



Beware: Hidden Dangers Could be Lurking in Your Health Plan

IN 2002-03, the Texas Department of Insurance shut down 51 agents and 10 companies for selling unauthorized insurance. There are currently 297 open cases against suspected unauthorized insurance scams and the agents selling them in Texas.

Operating an unauthorized health care plan is a serious crime in Texas. Unauthorized insurers are typically unlicensed companies offering medical coverage at very attractive prices. But the products they're selling are often worthless. Those companies' only real goal is to string their victims along for as long as they can, while collecting as much money as possible. When victims of the scam start making health care claims, the bogus insurance companies often fold, declaring bankruptcy or disappear completely, only to re-emerge under a new name and start the cycle again. Businesses, large and small, school districts and individuals have all been targets of unauthorized insurers.

"Unauthorized insurance scams are becoming too common in Texas and shutting them down is a priority for the Department," said Texas Insurance Commissioner Jose Montemayor. "Forming a company to engage in the unauthorized business of insurance is the most serious violation of the insurance code."

The Texas Department of Insurance is urging the public and the industry to do all they can to avoid these bogus health plans. But it isn't easy. The rising cost of health care has not only made it harder for employers and their employees to find affordable health insurance, it's also led to a proliferation of these criminal enterprises. And with so many employers desperately seeking ways to provide health coverage for their employees, the sales pitches for these unautho-

rized plans can be hard to resist. TDI is attacking the problem on two fronts—cracking down on violators and aggressively trying to educate the public about the dangers of unauthorized insurance. The department is creating a brochure and an online webpage to explain the problem.

Montemayor said, "Unauthorized insurers have a dismal record of collecting premiums, paying small claims to build confidence, and then vanishing when substantial claims start to come in." Initially paying a few of those smaller claims allows these companies to remain undetected for awhile, buying them time to bank more premiums. But inevitably they stop paying, and start stonewalling—usually when a large claim is filed or when several people make claims around the same time.

The scam victimizes not only employers and employees but also doctors and other health care professionals whose bills go unpaid. Individual victims left responsible for stacks of unpaid medical bills face financial hardships, damaged credit ratings and sometimes medical bankruptcy.

Employers need to carefully research any company they're considering contracting with for health coverage. An unlicensed company is an obvious sign of problems ahead. Selling insurance without required licenses or other authority from the Texas Department of Insurance signals criminal intent.



InSideInSight



Licensing Public Adjusters	2
Record Title Insurer Fines	4
Texas "Do Not Call" Rules	5
Credit Scoring Restrictions	6
Top 10 Fraud Cases	9

Please see Scams on page 8

Insurance Requirements for Mexican Trucks

TEXAS INSURANCE COMMISSIONER Jose Montemayor hosted a meeting of the National Association of Insurance Commissioners' NAFTA Trilateral Insurance Working Group, October 30 in Austin. Commissioner Montemayor chairs the NAFTA Working Group, composed of regulators and industry members from the United States, Mexico and Canada.

The meeting was a follow-up to the working group's July gathering in Mexico City. The group is discussing the availability and affordability of liability insurance for the Mexican trucking industry.

Vehicles entering the U.S. from Mexico must comply with U.S. and Texas financial responsibility requirements. However, Mexican officials say it is often difficult for Mexican truckers to obtain the necessary coverage from U.S. insurers, particularly when transporting hazardous material.

There is concern that if the problem is not addressed there could be significant market disruptions on both sides of the border. The Texas Department of Insurance has also received comments regarding the potential for fraud should insurance from legitimate sources continue to be difficult to obtain.

The NAFTA Trilateral Insurance Working Group includes California Insurance Commissioner John Garamendi, representatives of the U.S. Department of Transportation, Mexico's Secretaria de Transportes y Comunicaciones and the Insurance Bureau of Canada. 🌟

Agents' Corner

THE TEXAS DEPARTMENT OF INSURANCE (TDI) is now issuing Public Insurance Adjuster (PIAJ) licenses and Public Insurance Adjuster Trainees (PIAJT) temporary certificates.

Senate Bill 127 of the 78th Legislature, Regular Session, enacted state regulation of public insurance adjusters and established the PIAJ license and PIAJT certificate.

In general, most persons who, for compensation, negotiate or settle claims on behalf of insureds for loss or damage under insurance policies covering real or personal property must be licensed by TDI as PIAJs or PIAJTs.

Individuals who wish to obtain the PIAJ license must pass a license exam, submit a complete application, and meet all license requirements. The PIAJ exam and application are available from Promissor, which has contracted with TDI to administer the exam and receive applications.

Promissor's Insurance Licensing Candidate Handbook contains the exam content outline, important information regarding eligibility, and a description of the exam and license application processes. For copies of the handbook and application, please call 1-888-204-6258 or visit www.promissor.com.

The PIAJT license does not require an exam, but applicants must meet all other license requirements. Individuals who wish to register for the PIAJT certification must complete an application obtained from TDI and must submit the completed application to the Department.

An application form may be downloaded from www.tdi.state.tx.us/general/forms/agentforms.html or mailed to you by calling 1-512-322-3503. 🌟

TDInSight

Contact TDInSight at:

Texas Department of Insurance
TDInSight/MC-113-1A
P.O.Box 149104
Austin, TX 78714-9104

512 463-6425
512 463-6461 fax

TDInSight is published bimonthly. For a one-year subscription (6 issues), contact TDI's Publications Division at:

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

Enclose a check for \$20 made out to the Texas Department of Insurance.

If you have questions about subscribing, call Publications Distribution at (512) 322-4283.

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

*TDInSight, 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. TDInSight 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.



