TITLE

### APA Adoption

#### Basic Manual Changes

■ Commissioner Jose Montemayor has amended 28 TAC § 9.1 to adopt by reference several changes in the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas (the Basic Manual). The changes include the following:

- Revision of the current reinsurance agreement form. The form will expressly state that a reinsurer who uses failure of notice as a defense has the burden of establishing that it was prejudiced by the insured's failure to give the reinsurer notice of a claim in a reasonable time. The change also adds a new paragraph 10, "Action by or on Behalf of Ceder," which will apply when the reinsurer is not licensed or accredited in the state of domicile of the ceder and jurisdiction or service of process is at issue.
- Substitution of a new Tertiary Facultative Reinsurance Agreement for the one now in place. The new form, referred to as a Type I agreement, will provide direct access to the reinsurer in the event of a claim exceeding the ceder's primary loss risk.
- Creation of a new Tertiary Facultative Reinsurance Agreement—Type II. This is a new reinsurance agreement under which a reinsurer cedes its risk of loss to a third level of reinsurers.
- Adoption of new Procedural Rule P-48 to revise the dates used on title insurance forms promulgated by the Commissioner of Insurance. The new rule provides that any date in any promulgated form adopted as "19\_\_" must be changed to reflect the correct calendar year.
- Revision of Procedural Rule P-28 to update continuing education requirements to conform with the new staggered license renewal system.

Projected publication date: October 22, 1999  
Further information: 512 463-6327

### APA Proposal

#### Basic Manual Changes

■ The Department has proposed an amendment to 28 TAC § 9.11, which would adopt by reference five changes in the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*

Please see RuleMaking on page 6

The rule also would exempt from review Braille and foreign language translations of forms previously approved in printed English versions.

The proposed rule changes would exclude certain life insurance and annuity forms from the general exemptions granted by the rules.

An otherwise exempt life form would not be exempt if it contained a persistency bonus provision, no-lapse premium provision or other additional credit to the policy value provision (guaranteed or non-guaranteed), equity indexed provision, residual death benefit provision, accelerated death benefit provision, long-term care or other accident and health related benefit provision.

Also excluded from exemption would be applications for use with variable life or equity indexed life or forms containing a market value adjustment provision, a long-term care or other accident and health related benefit provision.

Group life master policies, contracts, certificates, applications, enrollment forms, riders, amendments and endorsements intended for issue to discretionary groups would not be entitled to exemption.

The following annuity forms would be excluded from the general exemption rule:

- Annuities used to fund prepaid funeral contracts.
- Variable annuities with guaranteed living benefits provisions.
- Annuities containing equity indexed provisions, long-term care or other accident and health related benefit provisions.
- Applications for use with variable annuities, equity indexed annuities, annuities that contain a market value adjustment provision, long-term care or other accident and health related provision.
- Group annuity master policies contracts, certificates, applications, enrollment forms, riders, amendments and endorsements for issue to discretionary groups.

Publication: 24TexReg8903, October 15, 1999—  
Earliest possible adoption: November 14, 1999  
Further information: 512 463-6327

#### Repeal of Form List Requirement

■ The Department has proposed the repeal of 28 TAC § 3.4003, which requires insurers to submit each year a list of their exempt life, A&H and annuity forms that were available for use in Texas at the end of the preceding year.

TDI proposed repeal because it already has authority under the Texas Insurance Code to request this information on an as-needed basis. The information obtained under the rule is superfluous and does not assist TDI in its consumer protection or form review functions.

Publication: 24TexReg8903, October 15, 1999  
Earliest possible adoption: November 14, 1999  
Further information: 512 463-6327

## PROPERTY

### APA Proposals

#### Repeal of Building Code Advisory Committee Rule

■ The Department proposes the repeal of 28 TAC § 5.4002, concerning the Building Code Advisory Committee. Repeal is proposed because the underlying statute, Texas Insurance Code Article 21.49, Section 6A(f), was repealed by the 76th Legislature, which replaced the committee with a new Windstorm Building Code Advisory Committee on Specifications and Maintenance.

