



Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

Montemayor Adopts State Farm's National Homeowners Policy

COMMISSIONER JOSE MONTEMAYOR has signed an order authorizing State Farm to sell Texans substantially the same homeowners policy that it markets in other states.

The Commissioner's order is available on TDI's Web site, www.tdi.state.tx.us.

State Farm agreed to reduce its rates to reflect coverage differences between its national HO-W homeowners policy and the Texas standard HO-B homeowners policy it has sold in the past.

State Farm also agreed to provide its customers with explanatory letters and coverage summaries noting significant differences between its approved policies and the Texas standard policies.

"I expect the approval of national homeowners policy forms, such as State Farm's, to significantly lower Texans' homeowners insurance rates and alleviate the availability crisis we've seen for the past several months," Montemayor said.

Montemayor has scheduled an April 16 hearing on USAA's petition to use its national homeowners and condominium unit owners policy forms in Texas. (See article on page 2.)

The Commissioner adopted State Farm's "all-risk" homeowners policy, a renters policy, a condominium unit owners policy and a total of 36 endorsements that can be used to enhance or otherwise amend the basic policies.

Available to Other Companies

Adoption of State Farm's national homeowners policy makes the policy form available not only to State Farm but also to other companies that seek and obtain the Commissioner's approval to use it. Other companies may use the State Farm national policy in Texas if they meet certain conditions. These include satisfying the Commissioner that the rates charged for the policies will be commensurate with any changes in coverage.

State Farm's was the first policy approved under *Texas Insurance Code* Article 5.35(b), which authorizes the Commissioner to adopt policy forms and endorsements of national insurers in addi-

tion to the Texas standard residential property policy forms.

Mold and Water Limitations

The approved State Farm policies provide limited mold coverage similar to that adopted by Montemayor in November for Texas standard policies. Among State Farm's approved endorsements is one that will give consumers the option of buying full mold remediation coverage in amounts of \$15,000, \$25,000, \$50,000 or full policy limits.

State Farm's basic policies cover damage from "sudden and accidental" discharges of water from plumbing, air conditioning systems and appliances. Unlike the HO-B, they do not cover damage from sewer backups, slow leaks or damage to slab foundations resulting from plumbing leaks.

However, State Farm agreed to offer applicants and existing policyholders a one-time opportunity to buy endorsements providing essentially the same water damage coverage as the HO-B, including coverage for slab foundations. Slab coverage will be limited to 15 percent of the total amount for which a home is insured. Customers who decline the offer will not be able to buy the additional coverage from State Farm in the future.

Other Coverage Differences

Other differences between State Farm's HO-W and the HO-B include:

- Less coverage for theft of firearms, goldware and silverware. State Farm caps the basic coverage at \$2,500, while the HO-B provides coverage up to the Coverage B limit of liability.
- Less coverage for removal of debris from a fallen tree. State Farm's HO-W limits this to \$500 while the HO-B provides coverage to the extent described in the Extensions of Coverage, up to the limits of liability applicable to the damaged property.
- More coverage for personal property away from home. The HO-W generally provides such coverage up to the full limit of Coverage B, while the HO-B limits coverage to the greater of \$1,000 or 10 percent of Coverage B.

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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

TDI Schedules Hearing on USAA's HO Policy

COMMISSIONER JOSE MONTEMAYOR has scheduled an April 16, 2002, public hearing on a petition filed by United Services Automobile Association and USAA Lloyds to use the USAA national residential property forms in Texas in lieu of the Texas standard forms.

The hearing will be at 10:30 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

USAA said it wants to start using its national forms on January 1, 2003, both for new business and to replace policies written on the Texas standard HO-B homeowners policy form and the HO-CON-B condominium unit policy form as they come up for renewal.

USAA submitted its HO-3RTX homeowners form, its HO-6RTX condominium unit owners form and 53 endorsements for adoption.

If adopted, the forms would be available for use by other companies, subject to TDI approval, as are State Farm's recently adopted forms (see cover article).

