



Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

Cease and Desist Orders Issued to Two More Unlicensed Health Insurers

COMMISSIONER JOSE MONTEMAYOR has issued emergency cease-and-desist orders directing two European entities to stop issuing insurance policies to small employer health plans in Texas without the licenses required by state law.

In just over a year and a half, TDI has issued cease-and-desist orders or taken other action to shut down 10 unauthorized health insurers and four unlicensed P&C entities. In some instances, unauthorized insurers used licensed agents to market their policies, exposing the agents to possible criminal prosecution, disciplinary action by TDI and civil liability.

The latest cease-and-desist orders, issued on October 31, 2002, name:

- MarkeTrends Insurance Ltd. of the Republic of Cyprus.
- North American Indemnity IV (NAI) of Brussels, Belgium, and its directors, Euan David McNicoll and John Fowler Anderson of Scotland.

NAI has allegedly failed to pay at least \$12.5 million in health claims, resulting in a Federal class action lawsuit in Houston involving as many as 332 employers from around the country.

MarkeTrends covers at least 64 employer groups in Texas alone. One employer complained to TDI that not a single health claim was paid during the six months the employer had coverage from MarkeTrends.

Both NAI and MarkeTrends have ignored TDI requests for information about their business in Texas.

“These cases underscore the absolute necessity of due diligence by employers before they sign on the dotted line to secure health coverage for their employees,” said Commissioner Jose Montemayor. “Unauthorized insurers are notorious for a take-the-money-and-run approach to business ethics.”

A number of Houston based insurance plan administrators have used NAI and MarkeTrends to

provide the insurance for the employer health plans they administer. These third-party administrators also are under investigation by TDI.

Previous Cases

Other unauthorized health care plans against which TDI has acted in 2001 and 2002 are:

- SAI Plus, LLC.
- Employers Mutual, LLC, American Benefit Society, William Kokott and Nicholas Angelos.
- Ajax Health Benefit Plan, Ajax Enterprises Inc. and Justin Michael Sciarra.
- American Benefit Plans, United Employers Voluntary Employee Beneficiary Association, National Association of Working Americans and Robert David Neal.
- Office and Professional Employees International Union, Solidarity Health and Welfare Benefit Trust and National Guild of Medical Professionals Health and Welfare Benefit Trust.
- Over the Road Truckers Healthcare Fund and OTR Truckers Health and Welfare Fund.
- OTR Truckers Association and Rusk LeGrande Jones.
- Britannia International Life and Casualty Ltd. and Lyndal Ray Stocks.

TDI is investigating agents and other licensees for allegedly selling unauthorized health plans and will take appropriate action for violations of the *Texas Insurance Code* or TDI rules.

Unauthorized Insurance Penalties

Under the *Texas Insurance Code*, selling unauthorized insurance is a third-degree felony that carries penalties of two to 10 years in prison and a maximum \$10,000 fine. In addition, the Commissioner may take disciplinary action, including fines, restitution and/or license revocation. This year, Montemayor has revoked agents' licenses for selling unauthorized insurance and has directed agents to pay fines plus thousands of dollars in claims left unpaid by the unauthorized insurers they represented.

The Department takes the unauthorized insurance problem so seriously that it created an

Please see **Cease-and Desist** on back page.

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Texas Insurance News

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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

Carriers Can Report Claim Fraud On-Line

TDI HAS ACTIVATED an Internet-based on-line insurance fraud reporting form for insurers, SIUs and TPAs.

The form is available on the TDI Web site at <http://www.tdi.state.tx.us/fraud/frsiufrpt.html>. Before submitting an online report, users are encouraged to review the instructions located on this page.

TDI has taken steps to protect information transmitted on-line by using Secure Sockets Layer (SSL) software, which encrypts data for enhanced security purposes.

Each fraud report is electronically transmitted directly to TDI's Insurance Fraud Unit. Users of the on-line form will receive a unique identifier for each report submitted and will have the ability to print the report.

The Fraud Unit retrieves the on-line fraud reports each business day. A written acknowledgement from the Fraud Unit to the submitter will follow.