Boerner to Serve as Member of Actuary Council

MIKE BOERNER, Managing Actuary in the Financial Program, has been asked to serve as a member of the American Academy of Actuaries, Life Practice Council.

The Council oversees the Academy's public policy work on life insurance issues and manages the work of its committees, task forces, and work groups, including the Life Financial Reporting Committee, Life Products Committee and Life Financial Soundness/Risk Management Committee.

"Mike's appointment to serve as a member of the American Academy of Actuaries, Life Practice Council is a recognition of his professional excellence," said Insurance Commissioner Jose Montemayor. "We are very fortunate to have his enormous talent on the TDI team."

Stephen J. Preston, vice president of the American Academy of Actuaries and head of the Life Practice Council, said following Boerner's appointment: "We are very pleased and excited about Mike's role."

Boerner is a graduate of the University of Texas with a BBA and MBA. His specialization is actuarial science. He has been with the Texas Department of Insurance for 19 years and Managing Actuary of the Financial Program since 1994. Boerner oversees functions of the Actuarial Division, including the actuarial exam and opinion review processes, life/health policy review efforts, actuarial requirements, and special projects.

He is a member of the American Academy of Actuaries and has been a member of the Society of Actuaries since 1990. Boerner serves on several NAIC committees, including the Life/Health Actuarial Task Force, the Accident and Health Entities Working Group, and the Life Liquidity Risk Working Group. He is also chairman of the Risk Based Capital Ad Hoc Subgroup, and served on the legislatively mandated Small Face Amount Life Insurance Advisory Committee in 2002. ☺

InBrief



TWIA Rate Increase Approved

TEXAS INSURANCE COMMISSIONER Jose Montemayor issued an order on November 14, 2003, approving a rate increase for the Texas Windstorm Insurance Association (TWIA) of 10 percent for commercial risks and 9.6 percent for residential risks. TWIA had requested a 10 percent increase for both lines.

Montemayor's order was based in part on testimony taken at a September 22, 2003 public

hearing indicating that TWIA had experienced severe losses over the past two years and had been unable to make a contribution to the Catastrophe Reserve Trust Fund. It was also noted that the cost of reinsurance and 30 years of loss experience indicated a rate increase was in order.

The rate increases become effective on January 1, 2004. ☺

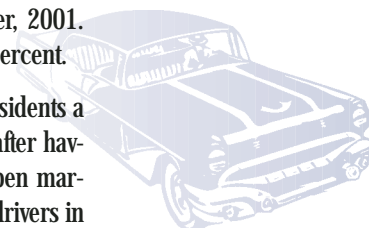
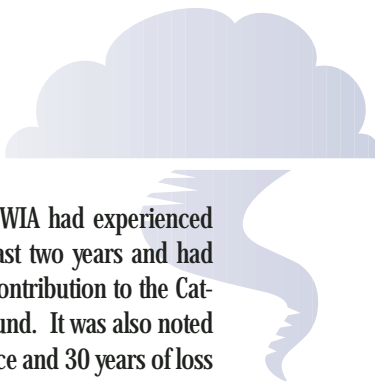
TAIPA Rate Increase Approved

TEXAS DRIVERS having difficulty finding auto liability insurance will have to pay a little more to get coverage through the state's market of last resort.

The Texas Department of Insurance approved a 27.7 percent increase for private passenger auto rates covered by the Texas Automobile Insurance Plan Association (TAIPA.) The TAIPA commercial auto rates have not been changed. The rate increase, which takes effect February

1, 2004, is the first for TAIPA since the Association rates were adjusted in December, 2001. TAIPA requested an increase of 49.9 percent.

TAIPA was created to provide Texas residents a means of securing liability insurance after having more than one rejection in the open market. With the upcoming rate increase drivers in TAIPA will pay about twice as much for auto insurance as those in the open market. ☺





Record Fines Imposed on Title Insurance Companies

THE TEXAS DEPARTMENT OF INSURANCE (TDI) recently imposed record fines against two title companies in separate disciplinary actions. First American Title Insurance Company and Atlantic Assurance, LLC, have each signed consent orders and agreed to settlements.

First American Title Insurance Company agreed to pay refunds to consumers in connection with overcharges for recording fees, courier fees and tax certificates. These overcharges took place in First American's Houston, Corpus Christi and Tyler branches between 1998 and 2000. TDI determined the fees charged were not based on reasonable estimates or actual disbursements.

First American will pay up to \$1 million in refunds to customers. The company is currently running notices in local newspapers alerting customers to this action and describing the refund claim process.

In a separate case, Atlantic Assurance, LLC also agreed to a \$400,000 administrative penalty for conducting the unauthorized business of title insurance before holding a valid certificate of authority from TDI. Atlantic Assurance, which has since been purchased by TransUnion, was located in North Carolina and was acting as a

middleman between lenders and Texas title agents. Texas law requires companies to be licensed in Texas if they receive or collect Texas title insurance premium. These activities took place between October 2000 and early 2003. This agreement was entered into September 11, 2003.

Previously, the largest fine against a Texas title agent was \$143,000.

"The record recoveries in these highly complex cases are the result of coordinated efforts between the Title Division and the Enforcement Division of the Texas Department of Insurance," said Texas Insurance Commissioner Jose Montemayor. "TDI Deputy Commissioner Robert Carter and his staff, who oversee title insurance regulation, are skilled professionals who remain vigilant in protecting legitimate agencies and Texas consumers from unlicensed operations."