Publication: 24TexReg8710, October 8, 1999  
Earliest possible adoption: November 7, 1999  
Further information: 512 463-6327

#### Forms for Recommending Building Code Changes

■ The Department has proposed new 28 TAC § 5.4800, concerning the adoption by reference of a new form, BCAC Form No. 100-99, entitled "Proposed Change to Windstorm Building Specifications Adopted by the Texas Department of Insurance."

The form is required by Senate Bill 677 of the 76th Legislature. It will provide a standardized procedure for persons and organizations to recommend changes in the Building Code for Wind Resistant Construction. The proposed form specifies that a proposal must cite the building code section regarding the specification to be changed. It further requires the exact text of the recommended change, with strikethroughs to indicate deletions of current language and underlining to show new wording. The form would have to be submitted to TDI at least 30 days before the scheduled date of an advisory committee meeting in order to be considered at that meeting.

Publication: 24TexReg8711, October 8, 1999  
Earliest possible adoption: November 7, 1999  
Further information: 512 463-6327

## RuleMaking

("Basic Manual"). The proposals result from consideration of certain items during the rule-making phase of the 1998 Texas Title Biennial Hearing. The proposals are listed below by their item numbers on the hearing agenda.

**98-11** would create new Procedural Rule P-49 to set standards for title insurers to follow in reporting delinquent audit reports by title agents and direct operations.

**98-14** would adopt Form T-63, Texas Escrow Accounting Addendum Special Disbursement Reconciliation, to provide reasonable safeguards in the closing of transactions and an audit trail for TDI examiners. TDI has found that some lenders list items on Housing and Urban Development settlement statements as "paid outside closing" when, in fact, those items were run through title agents' escrow accounts. The proposed form would distinguish between items marked as "paid outside closing" that are disbursed by title companies as a convenience to the lender and items so marked that actually are disbursed outside the closing.

**98-16** would amend Procedural Rule P-20 and various forms as they apply to "subsequent taxes and assessments" in the Basic Manual. The proposed rule would clarify requirements for coverage when tax obligations arise because of the revocation of an exemption granted to a previous owner under Texas Tax Code Section 11.13 or because of improvements not assessed for a previous tax year.

**98-17** would amend Procedural Rule P-31 by setting a standard for title insurers to fol-

low in reporting the office location at which home office-issued policies may be signed and the named individuals authorized to sign such policies.

**98-18** would repeal Procedural Rule P-32, which expired under its own provisions on December 31, 1995.

Publication: 24TexReg8506, October 1, 1999  
Earliest possible adoption: October 31, 1999  
Further information: 512 463-6327

### WORKERS' COMPENSATION

#### Exempt Adoption Manual Rule Changes

■ Commissioner Jose Montemayor has adopted amendments to the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance*.

Substantive changes contained in the rule amendments clarify that:

- The rules in the manual are to be read in harmony with the standard workers' compensation policy language, adopted endorsements, the Workers' Compensation Act and the *Texas Insurance Code*.
- The expense constant is not to be used in determining premium discounts, experience rating modifiers, retrospective rating or premium incentives for small employers.
- The minimum premium must be pro-rated on policies issued for less than one year.
- Insurance companies are responsible

for maintaining documentation to support schedule ratings.

- Test modifiers for interstate rated risks cannot be negotiated or used in calculating premium.
- Other changes include amendments that:
- Delete the entire section on maintenance tax surcharge recoupment and other references to the surcharge, which has been repealed by the Legislature.
  - State in the rules that if a policy is written for less than a year or is canceled before it expires, the premium is projected to a full year to determine eligibility for the small employer premium incentive.
  - Add a new section to the Experience Rating Plan that allows for calculation of a preliminary modifier when new experience rating values are unavailable and for the modifier to be recalculated, if necessary, when new experience rating values are approved.
  - Specify that when new experience rating values have been approved, it may be necessary to recalculate the modifier.
  - Add language to the Texas Aggregate Deductible Endorsement and Texas Accident/Aggregate Deductible Endorsement stating that if the policyholder cancels the policy, the aggregate deductible will not be reduced to a pro-rata amount based on the time the policy was in force. The change would eliminate a conflict between the rule and the endorsement.

