



# Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

## Streamlined Proceedings Proposed for Automobile, HO Benchmark Rate Cases

**TDI** STAFF HAVE PROPOSED ground rules for conducting the annual auto and residential property insurance benchmark rate hearings as rulemaking proceedings in lieu of the time-consuming contested case proceedings of the past 10 years.

Key provisions include solicitation of recommendations from interested parties and the development of staff-recommended rate changes. The proceedings would be less formal than the hearings previously held by the State Office of Administrative Hearings (SOAH).

The procedural rules would be codified as 28 TAC §§ 1.1301–1.1306 (Subchapter L). The previous rules for benchmark hearings would be repealed.

The proposed rules would implement provisions of House Bill 2102 of the 77th Legislature, which converts the benchmark ratemaking process to a rulemaking proceeding. Commissioner Jose Montemayor included streamlining of the benchmark rate process in his recommendations to the 2001 Legislature.

Under the previous system, including SOAH hearings, the average time from the initial notice of hearing until the actual setting of benchmark rates was more than one year. Benchmark rate orders were based on two-year-old data. As a result of this time lag, benchmark rates often failed to reflect the market conditions prevailing when they took effect.

TDI determined that special procedures are necessary because the rulemaking procedures for state agencies as set forth in the Administrative Procedure Act and the special procedure set forth in *Texas Insurance Code* Article 5.96 are now inapplicable to benchmark rate proceedings.

In its rulemaking proposal, TDI states that the new procedure will be less costly than the contested case system because it will be less formal.

Participants, for example, would not have to submit formal pleadings, pre-filed witness testimony, rebuttal testimony, briefs, exceptions and replies. Participants could determine their own level of

involvement in the proceedings, including whether to present expert testimony.

Staff would begin the benchmark procedure by publishing a request for rate change recommendations in the *Texas Register* and on TDI's Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Staff would consider these recommendations in developing their petition to change benchmark rates. The published request for recommendations would indicate the availability of any relevant statistical data collected by TDI and how participants may obtain it.

Participants making rate change recommendations would be required to submit actuarial analyses supporting them. Staff could convene an informal conference or consultation to obtain clarification or advice from participants who filed recommendations.

TDI staff would consider all timely filed recommendations, but its petition for changes in benchmark rates would not be limited by nor required to reflect any of the recommendations.

Following review of the recommendations, staff would petition for a rule to amend the existing benchmark rates. It also would post notice of a hearing on the petition in the *Texas Register* and on TDI's Web site. If the staff proposed no changes in the benchmark rates, it would publish a notice to that effect, along with a hearing notice.

At the hearing, any participant who has submitted recommendations or supporting actuarial analyses could ask relevant questions of any person speaking at the hearing. The Commissioner and TDI staff also would be able to ask questions. The Commissioner could limit the time allowed to speakers or questioners and could accept written comments in addition to oral presentations.

After the hearing, the Commissioner would adopt a rule promulgating the new benchmark rates and setting their effective date. Prior to the effective date, TDI would mail a notice of the new rates to all insurers writing the affected line of insurance and to all persons who made recommendations or comments. ★

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## Texas Insurance News

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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

## Health Reinsurance System Requests Changes in Plan

**T**HE TEXAS HEALTH REINSURANCE SYSTEM'S board of directors has requested TDI's approval of operating plan changes that would let the system reinsure entire small employer groups as well as individual employees.

The Texas Legislature established the system to afford protection for small employer carriers against the increased risk presented by the guaranteed issue requirement that took effect in 1995. A small employer carrier is required to participate in the reinsurance system unless the Commissioner of Insurance approves the carrier's application to operate without the support offered by the system.

Under the proposed changes in the system's plan of operation, a member company could cede an entire small employer group, provided it notified the system's administering carrier of its intent within 60 days of the initial date of the group's coverage. Denial for missing the 60-day deadline would be subject to appeal to the system board of directors. The board could waive the 60-day period if it found the carrier missed the deadline because of circumstances outside the carrier's knowledge and control.

