



# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## TDI Considers Adoption of State Farm's National Homeowners Policy Language

**S**TATE FARM'S REQUEST for Texas adoption of residential property insurance policy forms similar to its national forms will be heard by Commissioner Jose Montemayor on February 4.

If adopted, the State Farm forms also would be available to other insurers.

The hearing comes as some insurers have begun moving away from the TDI-promulgated HO-B form that has been the policy of choice for about 96 percent of the state's homeowners insurance policyholders. TDI expects to schedule hearings later on petitions or filings from USAA, ISO and others to use their national forms instead of the Texas standard forms.

Montemayor's hearing on State Farm's petition (Docket No. 2488) will be at 9:30 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

The hearing originally was scheduled for July 24, 2001, but State Farm requested a postponement pending TDI's review of the escalation of mold-related claims and their effect on homeowners insurance availability and affordability.

State Farm's petition includes a new homeowners policy, a renters policy, a condominium unit owners policy and 36 endorsements.

The endorsements include two excluding mold coverage and one offering customers a one-time opportunity to buy back coverage for mold as an ensuing loss in amounts of \$15,000, \$25,000, \$50,000 and Coverage A policy limits. The buy-back endorsement would not cover mold resulting from continuous or repeated seepage or leakage of water.

State Farm made its filing under *Texas Insurance Code* Article 5.35(b), which authorizes the Commissioner to adopt policy forms and endorsements of national insurers in addition to the Texas standard residential property policies.

The original hearing notice, published at 26TexReg4739 on June 22, 2001, outlines sever-

al differences between the State Farm policies and the standard Texas HO-B policy promulgated by TDI. A detailed side-by-side comparison can be obtained from the Chief Clerk's office, 512 463-6326.

State Farm has agreed to provide customers explanatory letters and coverage summaries noting significant differences from the Texas standard policies promulgated by TDI.

The Texas HO-B policy covers damage from accidental water discharges, including damage resulting from repeated and continuous seepage or leakage. The unendorsed State Farm policy, however, specifies that, to be covered, an accidental discharge or overflow of water from a plumbing system, heating or air conditioning system or household appliance must be "sudden." The Texas HO-B policy covers losses resulting from backup or overflow from a sewer, drain or sump pump. The unendorsed State Farm policy excludes coverage of such losses.

The Texas HO-B policy covers damage to slab foundations resulting from seepage or leakage of water from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system, while the unendorsed State Farm policy excludes such losses.

State Farm plans to write all new business on the proposed forms, if they are approved, but will offer applicants endorsements that provide essentially the same water damage and slab coverage as the HO-B, subject to a limit of 15 percent of Coverage A. A customer who declines the endorsements could not add them in the future.

Existing State Farm customers who have the HO-B policy would receive the State Farm policy with water damage and slab foundation endorsements that bring coverage back to essentially what they had with the HO-B, subject to a limitation of 15 percent of Coverage A. A policyholder who chooses to delete the endorsements in exchange for a premium credit could not restore the endorsements in the future.

Please see **HO Policy Forms** on page 9

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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.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.

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

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

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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.

## NewsBriefs

### Montemayor Appoints Mold Claims Task Force

**INSURANCE COMMISSIONER** Jose Montemayor has appointed a 19-member Advisory Task Force for Mold-Related Claims to develop recommendations on how insurers should respond to claims for water and mold damage.

The Department has asked the task force to assist TDI in developing suggested "best practices" for handling and processing such claims.

Members of the task force represent indoor air quality experts, consumers, bankers, realtors, builders, contractors, adjusters and insurers.

"When repairing a water leak and handling any problem with mold, consumers, insurers, contractors and adjusters should be aware that certain practices may reduce losses," Montemayor said. "This task force will identify those standards."

The task force held its first meeting on January 18.

Members of the task force are:

- Bob Allen**, Enviro-Mold, Fort Worth
- George B. Allen**, Texas Apartment Association, Austin
- Rod Bordelon**, Office of Public Insurance Counsel, Austin
- Jerry Edler**, JE Adjuster Inc., San Antonio
- Nancy Fisher**, Texas Association of Builders, Austin
- Bo Gilbert**, Independent Insurance Agents of Texas, Austin
- Bob Huxel**, Farmers Insurance, Austin
- Nancy Jones**, Associated Plumbing Heating Cooling Contractors of Texas, Austin
- Dan Lambe**, Texas Watch, Austin
- Eric LeBrocq**, Technology Servicing People Inc., Houston
- Jo Betsy Norton**, Allstate Insurance, Austin
- Jon Opelt**, Citizens Against Lawsuit Abuse, Houston
- Bill Pouland**, Travelers Insurance, Dallas
- Denise Ruggiero**, State Farm Insurance, Austin
- Rob Schneider**, Consumers Union, Austin
- Dr. Quade Stahl**, Texas Department of Health, Austin
- Larry Temple**, Texas Mortgage Bankers Association, Austin
- Vincent Torrez**, University of Texas Institute for Air Quality, Austin
- Ron Walker**, Texas Association of Realtors, Austin ★

### TWIA Reinsurance Hearing Scheduled

**COMMISSIONER JOSE MONTEMAYOR** has scheduled a February 12, 2002, hearing on the Texas Windstorm Insurance Association's petition for approval of reinsurers to provide per risk reinsurance coverage to TWIA policyholders.

The hearing will be at 9:30 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

*Texas Insurance Code* Article 21.49, Section 8E, authorizes TWIA to issue a wind and hail policy that includes coverage for amounts in excess of the maximum limit of liability approved by the Commissioner of Insurance. Coverage must be purchased from a reinsurer approved by the Commissioner. The current reinsurance program expired December 31, 2001. The new program would be effective as of January 1, 2002.

TWIA proposes to obtain the reinsurance coverage from seven Lloyd's of London syndicates and QBE International Insurance Ltd., London. The proposed new contract would increase aggregate capacity for Galveston County from \$60 million to \$70 million. The aggregate capacity under the contract remains at \$60 million for Nueces County (Corpus Christi) and \$25 million each for all other counties in the coastal area served by TWIA, with an overall limitation of \$250 million for all counties combined. ★

### HB 1440 Raised Health Coverage Age Limit to 25

**THE DEPARTMENT** has received a number of inquiries about changes that took effect January 1, 2002, in *Texas Insurance Code* provisions dealing with the limiting age for coverage of children and grandchildren by health care plans.

House Bill 1440 of the 2001 Legislature established the new limiting age at 25 for unmarried children and grandchildren of plan members. The change took effect with health plans delivered or issued for delivery on or after January 1, 2002.

Previously, carriers could terminate health coverage for children of plan members at various ages.