For further information or assistance, please contact: FraudUnit@tdi.state.tx.us ★

TWIA's Maximum Policy Limits Raised

COMMISSIONER JOSE MONTEMAYOR has issued an order increasing the maximum limits of liability for Texas Windstorm Insurance Association coverage of dwellings and commercial structures and of personal property in apartments, condos and townhouse units.

The changes, recommended by TWIA to adjust policy limits for changes in the Boeckh Index, will take effect with wind and hail policies delivered, issued for delivery or renewed on and after January 1, 2003. *Texas Insurance Code* Article 21.49, Section 8D(d), requires TWIA to propose adjustments of the liability limits for inflation each year.

New limits approved by Montemayor, with the 2002 limits in brackets are:

- Dwellings, \$400,000 [\$391,000].
- Government buildings, \$2,192,000 (no changes).
- Individually owned property in apartments, condos or owner-occupied townhouse units, \$143,000 [\$140,000].
- Structures other than dwellings or government buildings, \$1,660,000 [\$1,629,000]. ★

WC Classification Relativities Changed

COMMISSIONER JOSE MONTEMAYOR has revised Texas workers' compensation classification relativities and the table of expected loss rates and discount ratios contained in the Texas WC manual.

Approximately half the relativities increased and half decreased. Changes were capped at 25 percent in either direction and are designed to be revenue neutral.

Expected loss rates went up by an average of 1.9 percent, and discount ratios increased by an average of 3.2 percent, based on the latest statewide distribution of business by classification.

In addition, the Commissioner raised the state accident limit used in experience rating from \$107,000 to \$115,000.

Carriers may opt to use the new relativities immediately and are required to use them in rating all policies with an effective date on or after January 1, 2003. The new expected loss rates and discount ratios apply to all policies with an effective date on or after January 1.

The Commissioner's action means that all workers' comp writers must make certain filings with TDI by January 1, 2003.

Companies making no change in their filed deviations must submit to TDI a Notice of Carrier Intent and Certification, a Schedule Rating Plan Information Sheet and a Schedule Rating Plan if applicable. These filings should include a cover memo with contact information.

Carriers changing their filed deviations should submit the documents listed above as well as the filing forms and materials listed in TDI's publication, *Filings Made Easy*.

The changes and filing requirements were announced to the industry in Commissioner's Bulletin B-0064-02.

The new tables and the necessary forms may be downloaded from TDI's Web site, www.tdi.state.tx.us. Hard copies may be requested from the Property and Casualty Actuarial Division, **512 475-3017**, or by e-mail to pcactuarial@tdi.state.tx.us. The calculations underlying the new classification relativities and experience rating values also can be found on TDI's Web site. ★

Fraud Unit Prosecutions

Indictments

Attia, Ibrahim, indicted in Houston on charges of theft, a third-degree felony.

Goode, Gloria, indicted in Georgetown on charges of insurance fraud, a state jail felony.

Neuls, Walter, indicted in Austin on charges of misapplication of fiduciary property, a first-degree felony, and making a false statement in a written instrument, a third-degree felony.

Neuls, Deidra Ellen, indicted in Austin on charges of misapplication of fiduciary property, a first-degree felony, and making a false statement in a written instrument, a third-degree felony.

Price, Weldon Dean, indicted in Cleburne on charges of insurance fraud, a state jail felony.

Smalley, Bryan, indicted in Dalhart on charges of insurance fraud, a third-degree felony.

Stanfield, Darrell, indicted in Gatesville on charges of arson, a second-degree felony.

Case Dispositions

Arizpe, Karla, sentenced in Austin to 12 months' deferred adjudication and 80 hours of community service for tampering with a governmental record, a Class A misdemeanor.

Cruz, Richard, sentenced in San Antonio to six months' deferred adjudication and ordered to pay \$9,226.88 restitution for securing the execution of a document by deception, a Class A misdemeanor.

Doherty, Ben, sentenced in Austin to 60 months' probation, 160 hours of community service and a \$2,000 fine for unauthorized insurance, a third-degree felony.