Availability of whole group reinsurance would be subject to the following requirements:

- The small employer's health benefit plan could be reinsured only for the coverage provided under the standard or basic health care plan or up to a level provided by one of those plans.
- Subject to payment of premium, new entrants eligible to be insured would become reinsured on the effective dates of their coverage.
- If a small employer carrier previously had withdrawn reinsurance of coverage for any group, the carrier could not again reinsure that group. It could, however, reinsure eligible and timely new entrants on an individual basis.
- An amendment rider or other change in a small employer plan would not constitute a change in the initial effective date.
- Small employer carriers could not cede groups acquired from other small employer carriers.
- Risks previously ceded, and whose reinsurance is in force from the previous carrier, could continue reinsurance at the option of the acquiring carrier.

Publication: 27TexReg5859, June 28, 2002 ★

## TDI Authorizes JUA Claims-Made Policies

**D**OCTORS COMING to the state's Joint Underwriting Association for medical malpractice insurance now have more policy choices and, for certain beleaguered specialties, lower premium rates.

Commissioner Jose Montemayor asked the JUA in April to help alleviate the difficulties faced by physicians who are coming by the hundreds to the JUA for coverage. He noted that while most doctors in the voluntary market have claims-made policies, the JUA offered only "occurrence" policies, with no coverage for prior acts. This made the transition from the voluntary market difficult for some physicians forced to seek coverage in the JUA.

The JUA board responded by adopting claims-made policies, which tend to be less expensive than occurrence policies. Physicians and providers have the option of adding prior acts coverage to their policies. The JUA also reduced occurrence policy rates for some specialties and increased them for others.

The new JUA rates are posted on the Texas Department of Insurance Web site at [http://www.tdi.state.tx.us/company/jua\\_info.html](http://www.tdi.state.tx.us/company/jua_info.html).

TDI assisted in developing the claims-made option, approved the new policy language and reviewed the JUA's new rates for reasonableness and adequacy.

"The JUA is now a more realistic option for doctors struggling to find viable coverage in today's difficult medical malpractice insurance market," Montemayor said.

The JUA board action in mid-June came at a critical time because many doctors' malpractice policies had July renewal dates.

About 6,000 physicians are affected by the departure of eight carriers from the market. In addition, carriers still in the market have raised rates significantly. For example, the Texas Medical Liability Trust, which covers about one-third of the state's doctors, has increased its rates by 119.6 percent since 1999.

One effect of the medical malpractice insurance crisis has been a flood of new applicants to the JUA. Over a period of about 12 months, the JUA has grown from only 168 policyholders to 932 policyholders.

The Legislature created the non-profit JUA in 1975 as Texas' residual market for medical professional liability insurance. Physicians and providers are eligible for JUA coverage if they are denied coverage by two licensed insurers or would be accepted only at premium rates higher than the JUA's. ★

## Fraud Unit Prosecutions

### Indictments

**Carter, Lee Arthur**, indicted in Austin on charges of making a false statement in a written instrument, a third-degree felony.

**Kilpatrick, Raymond E.**, indicted in Austin on charges of theft, a first-degree felony.

**Bell, Donald H.**, indicted in Angleton on charges of insurance fraud, a state jail felony.

**Bigler, Rodney Lee**, indicted in Conroe on charges of insurance fraud, a state jail felony.

### Case Dispositions

**Fountain, Sharon Renee**, in Dallas, received two years' deferred adjudication and was ordered to pay \$3,667 restitution for insurance fraud, a Class A misdemeanor.

**Lewis, LaRenthia Baxter**, in Dallas, received five years' deferred adjudication, was fined \$1,500 and was ordered to pay \$9,335 restitution for insurance fraud, a state jail felony.

**Montgomery, Latisha Renee**, in Beaumont, sentenced to one year's imprisonment for insurance fraud, a state jail felony.

