



# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## Bundling, Downcoding Rules Proposed

**TDI** HAS PROPOSED two alternative rule-making approaches for disclosure of information about “bundling,” “downcoding” and other payment procedures to physicians and providers that contract with HMOs and insurers offering preferred provider benefit plans.

For the purposes of brevity, this article will refer to HMOs and insurers offering preferred provider plans as “carriers.”

The Department published proposals to amend TDI rules on preferred provider plan and HMO contracts in the June 14, 2002, issue of the *Texas Register*. The proposals also can be accessed on TDI’s Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Each proposal includes the two alternative approaches.

One approach would require that all physician and provider contracts entered into or renewed after the effective date of the rule contain the required payment procedure information. Carriers would be required to provide the same information to physicians or providers with existing contracts no later than 90 days after the proposal takes effect. The alternative approach would require disclosure of this information only to physicians and providers with contracts entered into or renewed after the proposal takes effect and only upon request.

TDI’s *Texas Register* filing states that Commissioner Jose Montemayor will adopt one of the two alternatives, possibly with changes from the proposed version.

Montemayor will hold a hearing on the proposals at 9:30 a.m., July 19, 2002, in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin. The deadline for submitting written comments is 5 p.m., July 15, 2002.

In an opinion issued on May 8, 2002, Attorney General John Cornyn held that the Commissioner of Insurance has legal authority to issue rules requiring carriers to disclose their fee schedules, bundling processes and downcoding policies to contracting physicians and providers. Governor Rick Perry immediately asked the Department to submit proposed rules to the *Texas Register* by

June 3, 2002. The Department complied with that request.

Montemayor noted after Cornyn issued his opinion that TDI staff had been addressing the disclosure issue with the Texas Medical Association, the Texas Hospital Association and Texas Association of Health Plans and other parties that participate in the Department’s Clean Claims Working Group.

The proposed rules would amend 28 TAC § 3.3703 with respect to preferred provider plans and 28 TAC § 11.901 with respect to HMOs.

Following is a description of the alternative disclosure rules proposed by TDI staff:

### Alternative One

Physician and provider contracts would be required to contain information in sufficient detail to enable a reasonable person with sufficient training, experience and competence in claim processing to determine the payments to be made under those contracts. This information would have to explain all the methodologies the carrier would use to process and pay claims, including a fee schedule, any non-standard coding methodologies, bundling processes and downcoding policies.

In addition, a carrier would have to provide any addendum, schedule, exhibit or policy that is necessary to provide a reasonable understanding of the information being disclosed. For instance, a schedule indicating that the carrier will reimburse certain claims at a “usual and customary rate” would have to explain how that rate is determined for a particular service.

A carrier could provide any required information in a document or manual separate from the contract if the contract itself identifies the document or manual as the source of the information. In this case, the carrier would have to present the document or manual to the physician or provider no later than the date the contract is executed.

If copyright laws or a licensing agreement prevent the carrier from providing the required information, the carrier could satisfy the disclosure re-

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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

The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. **Texas Insurance News** should not be construed to represent the policy, endorsement or opinion of the Commissioner of Insurance or the Texas Department of Insurance.

By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the *Texas Register*.

To the best of the staff’s ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.

## NewsBriefs

### TDI Issues Instructions on National HO Policies

**TDI HAS NOTIFIED** insurers that they may use the recently adopted State Farm and USAA national residential property insurance forms if they comply with certain conditions.

The Department issued a bulletin (B-0029-02) on June 5, 2002, informing companies of the State Farm and USAA adoptions and describing what a company must do to use the forms. The bulletin can be accessed on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

According to the bulletin, a company that elects to use the State Farm or USAA forms must file for and receive TDI's approval. In the filing, the company must agree to abide by conditions and requirements laid out in the Commissioner's orders adopting those forms. These conditions include:

- Rate reductions to reflect changes in coverage.
- The filing of rate information with TDI for two years after a company starts using the State Farm or USAA forms.
- Disclosure to existing policyholders how the State Farm and USAA forms differ from the policies the customers currently have.
- Giving policyholders the option to buy endorsements providing water damage, slab foundation and mold coverage similar to the coverage provided in the Texas standard HO-B policy that most homeowners now have. ★

### TDI Tabulates Latest Mold Data Call Results

**THE FIVE LARGEST** homeowners writers, with 75 percent of the state's total market, have reported they had 44,285 mold-related water claims in Texas over the past two years, with estimated incurred losses and ALAE totaling more than \$1 billion.