House Bill 1440 provides that at the time of application, a carrier may require a grandchild to be a dependent of the enrollee for federal income tax purposes. Once a grandchild is covered, however, a carrier may not discontinue coverage solely because the grandchild is no longer a dependent of the plan member for income tax purposes.

Another change made by House Bill 1440 specifies that a health benefit plan may not condition coverage for a child younger than 25 years of age on the child being enrolled in an educational institution.

For additional information on House Bill 1440, see TDI's Bulletin B-0036-01, which can be accessed on the Department's Web site at [www.tdi.state.tx.us/company/him-plemb003601.html](http://www.tdi.state.tx.us/company/him-plemb003601.html). ★

### Fraud Unit Prosecutions

#### Indictments

**Martinez, Evelyn**, indicted in San Antonio on charges of insurance fraud, a state jail felony.

**Shelton, Julius Jr.** indicted in Houston on charges of insurance fraud, a state jail felony.

#### Case Dispositions

**Cooper, Steven L.**, pleaded guilty in Belton to charges of insurance fraud, a state jail felony. Sentenced to two years' deferred adjudication, 180 hours' community service and restitution of \$865.96.

**Despasquale, Michael**, pleaded guilty in Houston to insurance fraud, a state jail felony. Sentenced to three years' deferred adjudication and ordered to pay restitution of \$15,000.

**Kuyateh, Abu**, pleaded guilty in Belton to insurance fraud, a state jail felony. Sentenced to three years' deferred adjudication, 240 hours' community service and a \$500 fine.

**Simmons, Joyce**, pleaded guilty in Fort Worth to insurance fraud, a state jail felony. Sentenced to two years' probation and a \$500 fine.

**Ison, Everett Damian**, pleaded guilty in Austin to making a false statement in a written instrument, a third-degree felony. Sentenced to 24 months' probation and 160 hours' community service and ordered not to engage in the business of insurance.

**Morrison, Sally Gay**, pleaded guilty in Houston to theft, a state jail felony. Sentenced to 24 months' deferred adjudication and 160 hours' community service.

**Murchison, Trina**, pleaded guilty in Texarkana to insurance fraud, a state jail felony; misapplication of fiduciary property, a third-degree felony; and theft, a state jail felony. Sentenced to 60 months' probation, 150 hours' community service and restitution of \$69,503. ★

# TDI update

## New Mold Data Call Due at TDI on March 1

**T**HE DEPARTMENT has issued a data call asking the five largest residential property insurer groups to provide updated statistics on their mold-related claims.

The call, with responses due March 1, 2002, went to State Farm, Farmers, Allstate, USAA and Travelers, the same groups that received data calls last summer to assist TDI in evaluating and responding to the significant escalation in mold-related water claims.

In the latest call, TDI requested data for the third and fourth quarters of 2001. The Department also supplied the carriers with lists of claims previously reported through the second quarter of 2001, with a request for the values of each claim as of December 31, 2001. Those values should reflect claim development since June 30, 2001, the cut-off date of the previous data call on mold-related claims.

Department actuaries plan to update their published exhibits on the frequency and severity of mold-related claims. Another possible use of the data is rate indication calculations, which would be helpful in the next round of residential property insurance benchmark rate hearings.

The previous data call, for the six quarters ending June 30, 2001, produced complete results from State Farm, Allstate and Farmers, which write about two-thirds of the residential property insurance market in Texas.

The data and other information on mold-related claims is available on TDI's Web site at [www.tdi.state.tx.us/commish/mold.html](http://www.tdi.state.tx.us/commish/mold.html). ★

# EnforcementAction

## Title Companies to Pay \$286,000 in Fines

**T**WO DALLAS-AREA title companies that allegedly participated in illegal rebates and premium splits have agreed to fines totaling \$286,000, a record for the title insurance industry in Texas.

Dominion Title of Dallas, L.L.C., in Plano and Stewart Title North Texas Inc. in Dallas, agreed to the consent orders, which Commissioner Jose Montemayor signed on December 21, 2001.

Each company was fined \$143,000, the same amount of money that Stewart allegedly rebated to Dominion.

Both companies disputed the existence of any violations of the *Texas Insurance Code* or TDI rules but said they agreed to the consent orders to avoid the time, trouble and expense of a contested case hearing before a state administrative law judge.

Alleged violations included unauthorized insurance because Dominion was receiving premium splits from Stewart for services purportedly performed by Dominion almost two months before Dominion received its license as a title agency in April 2000.

Stewart owns 51 percent of Dominion, while a local homebuilder owns 49 percent. Dominion's one employee worked within a Stewart office in Plano and was paid by both Dominion and Stewart. The president of Dominion is also the president of Stewart Title.

A TDI compliance audit revealed that Dominion received splits of title insurance premiums from Stewart, based upon Dominion's one employee doing title examinations for Stewart on sales of property owned by the home builder.

According to the consent orders, the premium split was supported by the fact that the signature of Dominion's employee was stamped on required TDI forms, affirming that he had done all the title examinations. However, the orders said, a sampling of files indicated that the employee actually performed the title examination in less than 10 percent of the cases where Dominion received a split of the title premium, "suggesting that Dominion improperly received at least \$142,692 in title premiums from Stewart on such title guarantee files." ★

## HO Premium Increases Prompt Special Exams

**C**ONSUMER COMPLAINTS about large homeowners insurance premium increases, sometimes exceeding 100 percent, have prompted Commissioner Jose Montemayor to order market conduct examinations of companies in the Allstate and Farmers groups.

The Commissioner said other residential property insurance companies may undergo examinations in the future, if necessary.

Market conduct examinations deal specifically with how insurance companies treat their customers, including the premium rates policyholders are charged.

"We are hearing that some areas are harder hit by rate increases than others, and we want to make sure this is not due to unfair discrimination prohibited by Texas law," Montemayor said.

Montemayor acknowledged that Allstate and Farmers do almost all of their Texas homeowners insurance business through subsidiaries organized as Lloyds companies or reciprocal exchanges. Such companies are exempt by state law

from regulation of their homeowners and other residential property insurance rates. Because of this exemption, they do not file their rates with the Department.

Despite the companies' exemption from rate regulation, market conduct examiners can review their rate structures to ascertain if increases are being imposed disproportionately on some of their policyholders.

Montemayor said he also wants the market conduct examiners to determine the extent to which credit scoring may account for large increases that consumers have reported to TDI. Although Texas law does not currently prohibit the use of credit scores in the pricing of residential property insurance by Lloyds companies and reciprocal exchanges, Montemayor said he needs to be aware of its effect on Allstate's and Farmers' rate increases.