Fiscus, Russell Dale, sentenced in Baird to 12 months' deferred adjudication, a \$500 fine and restitution of \$3,000 for theft, a Class A misdemeanor.

Garcia, Dario, sentenced in Austin to 24 months' deferred adjudication and 160 hours community service for making a false statement in a written instrument, a third-degree felony.

Harmel, Don, sentenced in Austin to 24 months' deferred adjudication and a \$1,500 fine for misapplication of fiduciary property, a third-degree felony.

Continued on page 3

TDI update

AmCare Enrollees Get New HMO Arrangements

THE 64,000 TEXANS who were enrolled in financially troubled AmCare Health Plans of Texas have been accepted by other carriers through the efforts of TDI and other state and federal agencies.

AmCare, a Houston-based HMO under TDI conservatorship, stopped providing coverage on October 31, 2002. AmCare had 28,193 members through employer group health care plans, 8,822 through Medicare+Choice and 27,689 through Medicaid.

All of AmCare's employer groups were accepted by Southwest Texas HMO Inc., dba HMO Blue Texas. Southwest Texas HMO Inc., an affiliate of Blue Cross and Blue Shield, has a network of physicians and providers similar to AmCare's. Employers were not required to accept HMO Blue's offer of coverage, and many selected other carriers.

Texas HealthSpring, an HMO recently licensed by TDI to operate in Texas, is assuming Amcare's Medicare+Choice business. Many of the physicians and providers that were in AmCare's network are now under contract with Texas HealthSpring.

AmCare's Medicaid business was purchased by Texas Children's Health Plan, a Houston-based HMO. ★



PersonalNotes

Patty David Named HR Director

PATTY DAVID has been appointed as TDI's director of human resources. She succeeds Albert Betts, who was promoted to senior associate commissioner and chief of staff.

David has nearly 15 years of experience in TDI's Human Resources Division and has been assistant director since December 1998. She previously served as manager of the Personnel and Benefits Section. She is a graduate of the University of North Texas with a bachelor's degree in personnel and industrial relations.

For the past several months, since Betts became chief of staff, David has served as acting director of human resources.

"During this time, Patty has excelled in this role and fulfilled all expectations of this oftentimes challenging position," said Betts, who announced her appointment. "Patty's strong performance has only served to confirm my confidence in her abilities as a manager and decision-maker." ★

EnforcementActions

MetLife Agrees to \$1.6 Million Restitution In Race-Based Life Insurance Pricing Case

COMMISSIONER JOSE MONTEMAYOR has signed a consent order that applies a nationwide settlement of race-based pricing allegations against Metropolitan Life Insurance Co. to Texas. Beneficiaries of the order include both African-Americans and Hispanics.

"This latest settlement is another step toward eliminating the last vestiges of the ugly and unfair practice of charging more for a small life insurance policy if the customer happened to be an African-American or a Hispanic," Montemayor said.

Metropolitan Life agreed to restitution totaling \$1.6 million to 5,475 Texas policyholders, former policyholders and beneficiaries. The amount is Texas' share of a nationwide regulatory settlement worked out through the auspices of the NAIC. Montemayor is chairman of the NAIC's Race-Based Premium Working Group.

Metropolitan Life agreed to the restitution order without admitting any violation of Texas insurance laws.

The consent order recites allegations that Metropolitan Life "in connection with the sale of industrial life and small face amount life insurance policies has violated the insurance laws of the State of Texas by charging African-Americans and other minority individuals more in premium or providing fewer benefits than they charged or provided other individuals similarly situated."

Similar settlements and consent orders have involved Union National Life Insurance Co., United Insurance Company of America and Reliable Life Insurance Co. of the Unitrin group; Life Insurance Company of Georgia and Southland Life Insurance Co. of the ING group; and American General Life and Accident Insurance Co.

These cases, plus the Metropolitan Life settlement, have provided \$13.5 million in relief of various kinds to 353,475 Texas consumers.