**Prestwood, Dale**, in Bryan, received five years' deferred adjudication and 120 hours of community service and was ordered to pay \$29,513 in restitution for theft, a state jail felony.

**Porter, Sharon**, in Dallas, received five years' probation, was fined \$1,000 and was ordered to pay \$10,000 restitution for insurance fraud, a third-degree felony.

**Stokes, Lawrence**, in El Paso, received eight years' deferred adjudication and a \$500 fine for insurance fraud, a third-degree felony.

**Nash, Leroy James**, in Edinburg, received 120 months' deferred adjudication, was fined \$100 and was ordered to pay \$20,525 restitution for misapplication of fiduciary property, a third-degree felony.

**Garcia, Jose**, in El Paso, received 120 months' deferred adjudication, was fined \$500 and was ordered to pay \$26,394 in restitution for fictitious or counterfeit insurance documents, a second-degree felony, and theft, a state jail felony. ★

# TDI update

## Montemayor Approves ISO Property Forms

**C**OMMISSIONER Jose Montemayor has approved residential property policy forms developed by the Insurance Services Office that are substantially the same as policies that many insurance companies use in other states.

Montemayor approved ISO's application for six residential property policy forms and 93 endorsements for use in Texas.

The Commissioner's approval was predicated on information and representations provided by ISO that consumers purchasing the new basic policy forms and endorsements can reduce their homeowners premiums by 8 percent to 39 percent of the amount they otherwise would have paid for the basic HO-B. The amount of savings depends upon geographic location of the home and coverage selection.

ISO's Homeowners 3-Special Form is analogous to the Texas Standard HO-B policy form. Unlike the HO-B, the basic ISO policy does not cover losses, including slab foundation damage, caused by constant or repeated seepage or leakage of water or by sewer backup. It does, however, cover damage from sudden and accidental water discharges.

An insurer wanting to use the ISO forms in Texas must file for prior approval by TDI. Endorsements providing slab or foundation coverage, water damage coverage and mold coverage must be offered to all applicants for new policies and to current policyholders whose HO-B policies are converted to ISO forms. Other conditions for TDI's approval 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. ★

## Bingham Heads Regulatory Development

**B**ILL BINGHAM, a TDI staff attorney since 1998, has been named director of the Regulatory Development Section of the Life, Health and Licensing Program. He replaces Diane Moellenberg, who retired at the end of June after a 30-year career with the Department.

Regulatory Development's functions include recommending, proposing and updating TDI rules as necessary to meet new statutory requirements, carrying out new policy initiatives and streamlining administrative processes. It also monitors national and state policy developments regarding health insurance, managed care and agent licensing.

Bingham received his bachelor of arts degree from the University of Texas at Austin in 1983 and his law degree from the UT Law School in 1986.

He was in private practice with law firms in Dallas and Fort Worth from 1986 through 1993; served as an attorney in the Office of Public Insurance Counsel in 1994; and was a solo practitioner in Austin from December 1994 to February 1998, when he joined TDI as a staff attorney.

As a staff attorney, Bingham has provided legal support to the Life/Health and HMO Divisions of the Life, Health and Licensing Program. ★

## Robert Black Appointed Head of PIO

**C**OMMISSIONER JOSE MONTEMAYOR has appointed Robert Black as director of TDI's Public Information Office. He replaces Jim Davis, who is retiring after almost 10 years as head of PIO.

Black, a graduate of the University of Texas at San Antonio, has held media relations and public information positions in both Austin and Washington.

"Robert's extensive experience in the media/press arena stretches from the Texas legislature to the United States Capitol," Montemayor said. "He has worked for political leaders at both the state and federal level, and I believe that he will bring a great energy and perspective to TDI." ★

## Enforcement Actions Seven Arrested in HO Fraud Ring

**A**UTHORITIES HAVE ARRESTED seven people in Houston in connection with an insurance fraud scheme in which homeowners allegedly flooded their homes and filed claims that cost insurance companies about \$5 million.