State Farm, Allstate, Farmers, USAA and Travelers provided the statistics in response to a TDI call for data on results in the third and fourth quarters of 2001. USAA and Travelers data was added to numbers previously collected from the other three carriers for 2000 and the first half of 2001.

The revised and updated numbers are on the Mold Resource page of TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us).

According to the data, the five carriers paid and reserved \$152.7 million in mold-related water claims and ALAE in 2000 but \$854.4 million in 2001. The figures represent the total amount of

water claims in which the presence of mold is known or alleged and include payment of costs not related to mold such as underlying non-mold water damage, slab damage and other repairs not directly resulting from mold itself.

The number of mold-related claims jumped from 7,083 in 2000 to 37,202 in 2001.

The quarterly claim count multiplied almost geometrically, from 1,050 in the first quarter of 2000 to 14,706 in the fourth quarter of 2001. ★

### TDI Advises Insurers of U.S. PATRIOT Act

**THE DEPARTMENT** has notified insurers and other TDI licensees that a new federal law will require them to establish anti-money laundering programs later this year.

The requirement is contained in the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001."

TDI issued a bulletin (B-0025-02) on May 22, 2002, calling attention to this statute. The bulletin notes that the U. S. Department of the Treasury has been examining the money laundering risks associated with insurance products and will soon issue proposed rules governing the establishment of anti-money laundering programs by insurance companies.

"The Texas Department of Insurance encourages all insurance companies to be alert for the issuance of the proposed rule," the bulletin said. It notes that the Treasury had temporarily exempted insurers from the money laundering provisions. The exemption applies for no more than six months, or no later than October 24, 2002.

Anti-money laundering provisions of the USA PATRIOT Act require financial institutions, at minimum, to:

- Develop internal policies, procedures and controls.
- Designate a compliance officer with access to senior management and with appropriate training and background to execute his or her responsibilities.
- Establish an employee training program.
- Have an independent audit function to test the financial institution's anti-money laundering programs.

Under the federal statute, the Treasury must establish minimum standards for financial institutions regarding the identity of their customers in

connection with the purchase of insurance. The program must set forth customer identity verification and documentation procedures as well as procedures for notifying customers about this requirement and to determine whether a customer appears on government lists of known or suspected terrorists or terrorist organizations.

The full text of the bulletin may be accessed on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). ★

### Annual Statements Available On-Line

**ANNUAL STATEMENTS** filed electronically with the NAIC can now be accessed online at <http://www.naic.org/servlet/cis.CompanySearch>. The information also can be reached through TDI's Web site. Go to the Forms/Databases/Lists menu and click on "Annual Statements." An application that reads PDF files, such as the Adobe Acrobat Reader, is needed to view the annual statements. The NAIC advises that information in the statements is presented "as is" with "no guarantee of the truth, accuracy or completeness of the information." ★

### Fraud Unit Prosecutions

#### Indictments

**Ortega, Gwenna**, indicted in Austin on charges of making a false statement in a written instrument, a third-degree felony.

**Catland, Barbara Elaine**, indicted in Austin on charges of making a false statement in a written instrument, a third-degree felony.

**Harmel, Don**, indicted in Austin on charges of misapplication of fiduciary property, a first-degree felony.

**Montgomery, Latisha Renee**, indicted in Beaumont on charges of insurance fraud, a state jail felony.

**Rice, Kevin**, indicted in Dallas on charges of securing the execution of a document by deception, a third-degree felony.

#### Case Dispositions

**Harris, Shann Hydrick**, received two years' deferred adjudication and 200 hours of community service in Belton for insurance fraud, a state jail felony.