As with the State Farm policies, the primary differences between the USAA national forms and the Texas standard forms are in coverage of water-related damage. The basic USAA policy would cover damage from sudden and accidental water discharges. Unlike the HO-B, the basic USAA policy would not cover losses, including slab foundation damage, caused by constant or repeated seepage or leakage of water or by sewer backup.

The basic USAA policies exclude losses caused by mold and other microbial organisms, including those resulting from covered water losses. The HO-B covers such losses to some extent but does not pay for mold "remediation," including detection, inspection, isolation, etc.

USAA's package includes "buy-back" endorsements that would enable policyholders to add:

- Up to \$15,000 in coverage for slab or foundation damage resulting from accidental water discharges, including constant and repeated seepage. The \$15,000 limit of liability would include tear-out costs.
- Coverage for direct physical loss caused by constant or repeated seepage or leakage of water, including the cost of tearing out and replacing any part of the building necessary to access the system or appliance from which the seepage or leakage occurred.

- Coverage to remediate mold resulting from a covered water loss, with limits of \$25,000, \$50,000, \$75,000 or 100 percent of the Coverage A-Dwelling limit of liability. The endorsement would include additional living expenses.

The slab or foundation coverage, water damage coverage and mold coverage endorsements would be offered to all applicants for new policies and to current policyholders when their HO-B policies are converted to the new forms. The endorsements also would be available for purchase at a later date, subject to underwriting review. ★

April 10 Deadline for Workshop Registration

THE REGISTRATION DEADLINE for TDI's Spring 2002 Life, Health and Licensing Compliance Workshop is April 10.

Seating at the April 16-17 workshop is limited to the first 200 registrants. Companies are asked to send no more than two representatives. The workshop will be in the Joe C. Thompson Conference Center on the campus of the University of Texas at Austin, 26th and Red River.

Registration information may be obtained from Deputy Commissioner Angelia Johnson, 512 322-4211, or through TDI's Web site at the following link: <http://www.tdi.state.tx.us/consumer/workshop.html> ★

IRES Seminar to Address Mold and Terrorism Issues

MOLD, TERRORISM, CREDIT SCORING and other currently hot insurance issues are among topics to be addressed at the Insurance Regulatory Examiners Society's annual Career Development Seminar to be held in San Antonio July 28-30.

Speakers and discussion leaders will include TDI staff members. Commissioner Jose Montemayor will participate in an insurance commissioners roundtable on Monday, July 29.

Downloadable registration materials and fee information are available on the IRES Web site, www.go-ires.org. Registration deadline is July 10.

The seminar will feature more than 50 programs and discussion sessions covering such topics as:

- The response of insurers and regulators to major catastrophes and terrorist attacks.
- What regulators need to know about credit scoring to adequately protect insurance buyers.
- Mold-related claims and other types of controversial claims.
- Trends in licensing and regulation of insurance agents.
- The current medical malpractice insurance affordability crisis.
- Insurance fraud and how to combat it. ★

QBE, Lloyd's Syndicates OK'd as TWIA Carriers

COMMISSIONER JOSE MONTEMAYOR has approved QBE International Insurance, Limited, and 10 Lloyd's of London syndicates to provide excess per risk reinsurance coverage for policyholders of the Texas Windstorm Insurance Association.

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. This coverage must be purchased from reinsurers approved by the Commissioner.

The previous reinsurance program expired December 31, 2001. The new program is effective as of January 1, 2002. ★

Fraud Unit Prosecutions

Indictments

Cruz, Richard H., indicted in San Antonio on charges of insurance fraud, a state jail felony and securing the execution of a document by deception, a state jail felony.

Villegas, Arturo, and Villegas, Michelle, indicted in Austin on charges of theft, a state jail felony.

Case Dispositions

Bloomer, Steven, Dallas, received 24 months' deferred adjudication for theft, plus a \$1,500 fine and \$17,027 restitution.

Knox, Joe Benny, Austin, received 60 months' probation for making a false statement in a written instrument, a third-degree felony.