"We take very seriously the mandate given to us by the legislature that title insurance is to be regulated in its entirety," Montemayor said. "We expect our licensees to abide by all of our rules and regulations for the protection of Texas consumers." ☆

New Law Shines a Light on Indoor Pyrotechnic Displays

AFTER A FIRE in a crowded Rhode Island nightclub claimed more than a hundred lives earlier this year, officials across the country scrambled to find ways to prevent similar disasters. Here in Texas, part of the answer may be new legislation designed to tighten regulation of potentially hazardous indoor pyrotechnic displays and flame-effects.

Texas already had laws on the books requiring a licensed special effects operator at any pyrotechnic show with a "proximate audience." The new law, Senate Bill 693, adds additional requirements for assemblies with over 50 people and now includes venues using either "flame-effects," or pyrotechnics.

Among the new requirements, venues must either have a sprinkler system or assigned "fire-watch personnel," submit a plan and obtain a permit from local officials, and conduct the display in accordance with adopted National Fire Protection Association standards. Depending on the type of show, a licensed pyrotechnic or flame-effect operator must be present. The venue must also provide a minimum of \$1,000,000 in general liability insurance.

Another new aspect of the law requires an announcement of the locations of all exits before the show begins. Experts say people have a tendency to try and exit a facility the same way they entered it, but in an emergency the nearest or an alternate exit could save lives. ☆

Insurance Telemarketing Subject to Texas “Do Not Call” Law

THE RECENT PASSAGE, and subsequent challenge, of federal “do not call” rules has led to some confusion regarding what restrictions apply to insurance companies and/or agents engaging in telemarketing. It’s important to remember that Texas began its own “do not call list” in January 2002 after the passage of the Texas Telemarketing Disclosure and Privacy Act, passed during the 2001 Texas legislative session. The Texas do not call rules still apply.

The Texas law permits telemarketers to contact consumers only if there is a pre-existing business relationship, if the customer initiated or requested the contact, or if the telemarketer is a state licensee (such as an insurance agent.) There are still some rules that state licensees must follow in order to qualify for that exemption and make “cold-calls.” According to Texas law:

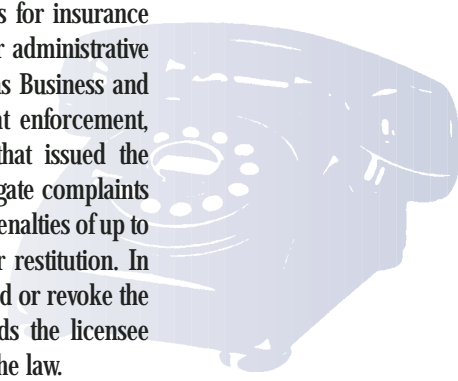
- The licensee’s calls can not be made by an auto-dialer,
- any sales must be completed with a face-to-face presentation, and
- the consumer must not be on the no-call list, or have otherwise indicated to the telemarketer that they do not want marketing calls.

A telemarketing call is an unsolicited telephone call made to (1) solicit a sale of a good or service, (2) solicit an extension of credit for a good or service, or (3) obtain information that maybe used to solicit a sale. Telephone calls made by state licensees in order to qualify as exempt, must comply with the exempt provisions of the Act.

The Texas Department of Insurance is charged with enforcing the no-call rules for insurance companies with fines and other administrative actions. Chapter 44 of the Texas Business and Commerce code spells out that enforcement, stating that the state agency that issued the license may receive and investigate complaints and may assess administrative penalties of up to \$1,000 per violation and order restitution. In addition the agency may suspend or revoke the state licensee’s license if it finds the licensee willfully or knowingly violated the law.

The measure is designed to offer Texas consumers a way to reduce the number of unwanted telemarketing calls to their homes.

The telemarketing law also applies to unsolicited faxes. ☎



TDI Fraud Unit Preparing for 6th Annual Fraud Conference

THE TEXAS DEPARTMENT OF INSURANCE Fraud Unit will be hosting the 6th Annual Fraud Conference on Thursday and Friday, January 29 and 30, 2004. Conference attendees are comprised of investigators from insurance companies, federal and state law enforcement agencies and other state agencies. The conference gives investigators not only the opportunity to earn continuing education credit but also provides a much needed forum for networking and idea sharing between the participating organizations.

Among the conference highlights, Howard Goldblatt, Director of Governmental Affairs for the Coalition Against Insurance Fraud, and

William Mahon, President and Chief Executive Officer of the National Healthcare Anti-Fraud Association, will direct a roundtable discussion on fraud trends and initiatives.

This year’s conference will also include presentations from the State Fire Marshall’s Office, the Texas AutoTheft Prevention Authority, and the National Insurance Crime Bureau. Officer Dwayne Wright of the Houston Police Department returns to the conference with a segment discussing the latest interviewing techniques.

Registration information will soon be available on the TDI Fraud Unit website. ☎





Availability

APA Adoption

TDI Adopts Rules on Credit Scoring

- ▶ The Texas Department of Insurance adopted initial rules regarding the use of credit scoring by insurers in Texas. Under the new rules, companies using credit information must provide a disclosure statement to the consumer once an insurance application is received. The disclosure notifies potential policyholders if credit scoring will be used in rate setting and describes the consumer's rights and protections.

The disclosure form identifies each of the statutory prohibitions contained in SB 14 78th Legislature, Regular Session and explains the consumer's right to appeal an adverse ruling that results in higher rates or other adverse actions. The company must provide a contact telephone number which the consumer can call to dispute inaccurate or prohibited information.

The Texas Department of Insurance is launching a comprehensive review of credit scoring. TDI has issued a Request For Information (RFI) to help design a study to gauge the impact credit scoring has on any class of individuals, including classes based on income and ethnicity.

The information that is ultimately gathered during the study will be used to determine whether credit scores are being used correctly and fairly by insurance companies. "At the end of this process, I can assure you that Texans will have sound pricing that leads to more stable and fair rates," Montemayor said.