Investigators from TDI's Fraud Unit, the FBI and the U.S. Postal Inspection Service made the arrests after a federal grand jury indicted the suspects.

Those arrested were Johnny Duane Staples, Janell Staples, Don Edward Mitchell, Billy Bob Staples, Teresa Staples, Ramnath Ramcharan and Daniel E. Terry, all of the Houston area. The suspects face charges of money laundering, mail fraud, conspiracy and monetary transactions with criminally derived property.

If found guilty, the defendants could face up to 20 years in prison and substantial fines. The defendants allegedly recruited other homeowners whose flooded homes cost insurance companies approximately \$5 million in fraudulent claims. More arrests are expected.

The Fraud Unit began investigating the alleged insurance fraud scheme in February 2001. The de-

defendants reportedly purchased two-story homes with full insurance coverage. The defendants were alleged to have intentionally used water hoses or damaged existing water lines inside the house to flood the interior. The water lines would be repaired before an adjuster arrived. The defendants would attempt to obtain the full policy limits of the insurance coverage along with additional living expenses. Some homes were flooded more than once, but insured with other companies.

The defendants allegedly served as homeowners, independent sub-contractors, vendors and service providers in filing claims, repairing the damage and selling the homes to each other to repeat the process. Homes in the greater Houston area, Bay City and Austin were used in the insurance fraud scheme.

Twelve TDI Fraud Unit investigators have participated in this case, which has become TDI's largest crackdown on fraudulent insurance claim filing. ★



# RuleMaking

## AUTOMOBILE

### Exempt Proposal

#### Truckers Endorsement

■ TDI staff have petitioned Commissioner Jose Montemayor to amend the *Texas Automobile Rules and Rating Manual* by revising Endorsement TE 23 17, “Truckers—Intermodal Interchange Uniform Endorsement (Form UIIE-1).”

The amendment would modify and clarify the motor carrier’s responsibilities with regard to third-party liability and rename the endorsement “TE 23 17A, Truckers Uniform Intermodal Interchange Endorsement (IANA Form UIIE-1).”

The Intermodal Association of North America (IANA), which administers the Uniform Intermodal Interchange and Facilities Access Agreement (UIIA), revised the agreement effective September 1, 2000. The TDI staff proposal would conform the endorsement to the revised agreement.

According to IANA, the standard agreement applies to about 5,100 truckers/drymen and 55 ocean and rail carriers and sets forth responsibilities of both the carrier providing equipment and the carrier receiving the equipment.

Under the current endorsement, the User (i.e., the motor carrier), “while in possession of interchange equipment, releases and agrees to defend, indemnify and hold harmless the Owner” from loss arising from the use of the equipment “except loss or damage to such interchange equipment, or cargo being transported therein or cargo being loaded or unloaded or held at terminal or transit points, incident to transportation.”

Staff’s amendment would remove that exception from liability. Instead, the motor carrier accessing the premises of an intermodal facility to pick up or drop off intermodal equipment would assume the liability for its own activity at the time it enters the facility’s property. The time frame for this liability would be that of the motor carrier’s “use or maintenance of the equipment during the interchange period; the performance of this agreement; and/or presence on the Facility Operator’s premises.”

## GENERAL ADMINISTRATION

### APA Proposal

#### Rules for Benchmark Rate Hearings

■ The Department has proposed new 28 TAC §§ 1.1301—1.1306 (Subchapter L) concerning procedures for industrywide automobile and residential property insurance benchmark rate proceedings. The rules are summarized in the cover article of this issue of **TexasInsuranceNews**.

Publication: 27TexReg6489, July 19, 2002  
Earliest possible adoption: August 18, 2002  
Further information: 512 463-6327

## HEALTH CARE

### APA Adoptions

#### Telemedicine and Credentialing

■ Commissioner Jose Montemayor has adopted amendments to 28 TAC §§ 11.2, 11.1607 and 11.1901—11.1902, concerning HMOs.