**King, Kenneth Day**, received 36 months' deferred adjudication in Dallas for misapplication of fiduciary property, a third-degree felony. ★

# TDI update

## HMOs Report Profit in First Quarter of '02

**UNAUDITED FINANCIAL REPORTS** for the first quarter of 2002 indicate that basic service HMOs, taken as a whole, made a profit on their Texas-only business for the first time in six years.

The reports indicated combined after-tax net income of \$595,567. This contrasts with an after-tax loss of \$56.5 million in the first quarter of 2001.

Twenty of the 36 licensed basic service HMOs showed an after-tax profit on their unaudited quarterly financial reports. Thirteen lost money, one broke even and two were inactive.

"I welcome the first quarter's apparent profitability as a sign that the HMO reforms of the past few years may be getting the results we intended," Commissioner Jose Montemayor said. "These reforms included more accurate accounting of an HMO's true net worth and a requirement that HMOs post special cash reserves when they know their premiums are insufficient to cover claims and expenses."

The last industrywide profit on Texas-only business occurred in the first quarter of 1996. After that, the basic service HMO industry posted after-tax losses in 23 consecutive quarters.

Basic service HMO enrollment reported for the first quarter was 3,402,099, a reduction from the 3,611,072 reported as of the close of 2001.

The 16 single-service HMOs reported after-tax net income of \$8.2 million in the first quarter. Their enrollment in Texas was 3,401,233.

The three limited service HMOs, with 183,780 enrollees, reported they lost \$2.6 million. ★

## Enforcement Actions

### American Benefit Plans Fined \$4.15 Million

**STATE DISTRICT COURT JUDGE** Scott Jenkins of Austin has placed American Benefit Plans (ABP), an unauthorized insurer, into permanent receivership and entered a judgment imposing \$4.15 million in civil penalties.

Judge Jenkins also ordered ABP and other defendants to reimburse TDI \$74,192 for investigative expenses.

Approximately 30,000 persons in 41 states, including 8,000 in Texas, were insured by ABP, primarily under contracts with employers.

ABP was placed in temporary receivership on March 6. That order froze ABP's assets and enabled Robert Loiseau, the special deputy receiver

appointed by Commissioner Jose Montemayor, to take control of ABP's money, books and records. Loiseau testified that \$2.5 million in assets had been recovered so far, and that an additional \$1.5 million held by entities not named as defendants had been identified. Judge Jenkins' order directed those entities to turn the funds over to the SDR. Health plan members' claims will take precedence over the civil penalties in the distribution of assets recovered by the SDR.

Among other defendants, the court order names ABP officers Robert David Neal of Fort Worth and Robert Neal Pointer of Dallas and the National Association of Working Americans. ★

### Tyler Agent Arrested in Fraud Unit Case

**AN UNAUTHORIZED INSURANCE** investigation has led to the arrest of Tyler agent John William Tesseyman III and the issuance of an emergency cease-and-desist order against the Teshler Corp., his unlicensed corporate insurance agency.

Tyler police on June 10, 2002, executed an arrest warrant issued by State District Judge Julie Kocurek of Austin. The warrant listed charges of misapplication of fiduciary property over \$200,000, theft over \$200,000 and securing execution of a document by deception over \$200,000 and unauthorized insurance. Kocurek set Tesseyman's bond at \$400,000.

The charges followed an investigation conducted by TDI's Insurance Fraud Unit and the Travis County District Attorney's office.

Tesseyman's actions may have left more than 100 Fourth of July fireworks displays and hundreds of trucks transporting petroleum products without valid insurance.

Commissioner Jose Montemayor issued an emergency cease-and-desist order on June 6, 2002, directing Teshler Corp. and Tesseyman to stop selling insurance products without the necessary licenses.

Tesseyman sold the policies through the Teshler Corp., Southwest Pyro Consortium and Southwest Property and Casualty in Tyler. While Tesseyman is individually licensed to sell life/health and P&C insurance, Teshler Corp. is not licensed as a corporate P&C agency or corporate surplus lines agency. ★

### Judge Issues TRO Against Bogus Policies

**STATE DISTRICT JUDGE** Pete Lowry has frozen the assets of two Texas agents and directed them to stop selling allegedly fraudulent commercial property policies.