Publication: 28 TexReg 10766

November 28, 2003

Effective date: November 30, 2003

Additional information: 512 463-6326

Homeowners

APA Proposal

TDI considers new rules regarding previous mold, water or appliance-related claims

- ▶ The new rules would restrict the use of underwriting guidelines based on previous mold damage, mold damage claims, water damage claims or appliance-related claims.

Insurers will not be able to use underwriting guidelines based solely upon a single prior water damage claim by the applicant or on the covered property.

Appliance related claims, such as discharge or leakage of water from dishwashers or ice-makers, may not be considered for cancellation, non-renewal or rate setting if the problem has been inspected and certified as properly repaired by an inspector that is knowledgeable and experienced in the remediation of water damage.

The new rules would also restrict the use of previous mold damage or a previous mold claim in underwriting residential property insurance if mold remediation has been performed and the work has been inspected and certified by a licensed mold assessor or adjuster.

The purpose of the new water and mold remediation rules is to protect consumers from being unfairly penalized because of previous mold or water claims or damage, that have been properly corrected.

The new rules implement Senate Bill 127 and House Bill 329 enacted by the 78th Texas legislature related to the regulation of how previous water and mold damage can be used as underwriting guidelines.

Publication: 28 TexReg 8805

October 10, 2003

Earliest adoption date: November 11, 2003

Additional information: 512 463-6326

Rates

APA Adoption

Territory Rating Requirements

- ▶ Insurance Commissioner Jose Montemayor adopted new rules in October 2003 regarding the allowable rate differences for territories within a county. The new rules apply to residential property insurance and personal auto insurance.

Insurers will now be allowed to use different rating territories within a county if the rates for any particular territory within that county are no greater than 15 percent higher than the rates charged in any other subdivision within that county by the same insurer.

These rules allow insurers to use territorial rate differences that more accurately reflect higher loss exposures, as long as those differences are based on sound actuarial principles and supported by data filed with the Department.

The new section takes into account real exposure differences within the same county. An example is losses caused by catastrophic weather events in coastal subdivisions of a county compared to inland areas of the same county. Those living inland would not have to pay higher rates in order to subsidize the catastrophic wind exposure of those with property along the coast. Another example is the differences of exposure in personal auto insurance in counties that include both highly urban areas with heavy traffic and rural areas with very little traffic.

The diversity of risk factors within individual counties is taken into account in the new section, assuring greater fairness and flexibility in rates. The new rules will also help ensure greater availability of residential property and personal auto insurance, minimizing market rate disruptions.

*Publication: 28 TexReg 10769
November 23, 2003
Effective Date: November 30, 2003
Additional information: 512 463-6326*

Filings

APA Proposal

Simplified Filings

- ▶ The Texas Department of Insurance is considering new proposed rules to simplify rate filing requirements for small and new insurers providing residential property insurance. The change would allow qualified insurers to immediately use their filed rates.

Under the proposed rules, a “small insurer” is defined as an insurer, including a Lloyd’s plan or reciprocal exchange, that during the previous calendar year wrote less than 2 percent of the total homeowners premium in the state. A “new insurer” is one that, as of the effective date of Senate Bill 14 enacted by the 78th Texas Legislature (June 11, 2003) was not authorized to write residential property insurance in this state.

The proposed rule would require small insurers to submit actuarial support or other justification for an overall rate increase if:

- a) for rates effective before March 1, 2004, a company had direct written residential property premium in the previous calendar year of more than \$10 million, and
- b) for rates effective on or after March 1, 2004, a company had direct written residential property premium in the previous calendar year of more than \$20 million.

TDI anticipates significant benefits for both the public and the industry as a result of the proposed rule. The simplified rate filings and greater efficiency in the regulatory process may encourage new entries into the market and consumers would enjoy greater availability and choice in the residential property insurance market.

This rule would expire on December 1, 2004.

*Publication: 28 TexReg 9050
October 17, 2003
Earliest adoption date: November 11, 2003
Additional information: 512 463-6326*

Continued on page 10



Scams

... from page 1

Watch for the red flags

Here are some signs that an insurance provider may be phony:

- They offer exceptionally lower rates than others in the market.
- They require minimal or no underwriting—accepting almost anyone including those with pre-existing conditions or serious chronic illnesses.
- The plan claims to be exempt from state regulations because it falls under federal authority as an ERISA or Union-offered plan.
- The product claims to be “fully-funded” or “reinsured” but agents are unable to provide the name of the carrier underwriting the plan.
- Salespeople or promotional materials that carefully avoid the word “insurance” or other standard industry terms. (For example, agents are paid “consultant fees” instead of commissions and plan members make “contributions” instead of paying premiums.)

Dealing with a licensed insurance agent is no guarantee that the plan you’re buying is legitimate. Fraudulent health companies sometimes recruit licensed agents to sell their bogus poli-

cies. In one recent case, agents were being paid commissions of between 30 and 40 percent of the monthly premium. TDI continues to crack down

on agents caught participating in the schemes, holding them responsible for unpaid health care claims and in many cases pulling their licenses.

Check with us...before you send a check to them

Any employers considering a new health plan for their companies, or individuals shopping for their own policies, should check with TDI to see if the company is legally authorized to do business in Texas. All it takes is a phone call to TDI’s Consumer Help Line at

1-800-252-3439

or a visit to our Web site at

www.tdi.state.ts.us

If you think you’ve been offered a fraudulent health plan, call TDI’s Insurance Fraud Unit at

1-888-327-8818

The unfortunate fact is that health care today is expensive. So if someone claims to have a cheap alternative for you or your employees you should be suspicious. It could be very bad medicine. 🌀

“Unauthorized insurance scams are becoming too common in Texas and shutting them down is a priority for the Department.”