Publication: 24TexReg9057, October 15, 1999  
Reference Number: W-0799-12-I  
Further information and copies: 512 463-6327

## Montemayor Updates WC Class Relativities

**COMMISSIONER JOSE MONTEMAYOR** has updated classification relativities, expected loss rates (ELRs) and several other factors affecting workers' comp premiums.

TDI notified the industry of the changes via Commissioner's Bulletin No. B-0051-99, issued October 8, 1999.

The new relativities, ELRs and other factors take effect January 1, 2000. Companies must use either the new relativities or file their own company-specific relativities for all workers' comp policies written with effective dates on or after January 1. Insurers may use the new relativities before

January 1 if they notify TDI on or before the effective date which they have selected.

The new ELRs must be used to calculate experience modifiers with effective dates on or after January 1, 2000, but may not be used to calculate modifiers with earlier effective dates.

Montemayor determined that were necessary to reflect technological advances, safety program improvements and economic trends and other changes that have occurred over time. The new classification relativities are based on experience data of policies with effective dates of 1992 through 1996.

The changes in classification relativities are revenue-neutral and are capped at  $\pm 25$  percent. Relativities worsened for 153 classifications, improved for 187 and were unchanged for five.

ELRs, used in calculating experience rating modifiers, declined by an average of 14.6 percent. ELRs increased for 77 classifications, decreased for 275 and stayed the same for two. As with classification relativities, ELR changes were capped at 25 percent. (An increase in a classification's ELR tends to reduce experience rating modifiers for employers in that classification. Conversely, a decline in a classification's ELR tends to raise experience rating modifiers.) ★

**Company Licensing****Applications Pending****For admission to do business in Texas**

COMPANY NAME	LINE	HOME OFFICE
Commercial Casualty Insurance Company of Georgia	Fire & Casualty	Norcross, GA
Commercial Compensation Casualty Co.	Fire & Casualty	Calabasas, CA
Glacier Insurance Enterprises Inc.	TPA	Fresno, CA
HCC Benefits Corp.	TPA	Wilmington, DE
Meridian Health Care Management Inc.	TPA	Wilmington, DE
MIM Health Plans Inc.	TPA	Wilmington, DE
National Title Insurance of New York, Inc.	Title	New York, NY
Penn-Star Insurance Co.	Fire & Casualty	Hatboro, PA
Total Benefit Services Inc.	TPA	New Orleans, LA
Ward North America Inc.	TPA	Duluth, GA

**For incorporation**

COMPANY	LINE	HOME OFFICE
ASI Lloyds	Lloyds	Dallas, TX
GIA Administrators Inc. (using the assumed name of Glacier Insurance Administrators Inc.)	TPA	Austin, TX
IntegraNet-Gulf Coast, P.A.	TPA	Houston, TX
Liberty Lloyds of Texas Insurance Co.	Lloyds	Dallas, TX

**For name change in Texas**

FROM	TO	LINE	LOCATION
Calvert Insurance Co.	Specialty National Insurance Co.	Fire & Casualty	Philadelphia, PA
Financial Benefit Life Insurance Co.	American Savers Life Insurance Co.	Life	Topeka, KS
Jefferson Insurance Company of New York	Jefferson Insurance Co.	Fire & Casualty	New York, NY
Lumbermens Mutual Casualty Co.	Kemper Employers Insurance Co.	Fire & Casualty	Long Grove, IL
Mutual Assurance Inc.	The Medical Assurance Co. Inc.	Fire & Casualty	Birmingham, AL
Northbrook National Insurance Co.	Discover Property & Casualty Co.	Fire & Casualty	Chicago, IL
NYLCare Health Plans of the Gulf Coast	HMO Blue of Central and South Texas, Inc.	HMO	Richardson, TX
NYLCare Health Plans of the Southwest, Inc.	HMO Blue of North Texas, Inc.	HMO	Richardson, TX
Vendor Insurance Co.	Great Lakes Life & Health Insurance Co.	Life	Indianapolis, IN

**Applications Approved****For admission to do business in Texas**

COMPANY NAME	LINE	HOME OFFICE
Administrative Concepts Inc., dba Texas Administrative Concepts Inc.	TPA	Wayne, PA
American Agency System Inc.	TPA	Oklahoma City, OK
Parker Services, L.L.C.	TPA	Stevens Point, WI