Birdow, Alisicha, Dallas, received five years' deferred adjudication plus 240 hours of community service for insurance fraud, a state jail felony. ★

TDI update

Customers of Defunct Mutual Get \$13.8 Million Distribution

FORMER POLICYHOLDERS of Members Mutual Insurance Co. were sent checks totaling \$13.8 million as the final outcome of a receivership ordered almost 10 years ago.

Checks for \$209.50 were mailed to 66,000 former policyholders. It was the largest distribution of surplus company funds on record from a Texas receivership of an a mutual insurer.

The distribution of assets went to all policyholders who had Members Mutual policies in effect on or after January 1, 1991. The company, based in Farmers Branch, near Dallas, specialized in providing insurance to credit union members. It was placed in receivership in September 1992.

The SDR of Members Mutual is the Waco accounting firm of Jaynes, Reitmeier, Boyd & Therrel.

Members Mutual owned and operated Members Service Insurance Co. and Members Insurance Co., which also were shut down although not individually insolvent. The special deputy receiver was able to pay all claims and other obligations of those two companies from their own funds. Their remaining assets became the property of Members Mutual, the sole stockholder of the two companies. The receivership court determined that the assets left over after all obligations had been paid should be distributed to Members Mutual's policyholders. ★



EnforcementActions

Receiver Named for Unauthorized Health Plan

A STATE DISTRICT JUDGE has placed American Benefit Plans (ABP), an unauthorized insurer, into temporary receivership and ordered it to stop selling health care to employers.

ABP provided health coverage to approximately 8,000 Texans, primarily under contracts with employers. The plan is headquartered in North Richland Hills, near Fort Worth.

The order issued by State District Court Judge Darlene Byrne of Austin on March 6, 2002, froze ABP's bank accounts and placed its books, records, assets and other funds under the control of Commissioner Jose Montemayor. Under Texas law, receivership assets are applied to claims after the payment of the receivership's administrative expenses.

Montemayor appointed Robert Loiseau of Jack M. Webb & Associates Inc. as special deputy receiver (SDR) to gather ABP's assets and convert them to cash for the payment of claims and other obligations. Agents and others with questions about the receivership can call the SDR's staff at 1-800-551-4650 or 512-263-4650.

The Office of the Attorney General obtained the temporary receivership order at the request of Montemayor and TDI.

Among numerous defendants, the order names Robert David Neal of Fort Worth, ABP's president and CEO; Robert Neal Pointer of Dallas, ABP's chief operating officer; and the National Association of Working Americans.

Neal is a licensed life, health, accident and HMO agent and pre-paid legal services agent. TDI has scheduled an April 2, 2002, public hearing on whether to revoke Neal's licenses.

Neal also faces federal court indictments alleging health care fraud and the filing of fraudulent claims for tax refunds.

ABP has been the target of recent cease and desist orders in Arkansas, Louisiana and Colorado.

This is the third unlicensed employee health plan against which TDI has taken action in the past 12 months. Earlier, Montemayor issued cease-and-desist orders against SAI Plus and Employers Mutual LLC. SAI Plus has declared bankruptcy. A Nevada federal court judge, in a lawsuit filed by the U. S. Department of Labor, has issued a preliminary injunction against Employers Mutual.

"As medical costs rise, we are seeing a resurgence of unlicensed health plans that attempt to entice employers with lower-than-market rates," Montemayor said. "These plans by-pass the normal licensing process for a reason - and it's not a good one. Invariably, unlicensed health plans stop paying claims and leave their members with stacks of unpaid medical bills. It's extremely important for employers to verify that a plan is licensed before signing up and paying premiums for coverage that may not be there when their employees need it." ★

State Farm... from page 1

- More coverage for debris removal. The HO-W provides an additional 5 percent of the limit of the damaged property, while the HO-B includes debris removal in the overall limit of liability without additional coverage.
- More coverage for stamps, trading cards, comic books, loss of money, securities, checks, deeds, tickets, etc. The State Farm policy provides \$2,500 in basic coverage while the HO-B provides \$500.
- More coverage for boats and trailers away from home, except for theft. The HO-W's basic coverage for this is \$1,000 while the HO-B excludes coverage.