Recent Fraud Cases **Top 10**

Raymond Kilpatrick, a Granbury resident and a former fraternal life insurance agent, stole \$745,150.00 from six victims over the course of seven years by selling them what he purported to be short-term investment products (securities), which were in fact bogus. He convinced them to cash in life insurance policies and other assets and withdraw money from their savings accounts. Kilpatrick produced reports for the victims showing how well their investments were performing. Kilpatrick plead guilty to theft and was sentenced to five years in the Texas Department of Criminal Justice Institutional Division.

Johnny Duane Staples of Houston was the ring leader in an organized crime scheme that bilked several homeowners' insurance companies out of more than \$7 million. Staples and his six co-conspirators were able to convince 52 home owners to participate in the scheme. The scheme was simple—a home owner would leave town to establish an alibi, and Staples would go to the house, remove undamaged furniture from the house and replace it with damaged furniture and appliances. Staples would then flood the home, causing extensive damage. Staples and his six co-conspirators were sentenced in Federal District Court, Houston to a combined total of 34 years, 6 months confinement and ordered to pay restitution of \$7,867,178.85.

Latisha Renee Montgomery of Port Arthur filed a claim with Commercial Union Insurance Company for an alleged slip and fall accident at a local grocer in Port Arthur, Texas, and was paid \$2,500.00. Montgomery was convicted and sentenced in Beaumont to 12 months confinement for insurance fraud.

Charles F. Howard of Dallas, on parole for a murder conviction, obtained an Adjuster License using an altered name and fictitious date of birth and social security number. Howard became employed as an adjuster with Allstate Insurance in the Dallas area. Using a fictitious

business name, Howard opened a commercial bank account with the help of a co-conspirator. Again using his position as an adjuster, he issued claim checks to his fraudulent company and deposited them into the commercial bank account. The scheme netted Howard \$131,591.85. Howard was convicted in Federal Court and received six years and eight months confinement in the Federal Bureau of Prisons.

Lyndell Massengale, a Dallas resident, made application to six insurance companies for life insurance policies totaling \$525,000. On the applications he failed to disclose his true health condition and subsequently the insurance policies were issued. Massengale sold the insurance policies under a viatical agreement, and received \$100,000.00. He was convicted in the Federal Court in Dallas and received a three-year sentence, probated, and ordered to pay restitution in the amount of \$158,600.00

Tracy Akin Hardy Giron, a licensed agent from Houston, preyed upon the elderly by inducing them to purchase long-term care policies. She gained their trust by bringing them together for seminars and convincing them they needed these policies. Giron collected \$246,133.33 from the victims in premium. Giron failed to provide the policies and converted the money to her own use. Giron was sentenced in Houston to eight years in the Texas Department of Corrections and ordered to pay restitution of \$107,202.75 for the first degree felony offense of theft.

Joyce Lee Hickman, owner of a Houston-area medical clinic, fraudulently billed insurance companies in the name of VIP Medical Clinic and Classic Medical Clinic, for cancer treatment and physical therapy services. The claims totaled \$29 million for services that were not performed. Hickman fraudulently used identifiers of medical doctors in order to bill insurance companies using their names and billing codes. Hickman was convicted in Federal

Continued on page 10

Top 10

District Court in Houston for health care fraud. She was sentenced to 17 years and six months confinement and ordered to pay \$9,348,654.00 in restitution.

Joseph Pollaro, a Denison businessman, filed a disability claim with UnumProvident Corporation stating that he could only perform 10 percent of his usual workload. Pollaro continued working full-time but paid himself less salary. Since he employed his wife and son, Pollaro increased their salaries in equal amounts to offset his reduced salary. Joseph Pollaro was sentenced in Denison, Grayson County, to eight years deferred adjudication and was ordered to pay \$431,336.74 in restitution.

Nema Bardin-Zapata of Austin fraudulently received \$240,779.63 by submitting 20 claims to 12 separate insurance companies for refunds of workers compensations insurance surcharges. Zapata operated an accounts re-

ceivable service and misrepresented herself as an officer or as an agent for those entitled to a refund. Nema Bardin-Zapada pled guilty in Federal District Court-San Antonio to mail fraud and was sentenced to two years and six months of confinement and ordered to pay \$230,965.90 in restitution.

Ina Crow Miller of Sherman fraudulently obtained a \$500,000 life insurance policy on her husband Charles. Miller solicited the assistance of Charles Randall Blaze to impersonate her husband, who was in poor health. Upon the death of Mr. Miller, Miller made claim for the benefits of the insurance policy. Miller and Charles Randall Baze were found guilty in Denison, Grayson County, of one count of conspiracy to commit securing of execution of a document by deception and were sentenced to deferred adjudication for 10 years and four years respectively. ☹



continued from page 7
[Health Insurance](#)

APA Adoption

Mandated Benefits Data

- ▶ The Commissioner of Insurance has adopted amendments concerning the collection and reporting of data related to mandated benefits and offers of coverage.

The amendments were necessary to provide the reported information to the Legislature in a more timely fashion, as well as to respond to a petition from the Texas Association of Life & Health Insurers (TALHI).

As originally adopted, 28 TAC §21.3404 required the first report on mandated benefits to be submitted by March 1, 2004. TALHI's petition noted that compliance on that date would be difficult for many companies because it is the same date that they must file their annual financial statements.

The amendment changes the first reporting date from March 1, 2004 to April 1, 2004, with subsequent reports due annually on December 1. The change in reporting deadlines addresses TALHI's concern, as well as decreases the age of the most recent data available to the Legislature at the beginning of each regular session, from approximately 13 months to four months.