TDI may use market conduct examination results in taking enforcement action if violations are found. The examination reports themselves are confidential by state law. ★



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## AGENTS

### APA Adoption

#### Specialty Agent Licenses

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 19.1902, 19.1905 and 19.1909 concerning specialty insurance licenses, including the telecommunications specialty license added by Senate Bill 466 of the 77th Legislature in 2001.

The amendments enable specialty license holders to register non-franchise locations where their associated consumer transactions occur and insurance is sold.

Previously, TDI rules allowed the use of a specialty license only at locations "owned and operated by" the specialty license holder. The adopted changes enable an applicant to obtain a single license authorizing the applicant to sell insurance at "registered locations." A registered location is defined as a location identified by an applicant or specialty license holder as the place where the applicant's or specialty license holder's associated consumer transactions occur and for which all applicable registration fees have been paid.

A specialty license holder that changes locations, adds new ones or acquires locations already in operation must now register them with TDI.

The amendments also broaden the definition of "employee" beyond a direct contractual relationship while making the specialty license holder responsible for the related training and actions of persons who sell insurance products under its license.

*Publication: 26TexReg10603, December 21, 2001*  
*Effective date: December 27, 2001*  
*Further information: 512 463-6327*

## FINANCIAL

### APA Adoptions

#### Accounting Guidance

■ Commissioner Jose Montemayor has amended 28 TAC § 7.18 to adopt by reference the March 2001 version of the NAIC *Accounting Practices and Procedures Manual*, which contains seven new Statements of Statutory Accounting Principles (SSAPs) added since publication of the March 2000 version of the manual. The adoption by reference applies to examinations conducted as of January 1, 2002, and later. It also applies to financial statements filed with TDI for periods after that date.

In addition to the SSAPs in the manual, the amendment adopts by reference:

- SSAP No. 81, concerning software revenue recognition.
- SSAP No. 82, concerning the costs of computer software developed or obtained for internal use and Web site development costs.
- SSAP No. 83, concerning mezzanine real estate loans.
- SSAP No. 84, concerning health care receivables and receivables under government insured plans. (Effective December 31, 2001.)

The amendments provide that retrospective premiums must be billed within 60 days of computation and audit premiums must be billed within 60 days of an audit's completion in determining the beginning date from which the 90-day period is calculated to determine admissibility of uncollected premium balances under SSAP No. 6.

*Publication: 26TexReg10897, December 28, 2001*  
*Effective date: January 1, 2002*  
*Further information: 512 463-6327*

#### HMO Withdrawal Plans

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 7.1801–7.1808 concerning plans of orderly withdrawal. Among other things, the amendments implement House Bill 3020 of the 76th Legislature, which brought HMOs under *Texas Insurance Code* Article 21.49C. This article requires carriers to file withdrawal plans with TDI when they intend to totally withdraw from a line of insurance or to reduce total annual premium volume in a line of insurance by 75 percent.

The rule amendment adds requirements that all withdrawal plans identify the policy forms to be withdrawn, address the needs of policyholders and certificate holders with special circumstances and identify insurance products, if any, that a withdrawing insurer will continue to offer.

Among other changes, the rule amendment adds to the list of "lines" of insurance, small employer health coverage, individual A&H, Medicare+Choice plans, Children's Health Insurance Program (CHIP) coverage, association coverage and large employer health plans. For HMOs the list of lines includes Medicaid, limited service group and individual coverages and single service individual coverages.

The amended rules specifically provide that withdrawing from Medicare, Medicare+Choice or Medicaid does not constitute a withdrawal requiring submission of a plan to TDI. However, HMOs withdrawing from one of those programs must notify TDI at the same time it notifies the state or federal agencies that administer the program.

Withdrawal plans submitted by insurance companies must identify the policy forms, by number and type, affected by the withdrawal. Carriers must identify any *Texas Insurance Code* or *Texas Administrative Code* provisions mandating notices to policyholders. Another change requires withdrawal plans to provide information about customers with special circumstances and to identify any third-party contracts that may provide for their continuity of care.

HMO withdrawal plans must contain, in addition to the elements required in insurer withdrawal plans, a list of the counties affected by intended withdrawals. HMOs filing total withdrawal plans also must submit quarterly financial projections from the beginning of a withdrawal to its completion. The projections must include a balance sheet, an income statement, a statement of cash flows and statistics on membership.

*Projected publication date: January 25, 2002*  
*Effective date: January 30, 2002*  
*Further information: 512 463-6327*

## LONG-TERM CARE

### APA Adoption

#### Long-Term-Care Rating Policies and Consumer Disclosures

■ Commissioner Jose Montemayor has adopted 28 TAC §§ 3.3803–3.3805, 3.3810, 3.3819, 3.3821, 3.3829, 3.3831, 3.3832, 3.3837, 3.3839 and 3.3844 concerning standards for long-term care insurance coverage. The rules took effect January 1, 2002, and will apply to policies issued or issued for delivery on or after July 1, 2002.

The amendments implement House Bill 2482 of the 77th Legislature, codified as *Texas Insurance Code* Article 3.70-12, Section 5A. The statute requires the Commissioner to adopt rules to stabilize long-term care insurance rates by assuring that initial rates are adequate and that subsequent increases are justified, adequate and reasonable in relation

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to benefits. The rules must be consistent with nationally recognized models.

The adopted amendments are consistent with the rating practices and consumer disclosure provisions of the NAIC's Long-Term Care Insurance Model Regulations. Among other things, the amendments clarify that TDI's long-term care rules apply to long-term care insurance riders attached to life insurance policies or certificates or annuity contracts or certificates.

## Definitions

The amendments added several new definitions to TDI's existing long-term care rules, including:

**Attained age rating**—A schedule of premiums, starting from the issue date, which increase with age by at least one percent per year prior to age 50 and at least three percent per year beyond age 50.

**Exceptional premium rate increases**—Increases filed by an insurer as exceptional and for which the Department determines the need for the premium rate increase is justified due to either

- changes in laws or regulations applicable to long-term care coverage in this state or
- increased and unexpected utilization that affects the majority of insurers of similar long-term care products.

**Level premium long-term care policy**—A non-cancelable long-term care policy. This term may be used only when no change can be made in any provision of the insurance coverage or in the premium rate.

**Long-term care benefit classifications**—Institutional long-term care benefits only, non-institutional long-term care benefits only, or comprehensive long-term care benefits.

**Similar policy forms**—All of the long-term care insurance policies and certificates issued by an insurer in the same long-term care benefit classification as the policy form being considered. Exceptions are made for certain labor union or employer sponsored group plans.

## Reserves and Rate Increase Notification

Reserves for long-term care policies will be determined in accordance with 28 TAC Chapter 3 Subchapter GG, relating to minimum reserve standards for individual and group accident and health insurance.