Premium Rate Considerations

The Commissioner's order notes his belief "that there is a reasonable expectation on the part of

insureds that the offer of a new policy with less coverage would be at a lower cost than a policy offered by the same company with more coverage, and that if this were not the case the filing would not come within the standards of Article 5.35, including the public policy requirement."

Accordingly, Montemayor said, the adoption of the State Farm national policies was predicated on State Farm's representations, including "the preliminary determination that insureds purchasing the new basic policy forms and endorsements can reduce their homeowners premium from 7 percent to 40 percent from the amount they otherwise would have paid for the basic HO-B, depending upon geographic location and coverage selection." ★

RuleMaking

AUTO AND PROPERTY

APA Proposal

Underserved Areas

- The Department has proposed amendments to 28 TAC §§ 5.206 and 5.3700, concerning underserved area designations for automobile and residential property insurance, respectively. The changes would delete Subsection (h) of 5.206 and Subsection (g) of 5.3700.

The subsections in question require TDI, upon request, to:

- Publish a listing of the average number of vehicles on policies in force by company and by ZIP code and
- Provide a quarterly listing of the number of residential property insurance policies in force or written by type of policy, by company, by ZIP code.

TDI proposes to delete the subsections because state district courts in Austin have found them invalid. The *Texas Government Code* requires state agencies to repeal rules that have been declared invalid by final court judgements.

Publication: 27TexReg1977, March 15, 2002
Earliest possible adoption: April 15, 2002
Further information: 512 463-6327

HEALTH CARE

APA Proposal

Delegated Entities

- The Department has proposed new 28 TAC §§ 11.2601–11.2612 concerning delegation agreements between HMOs (other than group model HMOs) and their delegated entities. The proposed rules would implement provisions of House Bill 2828 of the 77th Legislature.

Commissioner Jose Montemayor will conduct a public hearing on the proposed rules under Docket 2519 at 9:30 a.m., April 23, 2002, in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

A summary of the proposed rules follows.

Purpose

The purpose of the proposed rules is to establish requirements to assure that each delegating HMO:

- Identifies all responsibilities relating to the functions being delegated;

- Creates an agreement that enables the HMO and TDI to monitor the delegated entity's financial solvency and performance or its subsequent re-delegation of functions, and
- Retains ultimate responsibility for ensuring that all delegated functions are performed in accordance with applicable statutes and rules.

Key Definitions

Delegated entity: An entity that undertakes to arrange for or to provide medical care or health care to an enrollee in exchange for a predetermined payment on a prospective basis and that accepts responsibility to perform on behalf of the HMO any function regulated by the Texas HMO Act.

Delegated network: Any delegated entity that assumes total financial risk for more than one of the following categories of health care services: medical care, hospital or other institutional services or prescription drugs. The term does not include a delegated entity that shares risk for a category of services with an HMO.

Delegated third party: A third party other than a delegated entity that contracts with a delegated entity to accept responsibility to perform any function regulated by the HMO Act or to receive, handle or administer funds, if the receipt, handling or administration of the funds is directly or indirectly related to a function regulated by the Act.

Requirements for Delegation

An HMO retains ultimate responsibility for any and all functions delegated. A delegated entity's failure to comply with any applicable statute or rule would constitute a violation of the HMO Act by the delegating HMO. An HMO could be required to resume any or all delegated functions if it could not assure that a delegated entity is performing those functions in accordance with all applicable statutes or rules or a TDI order issued pursuant to these rules.

Before making, renewing or amending a delegation agreement, an HMO would be required to make a reasonable effort to evaluate the entity's ability to perform the delegated functions. This would include reviewing the solvency and financial operations of the entity and the projected financial effects of the agreement on the entity. An HMO would be responsible for monitoring each delegated entity with which it contracts to assure solvency and compliance with all applicable statutes and rules.