In most instances, the companies had assumed small face value policies with premiums based on race or ethnicity when they acquired smaller companies that had engaged in such pricing activities before 1970. ★

Fraud Unit Prosecutions... *from previous page.*

King, Hazmel, sentenced in Houston to one-year confinement for insurance fraud, a state jail felony.

Robertson, James Henry, sentenced in Austin to 120 months' deferred adjudication,

250 hours of community service and restitution of \$42,049 for theft, a third-degree felony.

Sexton, Billy Don, sentenced in Houston to 12 months' deferred adjudication and 80 hours of community service for theft, a Class A misdemeanor. ★

RuleMaking

AUTOMOBILE

Exempt Proposals

Utility Vehicles

■ TDI staff have proposed an amendment to the *Texas Automobile Rules and Rating Manual* and the Texas Standard Provisions for Automobile Policies that would make personal auto coverage available for many utility vehicles that are currently excluded because of their weight.

Existing manual rules provide that a utility vehicle is ineligible for coverage under the Texas standard Personal Auto Policy (PAP) if its gross vehicle weight (g.v.w.) exceeds 10,000 pounds. Vehicles with a gross vehicle weight of 10,000 pounds or more currently must be insured under a Business Auto Policy, which is more expensive than the PAP and does not carry the same discounts. The 10,000-pound cut-off was established in 1990. Since then, the size of many popular vehicles has come to exceed that limit. The proposed changes would raise the cut-off for coverage under the PAP to a gross vehicle weight of 25,000 pounds.

“By raising the g.v.w. limitation to 25,000 pounds for otherwise qualified utility vehicles not used in business, staff’s proposal would achieve more fairness in rating these vehicles,” the TDI filing said.

Publication: 27TexReg10619, November 8, 2002
Reference number: A-1002-39-1
Further information: 512 463-6327

Companion Policy Discount

■ TDI staff have proposed amendments to Rule 74 of the *Texas Automobile Rules and Rating Manual* that would enable insurers to offer personal auto policy discounts of up to 10 percent when a companion policy is bought from the same company or company group. Each company would specify the types of policies it considers to be companion policies. A life or health policy would not qualify as a companion policy.

The Personal Lines Manual already allows companion policy discounts on residential property policies when the policyholder has an auto or other policy with the same company or group.

Insurers that elect to give the discount would be required to apply it to premiums for bodily injury and property damage liability, PIP, medical payments, collision, comprehensive

and specified cause of loss coverages. They also would be required to apply the discount uniformly across the applicable coverages.

Some auto insurers already are able to offer companion policy discounts because they included them as subclassifications in rating manual filings approved by TDI.

TDI staff said their proposal would save time for both the Department and insurers by eliminating the need for individual company filings for companion policy discounts of 10 percent or less. Insurers could seek approval for larger discounts but would have to support them statistically.

Insurers would be required to notify TDI before they begin offering companion policy discounts.

Publication: 27TexReg 10621, November 8, 2002
Reference number: A-1002-40-1
Further information: 512 463-6327

FINANCIAL

APA Proposals

Repeal of Obsolete Rules

■ The Department has proposed the repeal of 28 TAC § 3.309, concerning minimum reserves for indeterminate premium reduction policies, and 28 TAC §§ 3.1201–3.1204, concerning minimum valuation standards for plans with varying nonforfeiture benefits. TDI’s adoption of Subchapter NN, Valuation of Life Insurance Policies, rendered Section 3.309 obsolete. The Department proposes the repeal of Sections 3.1201–3.1204 to eliminate the differences between their requirements and those of the *NAIC Accounting Practices and Procedures Manual*, which TDI has adopted as its single source of statutory accounting guidance.

Publication: 27TexReg10555, November 8, 2002
Earliest possible adoption: December 10, 2002
Further information: 512 463-6327

Health Insurance Reserves

■ The Department has proposed amendments to 28 TAC §§ 3.7003, 3.7004, 3.7006 and 3.7007 to harmonize the rules with changes in the NAIC’s model regulation for minimum reserve standards for individual and group accident and health insurance.