TDI investigators alleged that agents Robert S. Harrison of Richmond and Pete F. Ballard of San Antonio, operating as Harrison Insurance Agency, collected millions of dollars for worthless coverage on as many as 73 apartment complexes.

The investigators determined that Harrison and Ballard continued to add properties to a Lloyd's of London policy despite Lloyd's cancellation of their appointment and placed \$1.4 billion of exposure on an \$850 million policy by adding risks after policy limits were reached.

Judge Lowry issued a temporary restraining order on May 31, 2002, and followed it with a temporary injunction on June 13, 2002. The injunction took the restraining order a step further by prohibiting the agents from replacing or attempting to replace the allegedly fraudulent policies, except with the written approval of the receiver.

The judge appointed San Antonio CPA Edward L. Rishbarger as receiver of Harrison, Ballard, Harrison Insurance Agency, HB Insurance Management Inc. and HB Insurance Services Inc. Assets seized will be used to provide restitution to individuals who have outstanding claims. ★

# RuleMaking

## AUTOMOBILE

### Exempt Adoption Underinsured Vehicle Definition

■ Commissioner Jose Montemayor has amended the *Texas Automobile Rules and Rating Manual* with respect to the definitions of an underinsured vehicle in Endorsements 578, Named Non-Owner Coverage, and 579, Named Operator-Government Employees.

The changes conform the definition of an underinsured motor vehicle in the endorsements to the definition contained in the Texas Personal Auto Policy. The inconsistency between the definitions recently was brought to staff's attention.

Effective August 13, 2002, the definition will read as follows in all applicable automobile insurance forms:

*An underinsured motor vehicle is one to which a liability bond or policy applies but its limit of liability:*

- a. is not enough to pay the full amount the covered person is legally entitled to recover as damages; or
- b. has been reduced by the payment of claims to an amount which is not enough to pay the full amount the covered person is legally entitled to receive as damages.

In addition, the rule change redesignates the endorsements as 578A and 579A.

*Publication: 27TexReg 5257, June 14, 2002  
Reference No. A-0402-13-1  
Further information: 512 463-6327*

## FINANCIAL

### APA Proposals

#### Auto Insurance Assumptions

■ The Department has proposed an amendment to 28 TAC § 5.11, concerning assumption certificates related to automobile insurance policies.

The change would eliminate the present restriction that an assumption certificate may be attached only when the ceding carrier is in receivership or conservatorship and only when a court has approved a reinsurance agreement. Instead, a certificate could be attached to an auto policy when a reinsurance assumption agreement has been approved by a Commissioner's order.

In its proposal, TDI states that there is a need to approve assumption reinsurance agreements in limited situations other than conservatorship or receivership. In general, these limited situations are tied to the best interests of the affected policyholders when a transaction such as a related dissolution, sale or hazardous financial condition, or other financial condition of the ceding insurer, indicates an assumption of the policies would be in the best interest of the policyholders. Each situation would be determined on a case-by-case review.

*Publication: 27TexReg5063, June 14, 2002  
Earliest possible adoption: July 14, 2002  
Further information: 512 463-6327*

### 2002 Annual and Quarterly Statements

■ The Department has proposed new 28 TAC § 7.65 concerning the requirements for filing 2002 annual and quarterly statements.

The proposed rule incorporates annual and quarterly filing updates from the prior period. The instructions and forms required are essentially the same as the 2001 annual and quarterly statement filings except for the addition of:

- A new NAIC form for life companies to file a Worker's Compensation Carve-out Supplement. This form reflects information on reinsurance assumed by life and health insurers on certain business originally written as workers' compensation. The applicable exposures are occupational illness and accident but not employers liability.
- A "Supplemental Investment Risks Interrogatories" supplement. This supplement is designed to improve disclosures regarding diversification and valuation of assets.