**For incorporation**

COMPANY	LINE	HOME OFFICE
Assurance Resources Inc.	TPA	Houston, TX

**For name change in Texas**

FROM	TO	LINE	LOCATION
Bay Colony Insurance Co.	GE Auto & Home Assurance Co.	Casualty	Norristown, PA
Gan North American Insurance Co.	Western Continental Insurance Co.	Fire & Casualty	Houston, TX
Mark Hatcher, dba Cordata	Cordata Inc.	TPA	Dallas, TX
NASRA T.P.A. Corp., dba NASRA TPA Inc.	NASRA T.P.A. Corp., dba HCC Administrators Inc.	TPA	Deerfield, IL
Sun Employer Services Inc.	HCC Employer Services Inc.	TPA	Montgomery, AL
Vivra Specialty Partners Inc.	Vivra Inc.	TPA	Reno, NV

# Disciplinary Actions

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

<b>AGENTS &amp; AGENCIES</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Clayton Homes Inc. and Clayton Mobile Homes Insurance Agency Inc.	Knoxville, TN	Cease-and-Desist Order and \$18,000 Fine	Consent Order; Alleged Unauthorized Insurance	99-1229	9/2/99
	Cox, William Blaine	Granbury	Group I Agent's License Revoked	Dishonest Practices	99-1187	8/24/99
	Dill, Ronald L.	Midland	\$1,000 Fine and 1 year probated Suspension of Group I License	Policy Misrepresentation	99-1332	9/28/99
	Frazier, Kenneth L.	Dallas	\$2,000 Fine and \$4,341 Restitution	Collected Agent Fees Without Written Consent of or Notice to Customers	99-1258	9/9/99
	Hinojosa, Rene Jr.	Corpus Christi	Cease-and-Desist Order	Consent Order; Alleged Unauthorized Insurance	99-1276	9/13/99
	Hockley County Abstract Co.	Levelland	\$5,000 Fine	Escrow Accounting Violations; Failure to Disclose Premium Splits on Settlement Statements	99-1279	9/13/99
	Housley, Hilton L. Jr.	Houston	Group I and Local Recording Agent's Licenses Revoked	Failure to Pay Fine to TDI	99-1295	9/16/99
	Keen, Leonard Eugene	Troup	Group I and Local Recording Agent's Licenses Revoked	Fraudulent and/or Dishonest Practices (Fake Proof-of-Insurance Cards)	99-1296	9/16/99
	Ronck, Gary Nicholas	Lubbock	Group I License Revoked	Misappropriation of Funds	99-1312	9/21/99
	Squyres, Sammy	Dallas	Group I Agent's License Revoked	Fraudulent or Dishonest Practices	99-1219	8/31/99
	Tebeaux, William Jene	Bryan	\$1,080 Fine	Failure to Meet Continuing Education Requirements	99-1259	9/9/99
	Valdez, Juan Manuel	Weslaco	Group I Agent's License Revoked	Misappropriation or Conversion; Fraudulent or Dishonest Practices	99-1297	9/16/99
<b>COMPANIES</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	A.M.H. Insurance Co.	Amelia, OH	\$8,000 Fine	Use of Unlicensed Solicitors	99-1278	9/13/99
	Allstate Indemnity Co. and Allstate Property and Casualty Insurance Co.	Northbrook, IL	\$4.5 Million in Restitution	Consent Order; Improper Calculation of Discounts	99-1238	9/3/99
	American National Insurance Company	Galveston	\$50,000 Fine	Use of forms not approved by TDI; Illegal Rebates; Failure to Maintain advertising files	99-1310	9/21/99
	Seaboard Life Insurance Company USA	Indianapolis, IN	\$5,000 Fine	Failure to Market Standardized Benefit Plans	99-1311	9/21/99
<b>OTHER</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	El Crucero Inc.	Corpus Christi	Cease-and-Desist Order	Consent Order; Alleged Unauthorized Insurance	99-1230	9/2/99
	Thrift Dimensions Inc., dba Economic Solutions Information Center	Corpus Christi	Cease-and-Desist Order	Consent Order; Alleged Unauthorized Insurance	99-1231	9/2/99



## Texas Department of Insurance

P. O. Box 149104  
Austin, Texas 78714-9104

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