An HMO that delegates functions would be required to have a written contingency plan for resuming those functions, including quality of care, continuity of care and claim payment. The plan would have to include provisions for transferring enrollees to new providers if a delegation agreement is terminated.

TDI could require an HMO to immediately terminate a delegation agreement if necessary to assure that the HMO is in compliance with the HMO Act.

When Texas law requires a license to perform a delegated function, the HMO would be required to assure that the delegated entity or a third party performing the function is appropriately licensed.

An HMO would be required to report to TDI within a reasonable time all penalties assessed against a delegated entity under provisions of the delegation agreement.

Delegation Agreements

An HMO delegating any function required by the HMO Act would have to execute a written agreement with the delegated entity. Among other things, the agreement would have to include:

- A requirement that the entity, and any delegated third parties, comply with all statutes and rules applicable to the functions being delegated by the HMO.
- A provision that the HMO will monitor the acts of the delegated entity through a monitoring plan that contains, at a minimum:
 - Provisions for reviewing the delegated entity's financial condition. This would include regular scrutiny of the entity's balance sheet, income statement and statement of cash flows for the current and preceding years;
 - Provisions for reviewing the entity's compliance with the terms of the delegation agreement and with all applicable statutes and rules affecting the functions delegated by the HMO;
 - A description of the delegated entity's financial practices in sufficient detail to assure tracking and timely reporting to the HMO of liabilities, including obligations incurred but not reported;
 - A method for monthly reporting of the total amount paid by the delegated entity to physicians and providers under the delegation agreement; and

RuleMaking

- A requirement that the delegated entity maintain a monthly log of complaints regarding delayed payment or non-payment of claims, including the status of each complaint.
- A statement that the HMO will use the monitoring plan on an ongoing basis.
- Quarterly reporting to the HMO of certain information relevant to solvency and to compliance with TDI requirements. The reports would be required to include:
 - A summary describing methods, including capitation and fee-for-service, used by the entity to pay physicians and providers and showing the percentage of physicians and providers paid by each method;
 - The period of time that claims under the agreement have been pending but unpaid, divided into categories of 0–45 days, 46–90 days and 91 or more days;
 - The aggregate dollar amount of claims and other obligations owed by the entity to any physician or provider;
 - Information the HMO requires for filing claims for reinsurance, coordination of benefits and subrogation; and
 - Documentation of any regulatory agency's inquiry or investigation of the entity or of a physician or provider under contract with the entity and relating to an enrollee of the HMO.
- A provision establishing penalties the delegated entity would be required to pay to the HMO for failure to provide required information.
- A "hold harmless" provision prohibiting the delegated entity and its contracted physicians and providers from balance billing enrollees for covered services, other than for copayments and deductibles.
- A provision that the delegation agreement may not be construed as limiting the HMO's responsibility, including financial responsibility, to comply with all statutory and regulatory requirements.
- A provision that the HMO may terminate the delegation agreement if the entity fails to comply with applicable statutes, rules or monitoring standards.
- A requirement that the delegated entity permit TDI, at any time, to examine information relevant to the entity's solvency or to its ability to meet its responsibilities in connection with delegated functions.

- If utilization review is delegated, a provision requiring that enrollees be told at the time of enrollment who will conduct such reviews. Utilization review must be conducted in accordance with *Texas Insurance Code* Article 21.58A and related rules. The delegated entity or delegated third party would have to forward utilization review decisions to the HMO on a monthly basis.
- A requirement that the delegated entity make available to the HMO samples of each type of contract the entity executes with physicians and providers. The entity, however, would not be required to disclose contractual provisions relating to financial arrangements.
- A provision requiring the delegated entity to send the HMO, within two business days, a copy of each enrollee complaint filed with the entity. Complaints involving emergency care must be forwarded immediately to the HMO.