The proposed modifications include:

3.7003—The unearned premium reserve could never be less than the expected claims for the period beyond the valuation date repre-

ented by the unearned premium reserve to the extent not provided for elsewhere.

3.7004—Long-term care contract reserves would have to be calculated on the one-year full preliminary term method. A rating block approach could be used when determining contract reserves for individual and group contracts.

3.7006—The addition of a table containing adjusted claim termination rates and the 1983 Group Annuity Mortality Table without projection for the mortality basis for long-term care policies.

3.7007—The addition of definitions of “level premium” and “rating block.”

Publication: 27TexReg10700, November 15, 2002
Earliest possible adoption: December 16, 2002
Further information: 512 463-6327

Risk-Based Capital and Surplus

■ The Department has proposed amendments to 28 TAC §§ 7.401 and 7.410, concerning risk-based capital and surplus requirements for P&C and life insurance companies, fraternal benefit societies, mutual life insurance companies and stipulated premium companies.

The proposed amendment to § 7.401 is necessary to adopt by reference the 2002 *NAIC Life Risk-Based Capital Report Including Overview and Instructions for Companies* and the 2002 *Fraternal Risk-Based Capital Report Including Overview and Instructions for Companies*.

The proposed amendment to § 7.410 is necessary to adopt by reference the 2002 *NAIC Property and Casualty Risk-Based Capital Report Including Overview and Instructions for Companies*.

The formulas provided by the two sections to be amended provide TDI a widely used regulatory tool to identify the minimum amount of capital and surplus appropriate for an insurance company to support its overall business operations in consideration of its size and risk exposure.

Publication: 27TexReg10558, November 8, 2002
Earliest possible adoption: December 10, 2002
Further information: 512 463-6327

Accounting Practices and Procedures Manual

■ The Department has proposed an amendment to 28 TAC § 7.18 concerning the adoption by reference of Statements of Statutory Accounting Principles (SSAPs), which pro-

RuleMaking

vide guidance to independent accountants, industry accountants and department analysts and examiners for the proper recording of business transactions. The amendment is necessary to adopt by reference the changes to the March 2002 version of the *Accounting Practices and Procedures Manual* published by the NAIC. The March 2002 version contains four new SSAPs:

- 81, concerning software revenue recognition;
- 82, concerning the costs of computer software developed or obtained for internal use and Web site development costs;
- 83, concerning mezzanine real estate loans; and
- 84, concerning health care receivables and receivables under government insured plans.

In addition, the Department proposes to adopt SSAP No. 85, concerning claim adjustment expenses; SSAP No. 86, concerning accounting for derivatives and hedging activities; and SSAP No. 87, which amends SSAPs Nos. 4, 19, 29, 73, 79 and 82 to provide specific predefined thresholds to be established for capitalization.

Publication: 27TexReg10556, November 8, 2002
Earliest possible adoption: December 10, 2002
Further information: 512 463-6327

Reinsurance Agreements

- The Department proposes the repeal of 28 TAC § 7.28 concerning the regulation of accounting for reinsurance agreements by insurers. The repeal is necessary to eliminate differences between the section's requirements and those of the *NAIC Accounting Practices and Procedures Manual*. Repeal will further TDI's objective of codifying statutory accounting guidance into a single source (the manual).

Publication: 27TexReg10558, November 8, 2002
Earliest possible adoption: December 10, 2002
Further information: 512 463-6327

HMO and Health Insurer Financial Requirements

- The Department has proposed amendments to 28 TAC §§ 11.2 and 11.809 concerning financial requirements for HMOs and insurers eligible to file the Health Annual Statement adopted under 28 TAC § 7.65.

The proposed rules would bring health insurers under a requirement that previously had applied only to HMOs. Under the proposal,

any carrier that files the Health Annual Statement would be required to file the NAIC Health Risk-Based Capital Report with the NAIC.

Publication: 27TexReg10561, November 8, 2002
Earliest possible adoption: December 10, 2002
Further information: 512 463-6327

TAXES, ASSESSMENTS AND FEES

APA Proposals

Examination Expenses

- The Department has proposed an amendment to 28 TAC § 7.1012, revising domestic insurance company assessments to cover TDI administrative expenses attributable to the examination of insurers during 2003.