Insurers must notify insureds of upcoming premium rate increases at least 45 days before implementation.

## Rating Practices Disclosure

A major feature of the rule changes is required disclosure of rating practices on all long-term care policies or certificates delivered or issued for delivery on or after July 1, 2002.

For certain groups where a policy was in force on July 1, 2002, the provisions apply on the anniversary following January 1, 2003. TDI has promulgated a disclosure form (LTC Rate Inc Disc—01/2002), which is available on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Alternatively, insurers may file a disclosure form for review at least 60 days prior to use.

Insurers will be required to provide the following information at the time of enrollment or application:

- Notice that the policy may be subject to rate increases in the future.
- An explanation of potential future premium rate changes, including an explanation of contingent benefit upon lapse and the policyholder's or certificate holder's option in the event of a rate revision.
- The premium rate or rate schedules applicable to the applicant that will be in effect until a request is made for an increase.
- A general explanation concerning premium rate or rate schedule adjustments. The explanation must include:
  - A description of when premium rate or rate schedule adjustments will become effective—for example, next anniversary date, next billing date, etc.
  - The policyholder's right to receive notice of a revised premium rate or rate schedule if the premium rate or rate schedule is changed and an explanation of the options available at the time of the increase.
- A 10-year history of premium rate increases on the applicable policy form or similar policy forms in Texas or any other state. This information must identify:
  - The policy forms for which rates have been increased.
  - The years when the affected forms were available for purchase.
  - The amount or percentage of each premium rate increase.

If the method of application does not allow for delivery of the disclosure at the time of ap-

plication, the insurer must provide it when delivering the policy to the consumer. Applicants must acknowledge in writing that they have received the required rating disclosures.

In addition to the required information, insurers also may include explanatory information about rate increases, but only if they provide the information in a manner that is not misleading.

Insurers may exclude from the required 10-year rate history certain increases applicable only to policies and blocks of business acquired from other, non-affiliated insurers.

## Rate Standards

Insurers are required to file the disclosures with their rate filings 60 days before using the rates on the long-term care policies or certificates to which they apply. Insurers also must submit either an actuarial memorandum or a certification. Among other things, an actuarial memorandum or certification must include statements that:

- the initial premium rate schedule is sufficient to cover anticipated costs under moderately adverse experience and
- the premium rate schedule is reasonably expected to be sustainable over the life of the form, with no future premium increases anticipated.

TDI may require an insurer to provide at any time an actuarial demonstration that benefits are reasonable in relation to premiums.

When an insurance company files for an exceptional premium rate increase, TDI may request an independent actuarial review to determine whether the necessary basis for such an increase exists.

Companies must submit actuarial certifications justifying rating schedule increases. The certifications must state that no further increases are anticipated if the increases are implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized. The rules specify other elements of the required certifications.

Exceptional increases must return 70 percent of the present value of the projected additional premiums to policyholders in benefits.

For three years after increasing rates, a company must submit annual updated projections comparing actual results to projected values.

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TDI may require a longer reporting period if actual results are not consistent with prior projected values.

TDI may require premium rate schedule adjustments or other measures if actual experience following a rate increase does not adequately match the experience projected by the insurer.

The rule changes identify additional information that insurers seeking rate increases must file with TDI for policies or certificates eligible for contingent benefit upon lapse. For certain types of rate increase filings, TDI would determine if significant adverse lapsation has occurred or is anticipated and if a rate spiral exists.

If TDI finds a rate spiral exists, it could require the insurer in question to take certain actions. These actions could include offering all in-force insureds subject to the rate increase the option of replacing their policies—without underwriting—with comparable products offered by the insurer or its affiliates. Such an offer would be subject to TDI approval. The offer would have to be based on actuarially sound principles but not on attained age. Maximum benefits under any new policy accepted by an insured would be reduced by any comparable benefits already paid under the existing policy.

If TDI determines that an insurer has exhibited a persistent practice of filing inadequate initial premium rates, TDI may prohibit the insurer from filing and marketing comparable coverage for up to five years. Alternatively, TDI may prohibit the insurer from offering all other similar coverages and from limiting the marketing of new applications to products subject to recent premium rate schedule increases.

## Contingent Nonforfeiture Benefits

Starting July 1, 2002, insurers must provide contingent nonforfeiture benefits to policyholders and certificate holders who decline the option of buying nonforfeiture benefits. This requirement provides added protections for insureds whose policies or certificates lapse within 120 days of the due date of an increased premium.

A contingent nonforfeiture benefit would be triggered every time an insurer increases premium rates to a level that results in cumulative increases for specific issue ages as indi-

cated in the *Triggers for a Substantial Premium Increase* table contained in the rule. The triggers range from a high of 200 percent for issue age 29 and under to a low of 10 percent for issue age 90 and over.

An insurer that triggers the contingent nonforfeiture benefit must offer affected policyholders **1)** a reduction in policy benefits so that premiums will not rise and **2)** conversion to a paid-up status with a shortened benefit period. The insurer must notify affected customers that a default or lapse at any time within 120 days after the due date of the increased premium will trigger the conversion to paid-up status.

Publication: 26TexReg10887, December 28, 2001

Effective date: January 6, 2002

Further information: 512 463-6327

## PRIVACY

### APA Proposal

#### Insurance Consumer Health Information Privacy

■ TDI has proposed new 28 TAC §§ 22.51 through 22.67, concerning the privacy of nonpublic personal health information collected or held by insurers and other entities regulated by the Department. The proposal would implement provisions of Senate Bill 11 of the 77th Legislature, codified as *Texas Insurance Code* Chapter 28B. This legislation requires entities regulated by TDI (“insurers”) to comply with the privacy provisions of HIPAA. Senate Bill 11 also amended Title 2 of the *Texas Health and Safety Code* by adding Subtitle 1, which requires certain persons, including insurers, to comply with provisions concerning the use of protected health information in marketing and the re-identification of persons.

The proposed TDI rules incorporate many features of the NAIC’s model health privacy rules, which are based on the NAIC Model Health Privacy Act. The rules would apply to all health information held by or collected by entities subject to the Department’s recently adopted financial privacy rules. Once the federal government begins to enforce the HIPAA privacy rules, an entity that is in compliance with those rules would no longer need to comply with the TDI rules on privacy of protected health information.

The proposed TDI rules would protect customers and consumers about whom an insur-

er collects or holds non-public health information. Unlike the financial privacy rules, the proposed health privacy rules would make no distinction between “customers” and “consumers.” The proposed health rules use the generic term “consumers” to apply to both categories.