Information Owed to Delegated Entities

The proposed rules would require an HMO to provide to each of its delegated entities the following information in an agreed electronic format at least monthly:

- Name and birth date or Social Security number of each enrollee eligible or assigned to receive health care from the entity.
- Age, sex, evidence of coverage (including riders) and, if applicable, the employer of enrollees who are eligible or assigned to receive health care from the entity.
- A summary of the number and amount of claims paid by the HMO on behalf of the delegated entity during the previous reporting period.
- A summary of the number and amount of pharmacy prescriptions paid for each enrollee for which the entity has taken partial risk during the previous reporting period.
- Information needed by the entity to file claims for reinsurance, coordination of benefits and subrogation.
- Patient complaint data that relates to the entity.

In addition, the HMO would be required to send the delegated entity, at least quarterly and on settlement, detailed risk-pool data sufficient to allow the entity to adequately monitor its position in any risk pool. The HMO also would have to report to the entity the percent

of premium attributable to hospital or facility costs if such costs affect the entity's costs. If changes occur in the HMO's contracts with hospitals or facilities, the HMO would have to tell the delegated entity within 30 days the projected impact of those changes on the percent of premium attributable to hospital and facility costs.

Reporting Requirements

If an HMO receives a financial statement indicating that the liabilities of a delegated entity or delegated third party exceed its assets, the HMO would be required to immediately forward a copy of the statement to TDI.

An HMO that receives information indicating that a delegated entity or delegated third party is violating its written agreement or is in a hazardous condition would be required to immediately notify the entity and request a written explanation. The entity would have to respond within 30 days with a corrective action plan. Copies of all communications would have to be sent to TDI.

The HMO would be required to cooperate with the delegated entity to correct any failure by the entity to comply with statutes and rules relating to any matters delegated by the HMO or necessary for the HMO to assure compliance with statutory or regulatory requirements.

Examinations

TDI has authority to examine delegated entities. Failure of an entity to cooperate with examiners could result in an order requiring the HMO to resume the functions performed by the entity, delegate the functions to someone else or terminate the delegation agreement altogether. The Department would report its findings to the entity and the HMO, which would then have 30 days to submit their corrective action plan to TDI.

Corrective Action

TDI could require at any time that a delegated entity take corrective action to comply with statutes and rules relating to delegated matters or to the entity's solvency. Similarly, TDI could order an HMO to take actions to assure compliance with the HMO act, including resumption of any delegated functions, cessation of assignment of new enrollees to the entity, transferring enrollees to alternative delivery systems or termination of the delegation agreement.

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Reserves

HMOs that contract with the delegated networks would be required to ensure that they comply with *Texas Insurance Code* Article 20A.18D, governing reserves of delegated networks. HMO agreements with delegated networks would have to include a provision assuring that records related to these reserves be accessible to the HMO and TDI at all times. An HMO would be required to maintain records providing evidence it has adequately monitored delegated network reserves.

Penalties for Non-Compliance

Noncompliance with the rules could result in a Commissioner's order requiring an HMO to terminate the delegation agreement and/or resume or redelegate any or all of the delegated functions. Resumption can, at the Commissioner's discretion, include claim processing and adjudication and payments for health care previously rendered to enrollees of the HMO. Any action by an HMO relating to a delegation agreement that does not comply with the delegated entity rules or that takes place under a provision of a delegation agreement out of compliance with these rules would be considered a violation.

Filing of Agreements

HMOs would be required to file their delegation agreements and amendments with TDI within 30 days after execution. If TDI notifies an HMO of a deficiency in an agreement, the HMO would have 10 business days to respond with a proposed correction.

*Publication: 27TexReg2182, March 22, 2002
Earliest possible adoption: April 22, 2002
Further information: 512 463-6327*

PROPERTY

APA Proposal

Building Code Amendments

■ The Department has proposed amendments to 28 TAC §5.4008, concerning the *Building Code for Windstorm Resistant Construction*. The proposed changes were recommended by the Building Code Advisory Committee on Specifications and Maintenance. If adopted, they would take effect on June 1, 2002.