*Publication: 27TexReg5064, June 14, 2002  
Earliest possible adoption: July 14, 2002  
Further information: 512 463-6327*

## HEALTH CARE

### APA Proposals

#### Preferred Provider Plan Disclosures

■ The Department has proposed amendments to 28 TAC § 3.3703 concerning required provisions in preferred provider plan contracts with physicians and providers. The changes address disclosure of certain information about fee schedules and coding procedures that affect the payment process. For details, please see the cover article in this issue of

**TexasInsuranceNews.**

*Publication: 27TexReg5059, June 14, 2002  
Earliest possible adoption: July 14, 2002  
Further information: 512 463-6327*

### HMO Disclosures

■ The Department has proposed amendments to 28 TAC § 11.901, concerning required provisions in HMO contracts with physicians and providers. The changes address disclosure of information of fee schedules and coding procedures that affect the payment process. For details, please see the cover article in this issue of **TexasInsuranceNews.**

*Publication: 27TexReg5071, June 14, 2002  
Earliest possible adoption: July 14, 2002  
Further information: 512 463-6327 ★*

### Brown to Head Combined Complaints Resolution

**T**HE PROPERTY and Casualty and Life, Accident and Health Complaints Resolution sections of Consumer Protection have been merged into a single unit headed by Valerie Brown, who had been director of the P&C section.

Brown has been with TDI for 18 years, the past eight as director of Property and Casualty Complaints Resolution. She previously was an insurance specialist in that section. She joined the agency in 1984 and worked briefly in Legal and Compliance before transferring to Consumer Protection.

Audrey Selden, senior associate commissioner of Consumer Protection, said she merged the two units to increase efficiency and improve service.

"Combining our complaints resolution functions into one unit allows us to devote more resources to reviewing complaints and eliminate some duplicative functions," Selden said. ★

### Robinson to Manage Consumer Help Line

**J**OHAN ROBINSON has accepted the position of director of Information Assistance (IA) in Consumer Protection. IA staff respond to requests for information and assistance made through the agency's toll-free Consumer Help Line.

Robinson is a graduate of Southwest Texas State University with a degree in geography. He worked at USAA in San Antonio for 19 years, including nearly 5½ years as manager of USAA's policy services call center. Most recently, he served as a business projects manager at USAA. ★

## Montemayor Adopts USAA's HO Policy

**COMMISSIONER JOSE MONTEMAYOR** has issued an order adopting USAA's national residential property forms for use in Texas.

USAA has indicated it will start using its national forms in lieu of Texas standard forms on both new and renewal business starting January 1, 2003. Other companies may apply to TDI for authorization to use the USAA forms.

Preliminary numbers from USAA indicate the company's average rate for a brick veneer house insured for \$80,000 will drop from \$1,645 for a Texas standard HO-B policy with full mold remediation coverage to \$779 for the basic USAA policy. If a policyholder elects to buy water coverage similar to that provided by the HO-B, with full mold remediation, the average premium would be \$1,617.

As with the State Farm national policies adopted by Montemayor in March, the primary differences between the USAA national forms and the Texas standard forms are in coverage of water-related damage. The basic USAA policy covers damage from sudden and accidental water discharges but excludes 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 will 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.

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

### Bundling... *from page 1*

requirement by supplying a summary of this information. However, this summary would have to be sufficient to enable the physician or provider to determine the payment to be made under the contract.

A carrier would have to give physicians or providers at least 60 calendar days' notice before changing or replacing any of the required information.

Physicians and providers receiving the required information could not use or disclose it for purposes other than practice management, billing activities or other business operations. They also would be prohibited from using the information to misrepresent the level of services actually performed when submitting a claim.

### Alternative Two

Physicians and providers would have a contractual right to request a description of a carrier's coding guidelines, including any underlying bundling, recoding or other payment processes and fee

schedules applicable to specific procedures. A carrier would have to furnish the information within 30 days after receiving a request.

A carrier would be required to provide 60 days' advance notice of material changes in its coding guidelines and fee schedules and could not make retroactive changes in the guidelines and schedules.

Physicians and providers that receive this information could use or disclose it only for the purpose of practice management, billing activities or other business operations. The rules would not be subject to any interpretation that would require a carrier to violate copyright or other law by disclosing proprietary software licensed to it.