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

All domestic companies would pay a 2003 overhead assessment computed as follows, with the 2002 rates shown in brackets for comparison:

- .00503 [.00577] of 1 percent of the company's admitted assets as of Dec. 31, 2002, taking into consideration the annual admitted assets that are not attributable to 90 percent of pension plan contracts and
- .01190 [.01383] of 1 percent of the company's gross premium receipts for 2002, taking into consideration the annual premium receipts that are not attributable to 90 percent of pension plan contracts.

In addition to paying examiners' direct salaries and expenses, foreign companies undergoing examination would pay an assessment of 33 percent of the gross salary of each examiner for each month or partial month, the same as in 2002.

Publication: 27TexReg10703, November 15, 2002
Earliest possible adoption: December 16, 2002
Further information: 512 463-6327

Maintenance Taxes and Fees

- The Department has proposed amendments to 28 TAC § 1.414 that would establish maintenance taxes and fees for payment in 2003. The new maintenance tax and fee rates would be assessed on gross premiums for 2002.

The proposed rates, with 2002 rates shown in brackets, are:

- .053 [.060] of 1 percent for motor vehicle insurance.
- .180 [.210] of 1 percent for casualty insurance and fidelity, guaranty and surety bonds.
- .330 [.401] of 1 percent for fire insurance and allied lines, including inland marine.
- .051 [.069] of 1 percent for workers' compensation insurance.
- 0.73 [.111] of 1 percent for title insurance.
- .040 [.040] of 1 percent for life, health and accident insurance.
- \$.44 [\$.37] per enrollee for single service HMOs.
- \$1.32 [\$1.10] per enrollee for multi-service HMOs.
- \$.44 [\$.37] per enrollee for limited service HMOs.
- .265 [.330] of 1 percent of the correctly reported gross amount of administrative or service fees for third party administrators.
- .022 [.03] of 1 percent for corporations issuing prepaid legal service contracts.

Publication: 27TexReg10698, November 15, 2002
Earliest possible adoption: December 16, 2002
Further information: 512 463-6327

Premium Finance Assessment

- The Department has proposed an amendment to 28 TAC § 25.88, setting the general administrative expense assessment of premium finance companies for 2003. The assessment would be .00787 of 1 percent of a company's total loan dollar volume for 2002, with a minimum assessment of \$250. The current assessment rate is .00135 of 1 percent.

Publication: 27TexReg10704, November 15, 2002
Earliest possible adoption: December 16, 2002
Further information: 512 463-6327 ★

FY 2002 Annual Report Available for Purchase

TDI's ANNUAL REPORT for Fiscal Year 2002 is now available on the Internet and in print. To order printed copies, send a note requesting the report with a check for \$10.85 to

Texas Department of Insurance
Distribution MC 9999
 P.O. Box 149104
 Austin, TX 78714-9104.

The report is available on TDI's Web site at www.tdi.state.tx.us/commish/annual01.html. The report can be viewed or downloaded in sections or printed from a browser as one or more Adobe pdf pages. ★

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
	Brady, James Clair	Houston	General Life, Accident, Health and HMO License and General Property and Casualty License Revoked; Restitution	Misappropriation or Conversion; Fraudulent and Dishonest Acts	02-1015	9/26/02
	Bryant, Carrie Elizabeth	Austin	\$2,000 Fine, to be Reduced Dollar for Dollar by Restitution, Down to a Minimum Fine of \$1,000	Accepted Commissions from Unauthorized Insurer; Other Violations	02-1114	10/28/02
	Irigollen, Virginia	Brownsville	General Property and Casualty Agent's License Revoked	Felony Conviction; Material Misstatements on Agent License Application	02-1119	10/28/02
	Lenzini, Allen Holman	Macon, MO	General Life, Health, Accident and HMO Licensed Revoked	Felony Conviction; Fraudulent or Dishonest Acts or Practices	02-1014	9/26/02
	Mackey, John Hardesty	Rockwall	Cease-and-Desist Order; \$8,000 Fine, to be Reduced Dollar for Dollar by Restitution, Down to a Minimum Fine of \$1,000	Unauthorized Insurance	02-1045	10/3/02