The proposed rules would govern how insurers treat “protected health information, defined as:

*Individually identifiable health information collected from an individual, including the individual’s name, address, Social Security number and demographic information, that: relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and identifies the individual; or with respect to which there is a reasonable basis to believe the information can be used to identify the individual.*

#### Opt-In Standard

Information would be protected by an “opt-in” standard requiring insurers to obtain a consumer’s signed authorization before disclosing any nonpublic personal health information to another party unless specifically exempted by the rule. The proposal would provide a higher level of protection than the financial privacy rule because:

- The health privacy rule presumes that information is not to be shared and requires an insurer to obtain the consumer’s written permission rather than allowing the insurer to presume the consumer agrees to sharing if the consumer has not taken action to opt out.
- The opt-in requirement applies to the sharing of information with an insurer’s affiliates as well as to sharing with non-affiliated third parties.

“Opt-in” authorizations obtained by insurers would have to be in writing, signed and dated by the consumer or his/her legal representative and revocable by the consumer. An authorization also would have to describe the type of information to be disclosed, to whom disclosure is to be made and the purpose of the disclosure. An authorization could remain in effect no longer than 24 months after its execution. An “opt-in” authorization could be in



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electronic format if the consumer previously has agreed to conduct business electronically.

## Exceptions

The proposed rules would establish certain exceptions to the general requirement of an opt-in authorization prior to disclosure of nonpublic personal health information. As with the exceptions contained in the financial privacy rule, virtually all information an insurer or HMO must share in order to process or pay a claim, provide coverage or service an enrollee's account is excepted. Information shared with a third party could be used only for the purpose for which it was shared. Finally, an insurer could share information without an authorization if necessary to meet a legal requirement.

## Delivery of Opt-In Forms

The proposed rules include requirements and exceptions concerning delivery of authorization forms and requests for opt-in authorizations to consumers. An insurer could mail, or otherwise deliver, these forms and requests separately or along with a policy, billing, financial privacy opt-out notice or other written communication. A separate signature would be required, on a signature line not relating to any other written communications. No action would be required if an insurer does not share protected health information with third parties, other than as provided by the exceptions. The rules would require opt-in authorizations only if information is to be shared outside of an exception.

## Disclosure for Marketing Purposes

Under the proposed rules, insurers would have to obtain consumers' authorizations before disclosing protected health information to third parties for marketing purposes. This specifically includes disclosure of prescription information to a prescription drug benefit management company that is not also a covered entity such as a TPA. An insurer using protected health information to market to its consumers would be required to:

- Send marketing materials in an envelope showing only the address of the sender and the name and address of the recipient;
- State the name and toll-free number of the health care entity sending the marketing communication;
- Explain the recipient's right to have the recipient's name removed from the sender's mailing list; and

- Remove a recipient's name within five days after receiving a request to do so.

## Re-Identification

An insurer that receives protected health information in a de-identified form cannot attempt to re-identify an individual using the de-identified information without express permission from the individual.

*Publication: 27TexReg35, January 4, 2002  
Earliest possible adoption: February 3, 2002  
Further information: 512 463-6327*

## TAXES, ASSESSMENTS AND FEES

### APA Adoptions

#### Examination Expenses

- Commissioner Jose Montemayor has adopted an amendment to 28 TAC § 7.1012, revising domestic insurance company assessments to cover TDI administrative expenses attributable to the examination of insurers during 2002.

Each company undergoing an examination will continue paying examiners' actual salaries and expenses allocable to the examination.

All domestic companies will pay a 2002 overhead assessment computed as follows, with the 2001 rates shown in brackets for comparison:

- .00577 [.00458] of 1 percent of the company's admitted assets as of Dec. 31, 2001, taking into consideration the annual admitted assets that are not attributable to 90 percent of pension plan contracts and
- .01383 [.01406] of 1 percent of the company's gross premium receipts for 2001, taking into consideration the annual premium receipts that are not attributable to 90 percent of pension plan contracts.

In addition to paying examiners' direct salaries and expenses, foreign companies undergoing examination would pay an assessment of 33 percent of the gross salary of each examiner for each month or partial month, a slight increase over the 32 percent assessed in 2001.

*Publication: 27TexReg184, January 4, 2002  
Effective date: January 7, 2002  
Further information: 512 463-6327*

#### Maintenance Taxes and Fees

- Commissioner Jose Montemayor has adopted amendments to 28 TAC § 1.414 that establish 2002 maintenance taxes and fees. The new

maintenance tax and fee rates will be assessed on gross premiums for 2001.

The new rates, with 2001 rates shown in brackets, are:

- .060 [.057] of 1 percent for motor vehicle insurance.
- .210 [.186] of 1 percent for casualty insurance and fidelity, guaranty and surety bonds.
- .401 [.352] of 1 percent for fire insurance and allied lines, including inland marine
- .069 [.060] of 1 percent for workers' compensation insurance.
- .111 [.086] of 1 percent for title insurance
- .040 [.040] of 1 percent for life, health and accident insurance.
- \$.37 [\$.37] per enrollee for single service HMOs.
- \$1.10 [\$1.11] per enrollee for multi-service HMOs.
- \$.37 [\$.37] per enrollee for limited service HMOs.
- .330 [.237] of 1 percent of the correctly reported gross amount of administrative or service fees for third party administrators.
- .03 [.02] of 1 percent for corporations issuing prepaid legal service contracts.

*Publication: 27TexReg184, January 4, 2002  
Effective date: January 7, 2002  
Further information: 512 463-6327*

### Premium Finance Assessment

- Commissioner Jose Montemayor has adopted an amendment to 28 TAC § 25.88, setting the general administrative expense assessment of premium finance companies for 2002. The assessment will be .00135 [.01684] of 1 percent of a company's total loan dollar volume for 2001, with a minimum assessment of \$250.

*Publication: 27TexReg185, January 4, 2002  
Effective date: January 7, 2002  
Further information: 512 463-6327*

## TITLE

### APA Proposals

#### Revision of Title Manual Rules

- The Department has proposed amendments to 28 TAC §§ 9.1 and 9.401, concerning the adoption by reference of certain changes to the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* and to the Texas Title Insurance Statistical Plan. The proposed changes

*Continued on page 8*

# RuleMaking

were considered at the rulemaking phase of the 2000 Texas title insurance biennial hearing and break down into categories as follows:

## Streamline mortgage lending by allowing lenders to efficiently and economically close and package real estate loans for resale in the secondary market

**Item 2000-1**—New First Loss Endorsement (Form T-14), which would be available for mortgagee policies and would typically be used in large commercial transactions. A lender could make a claim on its policy, without having to first foreclose on its lien, if appraisals show there has been a diminution in value of at least 10 percent.