Upon request from a physician or provider, a carrier would be required to furnish the name, edition and model version of software used to determine the bundling and unbundling of claims. ★

## Data Call Reminders

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

### Quarterly Closed Claim Reports

Reports (Long/Short Forms) for claims closed during the second quarter of 2002 are due July 10, 2002. The forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html>. TDI contact is Vicky Knox, **512 475-1879**. E-mail address: [vicky.knox@tdi.state.tx.us](mailto:vicky.knox@tdi.state.tx.us)

### Call for Quarterly Experience

The Call for Second Quarter 2002 Experience will be due August 15, 2002. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html>. TDI contact is Julie Jones, **512 475-3030**. E-mail address: [julie.jones@tdi.state.tx.us](mailto:julie.jones@tdi.state.tx.us)

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

The Call for First Quarter 2002 Experience will be due August 15, 2002. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html>. TDI contact is Julie Jones, **512 475-3030**. E-mail address: [julie.jones@tdi.state.tx.us](mailto:julie.jones@tdi.state.tx.us)

### Texas Title Insurance Agent Statistical Report

The call was issued April 16, 2002, and was due May 27, 2002, for hard copy reports and June 10, 2002, for electronic submissions. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html>. TDI contact is Data Services, **512 475-1878**. E-mail address: [TitleCall@tdi.state.tx.us](mailto:TitleCall@tdi.state.tx.us)



### Texas Title Insurance Company Statistical Report

The call was issued June 13, 2002, and is due July 26, 2002. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html>. TDI contact is Clare Pramuk, **512 475-3015**. E-mail address: [clare.pramuk@tdi.state.tx.us](mailto:clare.pramuk@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>
	Acosta, Augustin	Laredo	County Mutual License and General Life, Accident and Health License Revoked	Failure to Pay Fine	02-0445	4/29/02
	Cervantes, Ramon Vasquez	Lubbock	Agent License Application Denied	Fraudulent or Dishonest Acts	02-0512	5/16/02
	Cochran, Riley Chad	Arlington	\$3,000 Fine	Fraudulent or Dishonest Acts or Practices	02-0479	5/6/02
	Hernandez, Eduardo Hernandez	Pasadena	General Life, Accident, Health and HMO License and General Property and Casualty License Revoked	Felony Conviction	02-0420	4/23/02
	Lamb-Young, Cheri Jan	Abilene	Credit Insurance Agent's License Revoked	Material Misstatements on License Application	02-0486	5/8/02
	Parfait, Enrique	Lufkin	General Life, Accident, Health and HMO License Denied	Fraudulent or Dishonest Acts or Practices	02-0403	4/18/02
	Rienstra, Hendrik, <i>dba</i> New England International Surety Co.	Geneva, Switzerland Brussels, Belgium	Cease-and-Desist Order and \$200,000 Fine	Unauthorized Insurance	02-0530	5/22/02
	Sullivan, Clair V.	Boston, MA	\$5,000 Fine, \$10,000 Restitution and Cease-and-Desist Order	Unauthorized Insurance	02-0399	4/17/02

<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 Group Inc.	Miami, FL	\$3 Million Multi-State Fine, Including \$150,883 of Texas	Failure to Comply with Previous Multi-State Consent Order	02-0559	5/31/02
	Chrysler Insurance Co.	Southfield, MO	\$1,500 Fine	Late Payment of Workers' Compensation Maintenance Tax Surcharge Refunds	02-0485	5/8/02
	Life Insurance Company of Georgia and Southland Life Insurance Co.	Atlanta, GA Plano	\$1,000 Fine and Order Requiring Compliance with National Regulatory Settlement Agreement Requiring Restitution to Consumers	Consent Order; Alleged Race-Based Pricing of Life Insurance	02-0558	5/31/02
	Office and Professional Employees International Union et al	New York, NY	Emergency Cease-and-Desist Order	Unauthorized Insurance	02-0487	5/9/02
	Southland Lloyds Insurance Co.	Dallas	\$3,000 Fine	Errors in Data Submitted to TDI's Statistical Agent for Private Passenger Auto Insurance	02-0510	5/15/02
	Union National Life Insurance Co. United Insurance Company of America and Reliable Life Insurance Co.	Baton Rouge, LA Chicago, IL Webster Groves, MO	\$225,205 Fine and Order Requiring Restitution and Remediation for Consumers	Consent Order; Alleged Race-Based Pricing of Life Insurance.	02-0480	5/6/02