INSURANCE COMPANIES

Employers Reinsurance Corp.	Overland Park, KS	\$12,500 Fine	Inadequate Loss Control Services for Professional Liability Policyholders	02-1113	10/28/02
Humana Insurance Co.	Louisville, KY	\$7,000 Fine	Consent Order; Alleged Violation of Small Employer Health Insurance Availability Act	02-1053	10/9/02
St. Paul Mercury Insurance Co.	St. Paul, MN	\$3,000 Fine	Failure to File Commercial Auto Experience Rating Data	02-1141	10/31/02
The Union Labor Life Insurance Co.	Washington, D.C.	\$20,000 Fine	Use of Unapproved Forms and Rates	02-1047	10/3/02

PREMIUM FINANCE COMPANIES

Allegiance Payment Plan, LLC	Duluth, GA	\$2,000 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1124	10/28/02
Diamond Payment Plan, LLC	Duluth, GA	\$2,000 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1120	10/28/02
Global Payment Plan	Duluth, GA	\$2,000 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1083	10/18/02
M.H. & Auto Premium Finance Co.	Metairie, LA	\$3,000 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1055	10/9/02
Perry Budget Plan Inc.	Duluth, GA	\$2,000 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1121	10/28/02
SIR Financial Group Inc.	Dallas	\$1,500 Fine	Failure to Submit Premium Finance Annual Operations Report and Assessment Fee	02-1046	10/3/02

UNAUTHORIZED INSURERS

Britannia International Life & Casualty Limited and Lyndal Ray Stocks	Houston	Emergency Cease-and-Desist Order	Unauthorized Insurance	02-1043	10/2/02
MarkeTrends Insurance Ltd.	Nicosia, Cyprus	Emergency Cease-and-Desist Order	Unauthorized Insurance	02-1128	10/31/02
North American Indemnity	Belgium	Emergency Cease-and-Desist Order	Unauthorized Insurance	02-1129	10/31/02
McNicoll, Euan David Anderson, John Fowler	Scotland Scotland				

Disciplinary Actions

UNAUTHORIZED INSURERS NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
OTR Truckers Health and Welfare Fund (aka Over the Road Truckers Healthcare Fund)	Cumming, GA	Cease-and-Desist Order	Consent Order; Alleged Unauthorized Insurance	02-1037	10/1/02

Company Licensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
CNL/Insurance America Inc.	Fire and/or Casualty	Macon, GA
The Good Samaritan Employers Association Inc.	MEWA	Washington, D.C.
Medsolutions of Texas Inc., <i>dba</i> RAD MSO of Texas Inc.	HMO	Franklin, TN
ScriptNet Inc.	TPA	Las Vegas, NV
The Small Railroad Business Owners Association of America Inc.	MEWA	Washington, D.C.
Waterstone Benefit Administrators Inc.	TPA	Oklahoma City, OK

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Austin Indemnity Lloyds Insurance Co.	Fire and Casualty	Austin, TX
Old Glory Insurance Co.	Fire and/or Casualty	Tyler, TX
U.S. Aerospace Insurance Co.	Fire and/or Casualty	Addison, TX

For name change in Texas

FROM	TO	LINE	LOCATION
The Accident Fund Co.	Accident Fund Insurance Company of America	Fire and/or Casualty	Lansing, MI
Ausa Life Insurance Co. Inc.	Transamerica Financial Life Insurance Co.	Life, Accident and/or Health	Purchase, NY
Conseco Variable Insurance Co.	Jefferson National Life Insurance Co.	Life, Accident and/or Health	Amarillo, TX
Lincoln National Health & Casualty Insurance Co.	Fort Wayne Health & Casualty Insurance Co.	Fire and/or Casualty	Fort Wayne, IN
Mid-Continent Life Insurance Co.	Mid-Continent Preferred Life Insurance Co.	Life, Accident and/or Health	Oklahoma City, OK
Western Security Life Insurance Co.	Provantis Insurance Co.	Life, Accident and/or Health	Wilmington, DE