Commissioner Jose Montemayor will hold a public hearing on the proposal at 9:30 a.m., April 23, 2002, in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

Highlights of the proposed changes include:

- Clarification that the foundation requirements are minimum requirements for the wind resistance of the structure. The proposed new paragraph specifies that other design conditions such as soil conditions and surface drainage are not within the scope of the code and are not addressed by the code requirements. In addition, the proposed change would generalize beam anchorage methodology to give builders more options.
- Provision of a prescriptive method of construction of an offset at gable endwalls.
- Addition of subparagraphs to permit rafter braces to be supported by ceiling joists.
- Addition of an option in the Ceiling Framing and Roof Framing sections to permit the construction of rafter braces supported by ceiling joists.
- New language providing guidance for the attachment of a wood nailer to a masonry door opening or a masonry window opening that would provide options for the attachment of door and window products to masonry construction, including options on types of anchors.
- Clarification that overhangs at the ends of supported roof overhangs and porches may not exceed two feet.

*Publication: 27TexReg2180, March 22, 2002
Earliest possible adoption: April 22, 2002
Further information: 512 463-6327*

TRADE PRACTICES

APA Adoption

Mandatory Notice of Coverage of Certain Tests

■ Commissioner Jose Montemayor has adopted 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 amendments implement provisions of Senate Bill 1467, codified as *Texas Insurance Code* Article 21.53S.

The notice is 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 are 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. Benefits include the covered person's 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 required notice also must include carrier contact information for covered persons with questions about the mandated benefit.

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

*Projected publication date: March 29, 2002
Effective date: April 18, 2002
Further information: 512 463-6327*

WORKERS' COMPENSATION

Exempt Adoption

Audit and Retro Additional Premiums

■ Commissioner Jose Montemayor has adopted Texas–Audit Premium and Retrospective Premium Endorsement WC 42 04 07 as proposed by TDI staff. The endorsement has been incorporated into the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance*.

The endorsement establishes 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: 27TexReg1881, March 8, 2002
Effective date: March 23, 2002
Further information and copies: 512 463-6327 ★*

Disciplinary Actions

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

AGENTS & AGENCIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Abio, John Martin Abio Financial Group Inc.	Frisco Dallas	Cease-and-Desist Order and Fines Totaling \$15,000	Advertising Violations; Agency Conducted an Insurance Business Prior to Licensure	02-0134	2/8/02
	Calhoun, Billy George Texas Casualty Insurance Agency, Inc.	Bellaire Houston	Revocation of Individual's General Property and Casualty Agent's License Life, Accident, Health and HMO Agent's License; General Lines Casualty Selling Accident and Health Insurance Agent's License; and Risk Manager's License. Revocation of Corporation's General Lines Property and Casualty Insurance Agent's License	Misappropriation and Conversion; Fraudulent and Dishonest Practices and Acts	02-0031	1/14/02
	Catland, Barbara Elaine	San Antonio	Adjuster's License Revoked	Felony Conviction; Material Misstatements on License Applications	02-0095	1/29/02
	DeLaMatyr, George Jr.	Corpus Christi	One-Year Probated Suspension of Qualified Inspector's Appointment; \$2,500 Fine	Failure to Provide Sub- stantiating Information to TDI	02-0161	2/21/02
	Estrada, Reymundo Rey Estrada Insurance Agency Inc.	El Paso	Fines Totaling \$5,000 and One-Year Probated Suspension of P&C, Life/ Health/HMO and Prepaid Legal Services Agent's Licenses, Plus Restitution	Allowed Unlicensed Persons to Conduct Insurance Activities; Failed to Disclose Fees; Illegally Withheld Money Belonging to an Insured and an Insurer	02-0112	2/1/02
	Estrada, Reymundo II	El Paso	\$5,000 Fine and One-Year Probated Suspension of Motor Vehicle Only Agent's License	Acted as Agent Prior to Licensure; Failed to Disclose Fees; Illegally Withheld Money Belonging to an Insured and an Insurer	02-0113	2/1/02
	Gonzales, Augustine Gus	Dallas	\$4,000 Fine	Misappropriation or Conversion	02-0148	2/13/02
	Howard, Linda Louise	Henderson	Probated Suspension of Property and Casualty Agent's License	Felony Indictment and Deferred Adjudication Upon Guilty Plea	02-0111	1/31/02
	Johnson, Germaine	Houston	Prepaid Legal Services Agent's License Denied	Fraudulent or Dishonest Acts	02-0110	1/31/02
	Kaufman County Title & Abstract Co.	Kaufman	\$1,500 Fine and Cease- and-Desist order	Late Filing of Escrow Audit	02-0176	2/26/02
	Nicholson, Franklin Harvey	Shepard	General Property and Casualty Agent's License Denied	Fraudulent or Dishonest Acts or Practices; Felony or Misdemeanor Convictions Directly Related to Duties and Responsibilities of an Agent	02-0086	1/25/02
	Parker, Melvin Charles dba Senior Alliance Center	Richardson	\$3,000 Fine and Cease- and-Desist Order	Lead Card Violations	02-0179	2/27/02