<b>URA</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Health Administration Services Inc.	Houston	\$10,000 Fine	Consent Order; Alleged Violations of Utilization Review Agent Requirements	02-0511	5/15/02

## Company Licensing

### Applications Pending

For admission to do business in Texas

<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
Acadia Insurance Co.	Fire and/or Casualty	Westbrook, ME
BeniComp Inc.	TPA	Fort Wayne, IN
Encompass Home and Auto Insurance Co.	Fire and/or Casualty	Chicago, IL
Encompass Independent Insurance Co.	Fire and/or Casualty	Chicago, IL

# Company Licensing

## Applications Pending

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
FBD Consulting Inc.	TPA	Kansas City, MO
Integrated Disability Resources Inc.	TPA	Bloomfield, CT
Stonebridge Casualty Insurance Co.	Fire and/or Casualty	Columbus, OH
Synergence Group Inc.	TPA	Chicago, IL
United Life Agency Services, LLC (using the assumed name of Paylogix)	TPA	Garden City, NY
Usplate Glass Insurance Co.	Fire and/or Casualty	Westchester, IL

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
Heartland Security Insurance Co.	Fire and/or Casualty	Tyler, TX
RMS Texas, L.L.C. (using the assumed Name of Risk Management Services)	TPA	Beaumont, TX

### For certificate of authority

COMPANY NAME	LINE	HOME OFFICE
PSO Health Services L.L.C. under the assumed name Physicians Health Choice	Provider Sponsored Organization	San Antonio, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
J. C. Penney Life Insurance Co.	Stonebridge Life Insurance Co.	Life, Accident and/or Health	Rutland, VT

## Applications Approved

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Computer Health Network Inc.	TPA	Schaumburg, IL
Eldorado Claims Services Inc.	TPA	Phoenix, AZ
Florida Select Insurance Co.	Fire & Casualty	Sarasota, FL
Forté' Information Services Inc.	TPA	Riverside, CA
National Land Title Insurance Co.	Title	Barrington, IL
Starmount Financial Corp. Inc.	TPA	Baton Rouge, LA

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
Health Plan Administrators Inc., <i>dba</i> HP Management Services	TPA	San Antonio, TX
Quorum Administrators Inc.	TPA	Dallas, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
Aetna Insurance Company of America	ING Insurance Company of America	Life	Tampa, FL
Aetna U.S. Healthcare Dental Plan Inc.	Aetna Dental Inc.	HMO	Houston, TX
Aetna U.S. Healthcare Inc.	Aetna Health Inc	HMO	Houston, TX
Aetna U.S. Healthcare of North Texas Inc.	Aetna Health of North Texas Inc.	HMO	Dallas, TX
EOShealth Inc., dba GEOS	EOSouthsource Inc., dba GEOS	TPA	Tempe, AZ
First ING Life Insurance Company of New York	National Security Life and Annuity Co.	Life	Binghamton, NY
Foundation Health Systems Life & Health Insurance Co.	Health Net Life Insurance Co.	Life	Woodland Hills, CA
Sorema North America Reinsurance Co.	General Security National Insurance Co.	Fire & Casualty	New York, NY
Travelers Indemnity Company of Missouri, The	Travelers Commercial Casualty Co.	Fire & Casualty	Hartford, CT
Virginia Surety Co. Inc.	Combined Specialty Insurance Co.	Fire & Casualty	Glenview, IL
ZC Insurance Co.	Converium Insurance (North America) Inc.	Fire & Casualty	Fort Lee, NJ
Zurich Reinsurance (North America) Inc.	Converium Reinsurance (North America) Inc.	Fire & Casualty	Stamford, CT

## Montemayor to Consider ISO Homeowner Policies

**TDI HAS POSTED** notice that ISO's six residential property policy forms, plus 95 endorsements, are under consideration for use in Texas.