The first report, due April 1, 2004, will include data collected from January 1, 2003, through December 31, 2003.

The second report will contain data gathered during the reporting year period of October 1, 2003 through September 30, 2004, and is due on December 1, 2004.

Publication: 28 TexReg 8808
December 5, 2003

Effective date: December 11, 2003
Additional information: 512 463-6326 ☹

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Amann, John G.	Houston	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$7,500	Acted as an agent for an unauthorized insurer	03-1030	10/16/03
America First Insurance Company	Keene NH	\$3,000 fine	Late filing of commercial auto experience rating data; Failed to respond to requests for information from TDI	03-0931	9/25/03
American Institute for CPCU Insurance Institute of America	Malvern PA	\$600 fine	Taught a continuing education course with an expired certificate	03-1029	10/16/03
Arch Insurance Company	Kansas City MO	\$5,000 fine	Failed to file required semi-annual examination	03-0961	10/1/03
Archer Dodge, Inc.	Stafford	\$1,500 fine	Misdemeanor conviction	03-0891	9/19/03
Arvin, Robert Allin	Dallas	\$1,500 fine plus restitution	Acted as agent for unauthorized insurer	03-0818	9/4/03
Atlantic Assurance, LLC	Charlotte NC	\$400,000 fine	Unauthorized title insurance	03-0864	9/11/03
Barnhill, Jimmie Edwin	Wharton	\$4,200 fine subject to a dollar-for-dollar reduction by restitution to \$3,000	Acted as agent for unauthorized insurer	03-0892	9/19/03
Beal, Dameian	DeSoto	One year probated suspension of Limited Lines License	Misdemeanor conviction related to the business of insurance	03-0845	9/8/03
Benchmark funding Group, LLC	Dallas	\$1,000 fine	Failed to file required annual operations report	03-0962	10/1/03
Benefit Plans of America Inc.	Tuscaloosa AL	Cease and desist; Restitution of unpaid claims	Code violation, Unauthorized insurer	03-0893	9/19/03
Bergstrom, William Stevens	Rockwall	General Life, Accident, Health and HMO License revoked; \$10,000 fine, plus restitution and cease and desist	Acted as an agent for an unauthorized insurer; Engaged in fraudulent or dishonest acts or practices	03-0978	10/3/03
Bishop, Stephen Jerrel	Diana	\$3,461 in restitution; General Life, Accident, Health and HMO License probated revocation	Misappropriated and converted money belonging to an insurer or insured	03-0965	10/1/03
Britten, Ricky Thomas	Bryan	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,500	Acted as agent for unauthorized insurer	03-0819	9/4/03
Brokerage Concepts, Inc.	King of Prussia PA	\$8,000 fine	Acted as a third party administrator for an unauthorized insurer	03-1083	10/31/03
Carnero, Luis Fernando	Houston	\$1,500 fine	Misrepresented material terms and conditions of an insurance policy	03-1031	10/16/03
Chomenko, Antone T.	Pearland	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$7,500	Acted as an agent for an unauthorized insurer	03-0966	10/1/03
Cleveland, Barbara J.	Athens	\$1,000 fine	Allowed a false or fraudulent statement to be made in a policy	03-0983	10/6/03
Collin, Joan Lee	Spring	General P&C License denied	Engaged in fraudulent or dishonest acts	03-0900	9/19/03
Coregis Insurance Company	Chicago IL	\$3,000 fine	Code violation, failed to respond to requests for information from TDI	03-0894	9/19/03
Cozby, Kimberly Lott	Lubbock	General Property and Casualty License revoked	Engaged in fraudulent or dishonest acts or practices	03-0967	10/1/03

Continued on page 12

InDiscipline

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Craft, Lynn D.	Houston	One year probated suspension of Pre-Paid Legal Services License	Felony conviction	03-0866	9/11/03
Culver, William Hampton	Seymour	\$2,500 fine	Engaged in fraudulent or dishonest acts; Misappropriated and converted money belonging to an insurer or insured	03-1025	10/16/03
Davis, Wilma J.	Houston	\$11,000 fine subject to a dollar-for-dollar reduction by restitution to \$5,000	Acted as an agent for an unauthorized insurer	03-1058	10/29/03
Devoto, Khris Anthony	Sulphur Springs	General Life, Accident, Health and HMO License revoked	Felony conviction; Engaged in fraudulent or dishonest acts	03-0804	9/2/03
Eckert, Lester Wilson and Aberdeen Insurance Services, Inc.	Houston	General P&C License and Surplus Lines License revoked	Engaged in fraudulent and dishonest acts; Misappropriation and Conversion; Illegally withheld money belonging to an insured and insurer.	03-0755	8/14/03
Enwerekowe, Moses	Dallas	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as an agent for an unauthorized insurer	03-1026	10/16/03
Estes, Gregory Frank	San Angelo	Probated suspension of General Life, Accident Health and HMO License	Felony conviction	03-0863	9/11/03
Faulkner, Steven	Early	General Life, Accident, Health and HMO License revoked; \$10,000 fine plus restitution	Acted as agent for unauthorized insurer; Engaged in fraudulent or dishonest acts	03-0806	9/2/03
First American Title Insurance Company	Houston Corpus Christi Tyler	A minimum of \$500,000 in restitution to consumers	Consent order, overcharged consumers for recording fees, courier fees and tax certificates	03-0964	10/1/03
Francis, Charles Richard	Dallas	\$10,000 fine subject to a dollar-for-dollar reduction by restitution to \$5,000	Acted as an agent for an unauthorized insurer	03-1052	10/23/03
Frontier Insurance Company	Rock Hill NY	Certificate of Authority revoked	Failed to comply with an order issued by the Commissioner	03-1022	10/16/03
Fuentes, Velia C.	San Antonio	County Mutual License revoked	Misappropriated and converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	03-0918	9/23/03
Garner, Ronald W.	Cypress	\$6,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,500	Acted as agent for an unauthorized insurer	03-0908	9/19/03
Golden American Life Insurance Company	Des Moines IA	\$6,400 fine	Code violation for teaching continuing education courses with expired registration	03-0932	9/25/03
Gonzalez, Evangelina Esther	Houston	General Property and Casualty License revoked	Felony conviction; Engaged in fraudulent or dishonest acts	03-1023	10/16/03
Goodwin, April	League City	\$750 fine	Made a material misrepresentation on a license application	03-1028	10/16/03
Griffith, Herbert	Kilgore	General Life, Accident, Health and HMO License revoked; \$10,000 fine, plus restitution and cease and desist	Acted as an agent for an unauthorized insurer	03-0808	9/2/03
Hansen, K.C. Ann	Little Elm	\$750 fine	Misrepresentation on license application	03-0905	9/19/03



NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Hartford Fire Insurance Company	Hartford CT	\$5,000 fine	Failed to file required experience rating data	03-0982	10/6/03
Heidler, Thomas	Amarillo	\$10,500 fine	Material misstatement in license application; Failed to respond to request from TDI	03-0820	9/4/03
Heinzelmann, Gerald Mathis III	Fort Worth	Three year probation of General Lines Property and Casualty license	Felony conviction directly related to the business of insurance	03-0999	10/9/03
Helm, James C.	Houston	\$1,500 fine; One year probated suspension of Qualified Inspector appointment	Failed to respond to requests for information from TDI	03-1032	10/16/03
Hines, Samuel David	North Richland Hills	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$5,000	Acted as agent for an unauthorized insurer; Failed to report change of address and name	03-0846	9/8/03
Horton, Danny	Fort Worth	\$500 fine	Failed to respond to requests from TDI	03-0821	9/4/03
Hunter, Marvin	Beaumont	\$750 fine	Failed to comply with continuing education requirements	03-0822	9/4/03
James, Kimberly L.	Austin	Insurance Service Representative License denied	Felony conviction	03-0899	9/19/03
John Alden Life Insurance Company	Milwaukee WI	\$5,000 fine	Code violation related to agent commissions	03-0817	9/4/03
Jones, Robert Haskell	Amarillo	\$750 fine	Misrepresentation on license application	03-0823	9/4/03
Knight, Cecil M.	Fort Worth	General Life, Accident, Health and HMO License revoked; \$5,000 fine plus restitution	Acted as agent for an unauthorized insurer	03-0912	9/19/03
Kwong, Richard	Arlington	General Life, Accident, Health and HMO License revoked; \$5,000 fine plus restitution	Acted as agent for an unauthorized insurer; Engaged in fraudulent or dishonest acts	03-0901	9/19/03
Lay, Robert	Fort Worth	\$7,000 fine subject to a dollar-for-dollar reduction by restitution to \$3,500	Acted as agent for an unauthorized insurer	03-0933	9/25/03
Lilly, James Bryan	Granbury	\$1500 fine plus restitution	Acted as agent for an unauthorized insurer	03-1027	10/16/03
Lincoln Benefit Life Company	Northbrook IL	\$20,000 fine	Code violation for unapproved advertising	03-0847	9/8/03
Luft, Todd Loring	Houston	\$725 fine	Failed to comply with continuing education requirements	03-1051	10/23/03
Luke, Karen	Amarillo	\$4,000 fine	Acted as agent for an unauthorized insurer	03-0937	9/25/03
Maestre, Richard Ceasar	Austin	Two year probated license suspension	Engaged in fraudulent or dishonest acts	03-0824	9/4/03
Mahlke, Ashley	Lindale	General Life, Accident, Health and HMO License denied	Made a material misrepresentation on a license application	03-0991	10/8/03
Mao, Dillon	Houston	Two year probated suspension of General Life, Accident, Health and HMO License	Felony conviction	03-0919	9/23/03