COMPANIES

American Home Assurance Co.	New York, NY	\$24,000 Fine	Use of Unapproved Workers' Compensation Policy Form	02-1051	2/14/02
Frontier Insurance Co.	Rock Hill, NY	\$24,750 Fine, Plus Restitution	Failure to Make Required Refunds of Workers' Com- pensation Maintenance Tax Surcharge	02-0053	1/22/02
Tank Owners Mutual Insurance Co.	Fort Worth	Cease-and-Desist Order	Violation of Anti-Rebating Law	02-0162	2/21/02
TIG Insurance Co.	San Francisco	\$3,000 Fine	Failure to Provide Auto Experience Rating Data	02-0136	2/11/02

Continued on page 8

Disciplinary Actions

CONTINUING EDUCATION	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Proed Consultants Inc.	Dallas	\$6,500 Fine and One-Year Probated Suspension of Continuing Education Provider Registration	Consent Order; Alleged Issuance of False Continuing Education Certificates of Completion	02-0137	2/11/02

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	North American Medical Management-San Antonio, L.P.	San Antonio	Utilization Review Agent's License Canceled	Surrendered License	02-0125	2/6/02
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Company Licensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Continuous Care LLC	TPA	Dearborn, MI
Dakota Truck Underwriters	Fire & Casualty	Sioux Falls, SD
Encompass Insurance Company of America	Fire and/or Casualty	Chicago, IL
Family Financial Life Insurance Co.	Life, Accident and/or Health	Metairie, LA
Florida Select Insurance Co.	Fire and/or Casualty	Sarasota, FL
GAB Robins Risk Management Services Inc.	TPA	Wilmington, DE
General Fire & Casualty Co.	Fire & Casualty	Boise, ID
The Gray Casualty Co.	Fire and/or Casualty	Metairie, LA
Group Practice Affiliated, LLC	TPA	Rancho Cordova, CA
International Corporate Marketing Group, LLC	TPA	Wilmington, DE
United Benefits Inc. LLC	TPA	Daytona Beach, FL

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Aerospace Insurance Co.	Fire and/or Casualty	Dallas, TX
Integrated Mental Health Management, LLC	TPA	Austin, TX
Integrated Mental Health Services	TPA	Austin, TX
Pinnacle Independent Physicians Association (doing business under the assumed name of Pinnacle IPA)	TPA	Houston, TX
Quorum Administrators Inc.	TPA	Dallas, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Aetna Life Insurance and Annuity Co.	ING Life Insurance and Annuity Co.	Life, A&H	Hartford, CT
Aid Association for Lutherans	Thrivent Financial for Lutherans	Life, Accident and/or Health	Appleton, WI
CNA Casualty of Illinois	Encompass Property and Casualty Co.	Fire and/or Casualty	Chicago, IL
Hawkeye Security Insurance Co.	Homeland Central Insurance Co.	Fire and/or Casualty	Des Moines, IA

Correction: The February issue of **TexasInsuranceNews** incorrectly reported Benefit Land Title Insurance Co.'s recent name change. The company's correct new name is Commerce Title Insurance Co.



Texas Department of Insurance

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