Commissioner Jose Montemayor will consider adoption of the forms after the July 1, 2002, deadline for submission of written comments. Notice was published at 27TexReg4731 on May 31, 2002.

ISO's policy forms are commonly used in most other states by insurers that do not have their own national forms.

ISO filed its Homeowners 2-Broad Form, Homeowners 3-Special Form, Homeowners 4-Contents Broad Form, Homeowners 5-Comprehensive Form, Homeowners 6-Unit Owners Form and Homeowners 8-Modified Coverage Form, along with the endorsements for use in Texas.

The Homeowners 3-Special Form is analogous to the Texas standard HO-B policy form, which is the form most commonly sold to Texas consumers. The Homeowners 2-Broad Form is analogous to the less comprehensive HO-A with the Additional Extended Coverage Endorsement (HO-170) attached. The Homeowners 5-Comprehensive Form is analogous to the Texas standard HO-C.

Differences between the ISO Homeowners 3 and the Texas standard HO-B include, but are not limited to, the following:

### Restrictions

- ISO's policy does not cover losses caused by constant or repeated seepage or leakage of water from plumbing, appliances, etc., while the HO-B does. A policyholder could add this coverage by purchasing an endorsement.
- ISO's policy does not cover losses from sewer or drain back-up or from accidental discharges or overflow from off the residence

premises, while the HO-B does. ISO has proposed an endorsement to add this coverage for an additional premium.

- ISO's policy excludes damage to foundations, etc., as an ensuing loss caused by a covered water discharge, while the HO-B provides coverage. This coverage could be added to the ISO policy by means of an endorsement, with a limit of 15 percent of Coverage A-Dwelling.
- The ISO policy does not cover losses caused by fungi or microbes, including mold. The HO-B covers removal of mold from an area directly affected by a covered water loss but does not cover "remediation," including detection, inspection and isolation. A policyholder could buy an endorsement to the ISO policy covering remediation of mold resulting from a sudden and accidental water discharge.
- ISO's policy contains an exclusion not in the HO-B policy for losses to business data.
- ISO's policy provides coverage of boats and other water craft up to \$1,500 for named perils, regardless of where the loss occurs but with an exclusion for theft away from the residence premises. The HO-B provides coverage up to the limits of Coverage B (Personal Property) for boats located on the residence premises for all perils insured against.
- The ISO policy limits coverage of stolen firearms, goldware and silverware to \$2,500, while the HO-B provides coverage up to the limits of Coverage B.
- ISO's policy covers golf carts only if used exclusively to service the residence premises. The HO-B covers golf carts for all perils insured against up to the limits of Coverage B.

### Enhancements

- ISO limits coverage of stamps, tickets, personal records, passports, deeds and certain other

valuable documents to \$1,500. The HO-B has a \$500 limit.

- The ISO policy provides \$1,500 in coverage for boats and other watercraft away from the residence premises, while the HO-B totally excludes coverage when a loss occurs off the premises.
- ISO's limit for theft of jewelry, watches and furs is \$1,500, while the HO-B contains a \$500 limit.
- ISO provides \$500 in coverage for business property away from the residence, while the HO-B offers no such coverage.
- The ISO policy provides an additional 5 percent of policy limits for debris removal if the total cost of covered damage and debris removal exceed the limit of liability for the damaged property. The HO-B covers debris removal within policy limits and does not provide additional coverage.
- ISO provides up to \$500 for covered damage to any one tree, shrub or plant. The HO-B limit is \$250.
- ISO's policy provides up to \$5,000 in coverage for grave markers, including mausoleums, for losses caused by perils insured against. The HO-B does not provide similar coverage.

Insurers proposing to use the ISO forms would be required to apply for TDI's prior approval. One condition would be to offer the ISO endorsements providing coverage for constant or repeated seepage or leakage, foundation damage and mold remediation coverage, subject to underwriting. Other conditions include disclosure of coverage changes to existing customers, rate reductions to reflect coverage changes, and the filing of rate information with TDI for two years after a company starts using the ISO forms. ★



**Texas Department of Insurance**

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