The amendments are summarized below.

**11.2**—Definitions of individual provider, institutional provider, recredentialing, telehealth service and telemedicine medical services are added. These definitions clarify that credentialing is the process of collecting, assessing and validating qualifications and other relevant information pertaining to a physician or provider to determine eligibility to deliver health care services.

**11.1607**—The amendments clarify that the requirements and criteria for an HMO’s provision of telemedicine services also apply to telehealth services. Evidence of coverage may provide enrollees the option of accessing covered health care services through a telehealth service or a telemedicine medical service.

**11.1901**—An HMO must develop and maintain an ongoing quality improvement program designed to objectively and systematically monitor and evaluate the quality and appropriateness of care and services and to pursue opportunities for improvement.

**11.1902**—An HMO must continuously update and monitor its quality improvement program. The HMO’s annual quality improvement work plan must include a schedule of activities designed to reflect the population served by the HMO in terms of age groups, disease categories and special risk status.

The amendments also establish standards for credentialing and recredentialing of physicians and providers that are consistent with those of the National Committee for Quality Assurance. Among other requirements, an HMO must verify a physician’s or provider’s professional liability claims history within 180 days before the credentialing decision by obtaining that information from the applicable professional liability carrier or the National Practitioner Data Bank. The recredentialing cycle is increased from two years to three years.

Projected publication date: July 26, 2002  
Effective date: July 31, 2002  
Further information: 512 463-6327

### Credentialing of Physicians

■ Commissioner Jose Montemayor has adopted new 28 TAC § 21.3201, concerning a standardized credentialing application for physicians. The new section implements Senate Bill 544 of the 77th Legislature, codified as *Texas Insurance Code* Article 21.58D. This statute requires TDI to adopt a standardized form that hospitals, HMOs and preferred provider benefit plans and preferred provider organizations must use for verifying credentials. The goal is to provide a form that physicians will need to complete only once and can submit—with only minor updates—to any entities that will credential them in the future.

Montemayor adopted a form originally developed by the Coalition for Affordable Quality Health Care and modified by TDI for use in Texas. The coalition includes 26 of the largest health plans and insurers in the United States and three health plan associations. The form is available on TDI’s Web site, [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Use of the form is required for initial credentialing and recredentialing processes that begin on or after August 1, 2002.

While the form is required for the credentialing of physicians, it also may be used for credentialing other health care professionals at the option of the credentialing entity.

The Texas Standardized Credentialing Application consists of three sections:

- personal, professional and education information;
- disclosure questions on sanctions, professional liability insurance, malpractice claims history, criminal/civil history and the ability to perform one’s job; and

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- an authorization, acknowledgement, attestation and release form.

Projected publication date: July 26, 2002

Effective date: July 31, 2002

Further information: 512 463-6327

## PRIVACY

### APA Adoption

#### Insurance Consumer

#### Health Information Privacy

■ Commissioner Jose Montemayor has adopted new 28 TAC §§ 22.51–22.57 and 22.60–22.67, concerning the privacy of nonpublic personal health information collected or held by insurers and other entities regulated by the Department. The rules implement provisions of Senate Bill 11 of the 77th Legislature, codified as *Texas Insurance Code* Chapter 28B.

The rules 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 subject to those rules will no longer need to comply with the TDI rules on privacy of protected health information.

The new TDI rules protect consumers about whom an insurer collects or holds nonpublic health information. Unlike the financial privacy rules, the proposed health privacy rules make no distinction between "customers" and "consumers." All consumers receive the same protection, regardless of whether they establish a continuing relationship with the insurer.