**Item 2000-2**—New Last Dollar Endorsement (Form T-15), available for mortgagee policies. Normally, policy limits are reduced as the principle is paid down. With this endorsement, loan payments would be applied first against the value of any personal property or non-Texas realty securing the loan and would not reduce the policy limits unless and until the loan amount secured by those other properties has been paid down completely.

**Item 2000-3**—New Mortgagee Policy Aggregation Endorsement (Form T-16). When a loan is secured by land in multiple states, this endorsement would allow any claim on any piece of property to be paid out of the aggregate coverage from all the title policies involved. Coverage would be reduced dollar for dollar.

**Item 2000-4**—New Planned Unit Development Endorsement (Form T-17). This proposed endorsement for mortgagee policies would give expanded coverage for restrictions, assessments, rights of first refusal, and forcible removal of structures. Planned unit developments are organized in a way that facilitates the sort of search/due diligence that would be required in underwriting such risks.

**Item 2000-5**—Amendment to Procedural Rule P-9, Endorsement of Owner or Mortgagee Policies, to authorize the use of the endorsements named in the four items listed above.

**Item 2000-6**—New Restrictions, Encroachments, Minerals Endorsement (Form T-19). The endorsement would cover losses arising from building setback line violations and other restrictions that establish easements, provide an option to purchase, extend a right

of first refusal or prior approval of a future purchaser or occupant, or grant a right of re-entry, possibility of reverter or right of forfeiture because of violations of enforceable covenants, conditions or restrictions. The endorsement also would cover damage to existing buildings located or encroaching upon any portion of the land in certain situations involving the exercise of mineral rights.

**Item 2000-7**—New procedural rule (P-50) for the Restrictions, Encroachments, Minerals Endorsement proposed in Item 2000-6.

**Item 2000-8**—Proposed new Texas Short Form Residential Mortgagee Policy of Title Insurance (T-2R) and Addendum (T-2R Addendum). This would streamline policy delivery by giving the insured a checklist for selecting various endorsements and by making the language more consistent with American Land Title Association forms.

## Implementation of short form checklist proposal

**Item 2000-9**—Amendment to Procedural Rule P-1 to make reference to direct operations and the proposed Texas Short Form Residential Mortgagee Policy.

**Item 2000-10**—New procedural rule P-51 to implement the proposed Texas Short Form Residential Mortgagee Policy.

**Item 2000-11**—Amendment to Schedules A and B of the Commitment for Title Insurance (Form T-7) to reference application of the proposed Texas Short Form Residential Mortgagee Policy.

## Electronic commerce

**Item 2000-12**—Amendment to Procedural Rule P-17, Electronically Produced Endorsement Forms. The proposed amendment would enable title companies to electronically produce forms and endorsements and allow for electronic signatures while preserving safeguards for document retention and audit.

## Limited liability companies and partnerships

**Item 2000-13**—Amendment to paragraph 1 of the Conditions and Stipulations of the Texas Owner Policy of Title Insurance (Form T-1) to add limited liability companies and limited liability partnerships to the definition of insureds. Such companies were not authorized in Texas when the form was last revised.

## American Land Title Association form language

Three proposals would amend existing leasehold endorsements to incorporate the language of recent revisions to the American Land Title Association forms, including changes in the definition of valuation of an estate:

**Item 2000-14**—Amendment to Leasehold Owner Policy Endorsement (Form T-4).

**Item 2000-15**—Amendment to Residential Leasehold Endorsement (Form T-4R).

**Item 2000-16**—Amendment to Leasehold Mortgagee Policy Endorsement (Form T-5), which should allow more flexibility in calculating damages in an eviction.

## Current survey requirements

The following two items are proposed amendments regarding the use of surveys:

**Item 2000-18**—Amendment to Procedural Rule P-2, Amendment to Exception to Area and Boundaries.

**Item 2000-19**—Amendment to Commitment for Title Insurance (Form T-7).

Existing Procedural Rule P-2 provides that a current survey must be purchased as a prerequisite for the survey deletion, except in residential refinances in which a seven-year-old survey may be used. Senate Bill 1707 of the 77th Legislature added *Texas Insurance Code* Article 9.07C, which allows the use of a survey of any age if it is acceptable to the underwriter and an affidavit is provided that verifies the existing survey. Items 2000-18 and 2000-19 would implement the legislation and make conforming amendments to the title commitment form.

## Extension of title insurance to manufactured housing

The following three proposals are designed to allow consumers to obtain title insurance on manufactured housing characterized as real property pursuant to recent legislative changes:

**Item 2000-B**—Supplemental Coverage Manufactured Housing Unit Endorsement (Form T-31.1).

**Item 2000-C**—Amendment to Procedural Rule 9.b.(7) to implement the adoption of the proposed Supplemental Coverage Manufactured Housing Unit Endorsement (Form T-31.1).



**Item 2000-D**—Amendment to Procedural Rule 9.a. to implement the adoption of the proposed Supplemental Coverage Manufactured Housing Unit Endorsement (Form T-31.1).

### Division of premiums

**Item 2000-I**—Amendment to Procedural Rule P-24 concerning the division of premiums between entities performing title services. The current rule specifies the percentages of an agent's premium to be shared among agents for performing various services. The amendment would eliminate a provision whereby agents can agree in writing to different percentages not prescribed by the Commissioner and would clarify the application of the payment of the percentages.

The published title rule proposals also include six changes that would correct typographical errors, update minimum escrow requirements, clarify the good funds rule, revise the title insurance statistical plan and establish document retention rules.

Publication: 26TexReg10780, December 28, 2001  
Further information: 512 463-6327

## TRADE PRACTICES

### APA Proposal

#### Mandatory Notice of Coverage of Certain Tests

■ The Department has proposed amendments to 28 TAC §§ 21.2101–21.2103, 21.2105 and 21.2106 concerning mandatory notice of coverage of certain tests for the detection of colorectal cancer. The proposed rules would implement provisions of Senate Bill 1467, codified as *Texas Insurance Code* Article 21.53S.

The notice would be required when carriers issue health benefit plans that provide coverage and/or benefits for screening medical procedures. Small employer plans, specified disease and hospital indemnity plans would be exempt from the requirement.

Required language of the notice includes a statement that under the health plan,

*Benefits are provided for each person enrolled in the plan who is 50 years of age or older and at normal risk for developing colon cancer, for expenses incurred in conducting a medically recognized screening examination for the detection of colorectal cancer.*

## RuleMaking

*Benefits include the choice of:*

- a) *a fecal occult blood test performed annually and a flexible sigmoidoscopy performed every five years, or*
- b) *a colonoscopy performed every 10 years.*

The proposed notice also includes carrier contact information for covered persons with questions about the mandated benefit.