Add assumed name in Texas

FROM	TO	LINE	LOCATION
El Paso First Group Health	El Paso First Health Plans Inc.	HMO	El Paso, TX

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
ACN Group Inc.	TPA	Minnetonka, MN
Benicomp Inc.	TPA	Fort Wayne, IN
Flexben Corporation	TPA	Mequon, WI
Foresight Inc., <i>dba</i> Foresight TPA Inc.	TPA	Norman, OK
Healthspring Inc. <i>dba</i> Texas Healthspring, Incorporated	HMO	Nashville, TN

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Accountable Partners Healthcare System, LP	TPA	El Paso, TX
Germania Select Insurance Co.	Fire and Casualty	Brenham, TX
Worklife Solutions Inc.	TPA	Austin, TX

Company Licensing

Applications Approved

For name change in Texas

FROM	TO	LINE	LOCATION
AUL Long Term Care Solutions Inc.	ERC Long Term Care Solutions Inc.	TPA	
Conseco Direct Life Insurance Co.	Colonial Penn Life Insurance Co.	Life	Philadelphia, PA
Human Affairs International Inc.	Magellan Behavioral Services, LLC	TPA	Sandy UT
Reinsurance Management Inc. dba Managed Health Funding Insurance Administrators	MHF Insurance Administrators, Inc.	TPA	Jacksonville, FL
United Community Health Electronic Clearinghouse (CHEC), L.L.C.	WEBTPA Community Health Electronic Clearinghouse (CHEC), LLC	TPA	Irving, TX

Cease-and-Desist, *from page 1*

Unauthorized Insurance Team in the Legal and Compliance Division in July 2002. The team is headed by staff attorney Doug Danzeiser.

Beyond the possibility of criminal prosecution and disciplinary action by TDI, *Texas Insurance Code* Section 101.201 provides that any "person who in any manner assisted directly or indirectly in the procurement of the [unauthorized insurance] contract is liable to the insured for the full amount of a claim or loss under the terms of the contract if the unauthorized insurer fails to pay the claim or loss."

Moreover, *Texas Insurance Code* Section 101.202 provides that a court may award a plaintiff's reasonable attorney fees if an unauthorized insurer fails to pay claims within 30 days after receiving a demand prior to the filing of a lawsuit.

Agents are referred to Commissioner's Bulletin B-0009-02, which is available on TDI's Web site, www.tdi.state.tx.us. The bulletin includes detailed advice on how agents can avoid being duped into selling unauthorized health care plans.

Preferred Provider Networks

Another area of concern to the Department involves the use by unauthorized health plans of legitimate preferred provider organizations. In today's market, unauthorized plans cannot thrive without making such networks of doctors available to enrollees. The unauthorized plans typically pay the provider networks \$3 to \$5 per head so that enrollees can have access to network doctors and PPO names can be placed on the insurance cards that members present to doctors. The Department advises PPOs to carefully scrutinize the plans with which they contract. ★

Data Call Reminders

Call for Quarterly Experience

The Call for Third Quarter 2002 Experience was mailed September 27, 2002, and was due by November 15, 2002. The bulletin and forms may be downloaded from TDI's Web site at <http://www.tdi.state.tx.us/company/index-pc.html>. TDI contact is Julie Jones, **512 475-3030**. E-mail address: julie.jones@tdi.state.tx.us.

Call for Quarterly Experience, Workers' Compensation Deductible Plans

The Call for Third Quarter 2002 Experience was mailed September 27, 2002, and was due by November 15, 2002. The bulletin and forms may be downloaded from TDI's Web site at <http://www.tdi.state.tx.us/company/ind-expc.html>. TDI contact is Julie Jones, **512 475-3030**. E-mail address: julie.jones@tdi.state.tx.us. ★



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