The rules 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:**

**(A) relates to:**

- (i) the past, present, or future physical or mental health or condition of an individual;**
- (ii) the provision of health care to an individual; or**
- (iii) the past, present, or future payment for the provision of health care to the individual; and**

**(B) either identifies the individual or provides a reasonable basis to**

**believe the information can be used to identify the individual.**

#### Opt-in Standard

Information is protected by an "opt-in" standard requiring insurers to obtain consumers' signed authorization before disclosing any nonpublic personal health information about them to other parties unless specifically excepted by the rule. The health privacy rules thus provide a higher level of protection than the financial privacy rules because:

- The health privacy rules presume that information is not to be shared. They require an insurer to obtain a consumer's written permission rather than allow the insurer to presume the consumer agrees to sharing if the consumer has not opted 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 must be in writing, signed and dated by the consumer or his/her legal representative and revocable by the consumer. An authorization also must describe the type of information to be disclosed, to whom disclosure is to be made and the purpose of the disclosure. An authorization may remain in effect no longer than 24 months after its execution. An "opt-in" authorization may be in an electronic format if the consumer previously has agreed to conduct business electronically.

The rules prohibit disclosure of protected health information to a third party unless that party agrees not to disclose or use the information except in a manner consistent with the rules.

#### Exceptions

Covered entities may not unfairly discriminate against consumers because they have not authorized disclosure of their nonpublic personal health information.

The rules 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 TDI's financial privacy rules, 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 may be used only for the purpose for which it was shared. Finally, an insurer may

share information without an authorization if necessary to meet a legal requirement. The Commissioner may create additional exceptions in the future, as needed.

#### Delivery of Opt-in Forms

The health privacy rules include requirements and exceptions concerning delivery of authorization forms and requests for opt-in authorizations to consumers. An insurer may 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 is required, on a signature line not relating to any other written communications. No action is required if an insurer does not share protected health information with third parties, other than as provided by the exceptions. The rules require opt-in authorizations only if information is to be shared outside of an exception.

Publication: 27TexReg6505, July 19, 2002

Effective date: September 1, 2002

Further information: 512 463-6327 ★

## Prompt Pay Restitution Total Continues to Rise

**TOTAL RESTITUTION** payments pursuant to consent orders for alleged violation of Texas' prompt payment law rose in July as insurers and HMOs updated their compliance reports to TDI.

Latest reports from companies that entered into consent orders in April brought to \$45.2 million the total amount of restitution paid to physicians and providers. Those reports indicated:

- The 13 "Group Two" companies that signed consent orders on April 1, 2002, increased their reported restitution by \$6 million, to a total of \$9.4 million.
- The 12 "Group Three" companies that signed orders on April 29, 2002, made their final reports on July 15, 2002, reflecting total restitution of \$9.5 million..

Meanwhile, the Department sent more than 40 HMOs and insurers a request for second-quarter 2002 claims data as part of TDI's continuing effort to assure compliance with the prompt law.

Overall, TDI's compliance effort has resulted in consent orders affecting 47 carriers. These orders required payment of restitution, plus fines totaling \$14.9 million. ★