Carriers could deliver the required notice with other plan documents rather than in a separate mailing.

Publication: 26TexReg 10783, December 28, 2001  
Earliest possible adoption: January 27, 2002  
Further information: 512 463-6327

## WORKERS' COMPENSATION

### Exempt Proposal

#### Audit and Retro Additional Premiums

■ Commissioner Jose Montemayor will hold a public hearing on February 12, 2002, on adoption of Texas—Audit Additional Premium and Retrospective Additional Premium Endorsement WC 42 04 07 as proposed by TDI staff. The endorsement would be incorporated into the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance*.

The hearing, under Docket No. 2511, will be at 9:30 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

The proposed endorsement would establish a due date for audit additional premiums and retrospective additional premiums pursuant to the NAIC Statement of Statutory Accounting Principles (SSAP) No. 6. According to SSAP No. 6, policy or contract provisions governing the audit premiums and retrospective premiums must address the due date for these types of premium if the insurance company in question considers the uncollected premium (either accrued or billed) to be an admitted asset.

Publication: 26TexReg11055, December 28, 2001  
Reference No. W-W-12-01-23-I  
Further information and copies: 512 463-6327 ★

## HO Policy Forms... from page 1

Similar offers would be made to State Farm customers with the renters forms HO-BT and HO-CT and the condo forms HO-CON-B and HO-CON-C.

Among other differences, compared to the HO-B, the State Farm policy provides:

- Less coverage for firearms, goldware and silverware;
- Less coverage for removal of debris from a fallen tree;
- More coverage for personal property away from home;
- More coverage for debris removal;
- More coverage for covered losses of trees and shrubs;
- More coverage for stamps, trading cards, comic books, loss of money, securities, checks, deeds, tickets, etc.; and
- More coverage for boats and trailers away from home, except for theft.

Because of concerns over rising water claims, including those where mold is covered as a ensuing loss, some carriers now offer the less comprehensive standard HO-A policy form in lieu of the HO-B. Among other differences, the unendorsed HO-A provides no coverage for water discharges from plumbing, air conditioning systems and appliances.

Montemayor recently excluded mold remediation from unendorsed Texas standard residential property forms, while requiring insurers to offer "buy backs" of full coverage of mold as an ensuing loss. Insurers have until the end of 2002 to phase in the revised forms.

At the end of 2001, TDI approved endorsements filed by Allstate and Farmers to flesh out the HO-A by adding coverages that make it closer—but not identical—to the HO-B. These include coverage for damage from falling objects, collapse of building, glass breakage, frozen pipes and "sudden and accidental" water discharges.

Farmers' new HO-A endorsements exclude coverage of mold altogether. Allstate's HO-A endorsement includes up to \$5,000 coverage for mold remediation due to a covered water loss.

Other insurers may use the Farmers or Allstate HO-A endorsements by submitting a reference filing to TDI. ★



## AgentsCorner

### Agents Must Avoid Selling Unauthorized "ERISA" Plans

By Matt Ray, Deputy Commissioner, Licensing Division

**T**HE FOLLOWING is adapted from a recent advisory issued by the National Association of Insurance Commissioners. TDI plans to issue its own bulletin on the subject in the near future.

Across the country, the cost of health insurance is increasing, and consumers must cope with difficult choices. Into this climate enter seemingly legitimate but disreputable operators seeking to take advantage of consumers. Calling themselves "ERISA exempt," "ERISA plans" or some variation thereof, these entities offer health plans boasting low rates and minimal or no underwriting.

These unlicensed entities claim that they are not subject to state insurance regulation because of "ERISA." Some claim that agents are used only as "labor consultants" or "business agents" to "enroll" or "negotiate" with potential members, and not to sell. Such claims should be viewed with skepticism. It is a crime to solicit or sell an unauthorized insurance product. In Texas, engaging in unauthorized insurance is a third-degree felony.

Legitimate plans governed by the federal Employee Retirement Income Security Act (ERISA) of 1974 may be exempt from state insurance regulation, which is why criminals try to fool people by making these claims. However, legitimate ERISA plans are established by unions for their members or by employers for their employees. They are not sold by insurance agents.

Read all materials and Web sites carefully. Consider the following list of circumstances and plan characteristics that should prompt your careful investigation, including contacting the Texas Department of Insurance.

- The plan operates like insurance but claims that it is not.
- You are asked to avoid certain insurance terminology, even though the plan operates like insurance.
- The plan is covered only by "stop loss insurance" or refers to "reinsurance."
- You are asked to sell an "ERISA" plan. You are asked to sell an "employee leasing" arrangement with self-funded health coverage.

- The plan targets individuals or groups with employees that have pre-existing conditions.
- The plan advertises unusually low premiums and/or unusually generous benefits, low (or no) minimum requirements for participation, and loose (or no) underwriting guidelines.

If you are asked to sell health coverage and it is represented as exempt from insurance regulation under "ERISA," it may be unauthorized insurance. Agents who sell products of unauthorized insurers or fail to report such insurers to TDI risk disciplinary action and possible criminal prosecution. They also might be subject to personal liability for claims incurred under the unlicensed coverage.

Agents should contact TDI if they are approached by entities that seem suspicious. Anyone with information about an entity offering health coverage without a license should contact TDI's Insurance Fraud Unit, toll free, at 1-888-327-8818. ★

## TDI Provides Guidance On Electronic Insurance Transactions

**E**NACTMENT OF Texas' Uniform Electronic Transactions Act (UETA) will facilitate electronic commerce in insurance, according to a bulletin issued by Commissioner Jose Montemayor in January.

The bulletin (B-0002-02) is available on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

Electronic signatures are integral to the entire concept of electronic insurance transactions. The new law defines an electronic signature as "an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record."

Among other things, the UETA creates a statutory structure in Texas that supports the use of electronic signatures and electronic records in everyday government and business undertakings.

"Therefore,," the bulletin says, "certain insurance transactions may be conducted through electronic means."

The bulletin points out that UETA addresses the effect of electronic transactions as follows:

- A record or signature may not be denied legal effect or enforceability solely because it is in electronic form.
- A contract may not be denied legal effect or enforceability solely because an electronic record was used in its formation.
- If a law requires a record to be in writing, an electronic record satisfies the law.
- If a law requires a signature, an electronic signature satisfies the law.

Electronic transactions must comply with the privacy requirements of the federal Gramm Leach Bliley Act (GLBA), the federal Health Insurance Portability and Accessibility Act (HIPAA), and related state statutes and rules.