# 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>
	Bagby, J. Faye	Highland Village	\$2,500 Fine	Failure to File Assumed Name of Agency with TDI; Accepted Commissions from Unlicensed Entity; Advertising Violations	02-0590	6/6/02
	Blumenthal, Jamie Hal	Plano	\$2,000 Fine	Advertising Violations; Accepted Commission From Unlicensed Entity	02-0591	6/6/02
	Dial, William Arthur	Atlanta, GA	\$4,000 Fine	Consent Order; Alleged Placement of Certain Purchasing Group Business without the Required License	02-0593	6/6/02
	Furr, Patti Lucinda	West Palm Beach, FL	\$2,000 Fine	Advertising Violations; Accepted Commission From Unlicensed Entity	02-0592	6/6/02
	Guardiola, Juan A.	Del Rio	Revocation of General Life, Accident, Health and HMO License, General Property and Casualty License and Life Insurance Under \$15,000 License	Misappropriation and Conversion	02-0570	6/4/02
	Hall, Clyde R.	Arlington	General Life, Accident, Health and HMO Agents' License Revoked	Misappropriation and Conversion	02-0531	5/22/02
	Hearn, Ann Browning	Dallas	\$2,800 Fine	Advertising Violations; Accepted Commission From Unlicensed Entity	02-0633	6/18/02
	Ivey, Otis Wayne	San Antonio	Six Months' Suspension of General Life, Accident, Health and HMO Agent's License and Payment of Balance of Fine	Failure to Pay All Required Installments of Previously Assessed Administrative Penalty	02-0545	5/28/02
	Sommerfield, Blake B.	Dallas	Revocation of General Life, Accident, Health and HMO License and General Property and Casualty License	Misappropriation or Conversion; Fraudulent or Dishonest Acts	02-0574	6/4/02
	Stephens, Bobby L.	Dallas	Revocation of General Life, Accident, Health and HMO License and General Property and Casualty License	Misappropriation or Conversion; Fraudulent or Dishonest Acts	02-0596	6/6/02
<b>COMPANIES</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	American National Insurance Co.	Galveston	\$20,000 Fine	Claim Payment Delays; Use of Unlicensed Third Party Administrator	02-0640	6/20/02
	Comercial America Insurance Co.	Houston	\$2,000 Fine	Late Filing of Auto Rates; Use of Improper Policy Form	02-0588	6/6/02
	Employers Mutual Casualty Co.	Wichita, KS	\$5,000 Fine	Underwriting Guidelines Prohibiting Sale of Auto Policies Covering Only Liability	02-0597	6/6/02
	Federal Insurance Co.	Warren, NJ	\$3,000 Fine	Failure to File Commercial Auto Experience Rating Data	02-0625	6/17/02
	Federal Insurance Co.	Warren, NJ	\$3,000 Fine	Failure to File Commercial Auto Experience Rating Data	02-0634	6/18/02
	Fidelity & Deposit of Maryland	Schaumburg, IL	\$18,000 Fine	Failure to Make Timely Refunds of Workers' Compensation Maintenance Tax Surcharge	02-0568	6/2/02
	Medmarc Casualty Insurance Co.	Montpelier, VT	\$10,000 Fine	Consent Order; Alleged Failure to Timely File a Withdrawal Plan Before Withdrawing from a Line of Insurance	02-0575	6/4/02

Continued...

# Disciplinary Actions

<b>COMPANIES</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Ranger Insurance Finance Co., dba RIFCO	Houston	\$750 Fine	Late Filing of Annual Operations Report	02-0589	6/6/02
	Texas Hospital Insurance Exchange	Austin	\$3,000 Fine	Failure to Timely Make All Required Workers' Compensation Maintenance Tax Surcharge Refunds	02-0641	6/20/02
	United States Contractors Association	Smyrna, GA	\$2,000 Fine	Consent Order; Alleged Purchasing Group Operation Without Registration	02-0594	6/6/02
	Zurich American Insurance Co.	Schaumburg, IL	\$3,000 Fine	Failure to File Commercial Auto Experience Rating Data	02-0624	6/17/02

<b>UNAUTHORIZED INSURANCE</b>	<b>NAME</b>	<b>CITY</b>	<b>ACTION TAKEN</b>	<b>VIOLATION</b>	<b>ORDER</b>	<b>DATE</b>
	Gerard Beaudoin Gregory Quail and Andrew Evans dba North American Marine General Insurance Co. Ltd.	Panama and Quebec	\$500,000 Fine and Cease-and-Desist Order	Unauthorized Insurance and Violation of Previous Order	02-0569	6/4/02

## Company Licensing

### Applications Pending

#### For admission to do business in Texas

<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
Ceridian Benefits Services Inc.	TPA	St. Petersburg, FL
United Home Life Insurance Co.	Life, Accident and/or Health	Indianapolis, IN
Vantislife Insurance Co.	Life, Accident and/or Health	East Hartford, CT