Montemayor's bulletin contains a reminder that only persons and entities licensed, registered or otherwise authorized by TDI may conduct the business of insurance in Texas. In addition, any Internet sites marketing insurance or other regulated products to Texas residents must comply with Texas advertising statutes and rules.

Laws requiring that information be produced or made available to TDI also apply to information

maintained electronically and to information regarding electronic transactions.

Contracts, policies and other products marketed electronically to Texas residents must meet applicable legal requirements, including the following:

- Requirements regarding free look periods;
- Formatting requirements including pagination and type size, as well as requirements that certain language be conspicuous or be placed in a certain location within a document;
- Requirements regarding prior approval; file and use subject to review and/or approval; file for information; and/or exemption from review.

The bulletin points out that the use of electronic records and signatures must be voluntary. A person who has consented to conduct one transaction electronically may refuse to conduct subsequent transactions electronically.

Questions about the bulletin may be directed to Ann Bright, section chief, Agency Counsel Section, Legal and Compliance Division, by telephone at (512) 463-6411 or by e-mail at [ann.bright@tdi.state.tx.us](mailto:ann.bright@tdi.state.tx.us). ★

# 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>
	Barnard, Toni Lynn	Houston	\$5,000 Fine, \$2,507 Restitution and Revocation of Life, Accident, Health and HMO and General Property and Casualty Insurance Agent's Licenses	Fraudulent or Dishonest Acts or Practices	01-1070	11/15/01
	Dao, David	Houston	Life, Health, Accident and HMO Agent's License Revoked	Fraudulent or Dishonest Practices or Acts	01-1051	11/6/01
	DeLeon, Donald Ramon	Houston	\$5,000 Fine and Revocation of General Property and Casualty Insurance Agent's License	Fraudulent or Dishonest Acts or Practices	01-1071	11/15/01
	Dominion Title of Dallas, LLC	Plano	\$143,000 Fine	Consent Order; Alleged Receipt of Premium Splits	01-1232	12/21/01
	Richardson, Choice	San Antonio	Revocation of Life, Health, Accident and HMO Agent's License	Fraudulent and Dishonest Practices; Felony Conviction	01-1140	12/4/01
	Stewart Title North Texas Inc.	Dallas	\$143,000 Fine	Consent Order; Alleged Rebating of Premiums	01-1231	12/21/01
<b>COMPANIES</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	American Bankers Insurance Company of Florida	Miami, FL	\$3,000 Fine	Failure to Respond to TDI Inquiry	01-1196	12/18/01
	CGU Insurance Co.	Boston, MA	\$4,500 Fine	Failure to Provide Commercial Auto Experience Rating Data	01-1194	12/18/01
	Clarendon National Insurance Co.	New York, NY	\$10,000 Fine	Late Payment of Workers' Compensation Maintenance Tax Surcharge Refunds; Late Filing of Reports to TDI	01-1195	12/18/01
	Financial Insurance Exchange	Austin	\$3,000 Fine	Failure to Respond to TDI Inquiry	01-1197	12/18/01
	Wausau Underwriters Insurance Co.	Wausau, WI	\$5,000 Fine	Failure to Provide Commercial Auto Experience Rating Data	01-1198	12/18/01
<b>HMO</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Safeguard Health Plans Inc.	Dallas	\$24,500 Fine	Dental HMO Violations, Including Failure to Provide Enough Dentists to Meet Needs of Members	01-1199	12/18/01
<b>TPA</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Heritage Administrators Inc.	Dallas	Third-Party Administrator's License Cancelled	Consent Order	01-1228	12/20/01

## Company Licensing

### Applications Pending

For admission to do business in Texas

<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
The Accident Fund Co.	Fire & Casualty	Lansing, MI
Benefirst Insurance Agency Inc.	TPA	Marshfield, MA
Educators Mutual Life Insurance Co.	Life, Accident and/or Health	Lancaster, PA
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut	Fire & Casualty	Hartford, CT
Herbert V. Friedman Inc.	TPA	Rockeville Centre, NY
GLI Corporate Risk Solutions Inc.	TPA	Wilmington, DE
<b>For incorporation</b>		
<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
Coronado Benefit Services Inc.	TPA	Houston, TX
Fidelity National Lloyds	Fire & Casualty	Austin, TX

Continued on back page



# Company Licensing

## Applications Pending

### For name change in Texas

FROM	TO	LINE	LOCATION
Benefit Land Title Insurance Co.	Commerce Title Insurance Co.	Title	Santa Ana, CA
Mountain States Insurance Co.	Producers Agriculture Insurance Co.	Fire & Casualty	Amarillo, TX
Virginia Surety Co. Inc.	Combined Specialty Insurance Co.	Fire & Casualty	Chicago, IL

### To add the trademark name

NAME	TO	LINE	LOCATION
DMO	Aetna U.S. Healthcare Dental Plan Inc.	HMO	Houston, TX

## Applications Approved

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Employee Health Insurance Management Inc.	TPA	Southfield, MI
Exlservice.com (I) PVT.LTD	TPA	Noida, India
Greenwood International Insurance Services Inc.	TPA	Hopkinton, MA
Perot Systems Healthcare Services, LLC	TPA	Wilmington, DE
Pharmacy Benefit Management, LLC, dba Scriptnet	TPA	Las Vegas, NV
PHP Companies Inc., dba Cariten TPA Services	TPA	Knoxville, TN
Sumitomo Marine & Fire Insurance Company of America	Fire & Casualty	New York, NY
USA Services Group Inc.	TPA	Fort Lauderdale, FL

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
Balboa Lloyds Insurance Co.	Fire & Casualty	Plano, TX
Loya Insurance Co.	Fire & Casualty	El Paso, TX
Omnia Life Insurance Co.	Life	Austin, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
American Spirit Insurance Co.	Great American Spirit Insurance Co.	Fire & Casualty	Indianapolis, IN
CGU Insurance Co.	Onebeacon Insurance Co.	Fire & Casualty	Philadelphia, PA
CGU Insurance Company of New Jersey	Camden Fire Insurance Association, The	Fire & Casualty	Mount Laurel, NJ
Eagle American Insurance Co.	Great American Security Insurance Co.	Fire & Casualty	Cincinnati, OH
Fremont Industrial Indemnity Co.	Fremont Indemnity Co.	Fire & Casualty	Glendale, CA
General Accident Insurance Co.	Pennsylvania General Insurance Co.	Fire & Casualty	Philadelphia, PA
Independent County Mutual Insurance Co.	American National County Mutual Insurance Co.	Fire & Casualty	Galveston, TX
Lifemark Health Plan of Texas, LLC	Evercare of Texas, L.L.C.	HMO	Houston, TX



## Texas Department of Insurance

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