#### For incorporation

<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
Nations Bonding Co.	Fire and/or Casualty	Austin, TX

#### For name change in Texas

<b>FROM</b>	<b>TO</b>	<b>LINE</b>	<b>LOCATION</b>
American Continental Life Insurance Co.	CAN Group Life Assurance Co.	Life, Accident and/or Health	Chicago, IL
Asset Guaranty Insurance Co.	Radian Asset Assurance Inc.	Fire and/or Casualty	New York, NY
Colonial Penn Franklin Insurance Co.	GE Casualty Insurance Co.	Fire and/or Casualty	Fort Washington, PA
Colonial Penn Insurance Co.	GE Property & Casualty Insurance Co.	Fire and/or Casualty	Fort Washington, PA
Colonial Penn Madison Insurance Co.	GE Indemnity Insurance Co.	Life and/or Casualty	Fort Washington, PA
NCM Americas Inc.	Gerling NCM Credit Insurance Inc.	Fire and/or Casualty	Baltimore, MD
Republic-Vanguard Life Insurance Co.	SCOR Life Insurance Co.	Life, Accident and/or Health	Addison, TX
SBLI USA Financial Services Life Insurance Co. Inc.	S.USA Life Insurance Co. Inc.	Life, Accident and/or Health	Phoenix, AZ

### Applications Approved

#### For admission to do business in Texas

<b>COMPANY NAME</b>	<b>LINE</b>	<b>HOME OFFICE</b>
CBIZ Benefits & Insurance Services Inc.	TPA	Kansas City, MO
Clarion Benefits Administration, LLC	TPA	Kansas City, MO
Cornerstone Mutual Insurance Co.	Fire and/or Casualty	Duluth, GA
GAB Robins Risk Management Services Inc.	TPA	Wilmington, DE
LBA Healthplans Inc.	TPA	Timonium, MD
Landcar Casualty Co.	Casualty	Sandy, UT

# Company Licensing

## Applications Approved

### For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
Landcar Life Insurance Co.	Life	Sandy, UT
Mid-America Health Network Inc.	TPA	Kansas City, MO
Payflex Systems, USA Inc.	TPA	Omaha, NE
Valence Health Inc.	TPA	Wilmington, DE

### For incorporation

COMPANY NAME	LINE	HOME OFFICE
Beacon Lloyds Insurance Co.	Fire and Casualty	Wichita Falls, TX
Benetrust Corp., <i>dba</i> Benetrust Administrative Services	TPA	Plano, TX
Claims Risk Management Solutions Specialists Inc. <i>dba</i> Risk Management Solutions Specialists	TPA	Houston, TX

### For name change in Texas

FROM	TO	LINE	LOCATION
E3Health Inc.	Employers Direct Health Inc.	TPA	Dallas, TX
H.C. Copeland and Associates Inc. of Texas <i>dba</i> The Copeland Companies	Citistreet Associates of Texas Inc.	TPA	Irving, TX
J. C. Penney Casualty Insurance Co.	Stonebridge Casualty Insurance Co.	Fire and Casualty	Columbus, OH
J. C. Penney Life Insurance Co.	Stonebridge Life Insurance Co.	Life	Rutland, VT
Methodist Care Inc.	Unicare Health Plans of Texas Inc.	HMO	Houston, TX
Methodist Health Insurance Co.	Unicare Health Insurance Company of Texas	Life	Houston, TX
Pioneer Mutual Life Insurance Co.	Pioneer Mutual Life Insurance Co. a stock subsidiary of American United Mutual Insurance Holding Co.	Life	Fargo, ND
UICI Administrators Inc.	AAG Benefit Plan Administrators Inc.	TPA	Irving, TX
Webtpa.com Employer Services, LLC Grand Prairie, TX	Webtpa Employer Services, LLC	TPA	Irving, TX



**Texas Department of Insurance**

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