Continued on page 14

InDiscipline

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
McCoy, Timothy	Kingwood	General Life, Accident, Health and HMO Licenses, General Property and Casualty License and Limited Lines License revoked; \$10,000 fine, plus restitution	Acted as agent for an unauthorized insurer	03-1024	10/16/03
McIntyre, Ernest Benl	Austin	Limited Lines License denied	Misdemeanor conviction; Misrepresentation on license application	03-0833	9/4/03
Micheletti, Tony Narcissus	Dallas	\$750 fine; Probated license suspension	Misdemeanor related to the business of insurance; Misrepresentation on license application	03-0825	9/4/03
Middleton, Robert John	Irving	General Life, Accident, Health and HMO License revoked; \$10,000 fine, plus restitution and cease and desist	Acted as agent for an unauthorized insurer; Engaged in fraudulent or dishonest acts or practices	03-0979	10/3/03
MJM Investigations, Inc.	Raleigh NC	\$2,500 fine	Code violation for teaching continuing education courses with expired registration	03-0934	9/25/03
Montalvo, Cesario	Edinburg	General Life, Accident, Health and HMO License and General P&C License revoked	Engaged in fraudulent or dishonest acts	03-0826	9/4/03
Monumental Life Insurance Company	Baltimore MD	Restitution and remediation plus cost of investigation	Alleged code violation of race-based pricing in small face policies	03-0915	9/22/03
National Family Care Life Insurance Company	Dallas	\$5,000 fine	Code violation, allowed non-licensed employee to act as insurance agent	03-0827	9/4/03
New York Life Insurance Company	New York NY	\$1,000 fine	Code violation, failed to respond to requests for information from TDI	03-0828	9/4/03
Niedecken, Bonnie	Midland	\$750 fine	Made a material misrepresentation on a license application	03-0988	10/8/03
Owens, Jerry	Keller	General Life, Accident, Health and HMO License revoked; \$5,000 fine, plus restitution and cease and desist	Acted as agent for an unauthorized insurer	03-0911	9/19/03
Perry, David W.	Houston	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,500	Acted as agent for an unauthorized insurer	03-0938	9/25/03
Pieroni, Marc John	Addison	\$5,000 fine	Acted as agent for an unauthorized insurer	03-1077	10/31/03
Rahim, Arif	Missouri City	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$7,500	Acted as agent for an unauthorized insurer	03-0990	10/8/03
RehabCorp, Inc.	McKinney	\$2,400 fine	Taught a continuing education course with an expired certificate	03-1033	10/16/03
Robinson, Pamela	Fort Worth	\$750 fine	Made a material misrepresentation on a license application	03-1034	10/16/03
Seabury & Smith, Inc.	Dallas	\$15,000 fine	Code violation for unapproved advertising	03-0935	9/25/03
Sherman, Nathan Eugene	Allen	General Life, Accident, Health and HMO License revoked	Engaged in fraudulent or dishonest acts; Failed to report change of address	03-0909	9/19/03
Shields, Sreattia	Wylie	\$1,500 fine	Failed to comply with continuing education requirements	03-0895	9/19/03



NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Shirley, Barton Arvin	Corpus Christi	\$500 fine plus restitution	Acted as agent for an unauthorized insurer	03-0848	9/8/03
Smith, Donna Kaye	Rhome	Two year probated license suspension	Felony conviction	03-0989	10/8/03
Smith, Michael Ross	Corsicana	\$500 fine plus restitution	Illegally withheld money belonging to an insurer; Failed to respond to requests for information from TDI	03-1039	10/20/03
Smith, Scott Edward Henry	Dallas	\$7,000 fine	Misrepresented material terms and conditions of insurance policies	03-1046	10/22/03
Spectrum Review Services Inc.	Houston	\$8,000 fine	Unauthorized Insurance	03-0829	9/4/03
St. Paul Guardian Insurance Company	Saint Paul MN	\$3,000 fine	Failed to timely file required automobile experience rating data	03-0963	10/1/03
Starnes, Joel D. (Jr.)	Midland	\$4,000 fine	Failed to file required financial reports with TDI	03-0830	9/4/03
Terry, Bruce M.	Schaumburg IL	General Life, Accident, Health and HMO License revoked	Failed to inform TDI of license revocation in Illinois	03-0805	9/2/03
Treat, Jay Osborne and Western Insurance Associates, Inc.	Odessa	General Life, Accident, Health and HMO, General P&C, Adjuster-All Lines and General Corporate P&C Licenses revoked	Misappropriation or conversion; Engaged in fraudulent or dishonest acts; Illegally withheld money belonging to an insured, insurer or beneficiary	03-0907	9/19/03
TRG Marketing, LLC	Indianapolis IN	\$500,000 fine, cease and desist	Unauthorized insurance	03-1000	10/9/03
TRG Administration, LLC	Las Vegas NV	\$500,000 fine, cease and desist	Unauthorized insurance		
Tyler, Larry Wayne	Fort Worth	General Life, Accident, Health and HMO License revoked	Engaged in fraudulent or dishonest acts	03-0807	9/2/03
Unicare Health Insurance Company of Texas	Houston	\$10,000 fine	Alleged code violation for unapproved advertising	03-0831	9/4/03
Walker, Elizabeth Ann	Amarillo	\$60,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as agent for an unauthorized insurer	03-0936	9/25/03
Wall, Melinda	Montgomery	One year probated suspension of General P&C License	Misrepresentation on license application	03-0832	9/4/03
Walls, Richard H.	Lubbock	General Life, Accident, Health and HMO License revoked	Felony conviction; Engaged in fraudulent or dishonest acts	03-0902	9/19/03
Ward, Gary	Humble	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as agent for an unauthorized insurer	03-0906	9/19/03
Worthington, Leonard C.	San Antonio	General Life, Accident, Health and HMO License revoked	Engaged in fraudulent or dishonest acts; Unfair trade practices	03-0849	9/8/03

NEW COMPANIES

COMPANY NAME	LOCATION	DATE LICENSED
Arch Reinsurance Company	Omaha NE	9/5/03
Cihc Life Insurance Company of Texas	Austin	9/12/03
Ancillary Care Management, Inc.-TPA	Wilmington DE	9/25/03
Christopher John Cramer, dba Benefit Elect of Texas-TPA	Missouri City	9/25/03
Healthspring Management, Inc.-TPA	Nashville TN	9/25/03
Larry W Tunnell dba Agee & Associates-TPA	Richardson	9/25/03

Continued on back page

InLicensing

NEW COMPANIES

COMPANY NAME	LOCATION	DATE LICENSED
Ace Seguros, S.A.	Mexico City MX	9/30/03
Planned Administrators, Inc.-TPA	Columbia SC	10/10/03
Progressive Home Insurance Company	Mayfield Village OH	10/10/03
Tristar Risk Management-TPA	Long Beach CA	10/10/03
Word & Brown Insurance Administrators, Inc.-TPA	Santa Ana CA	10/10/03
Sun Surety Insurance Company	Rapid City SD	10/13/03
Lexington National Insurance Corporation	Baltimore MD	10/14/03
Mountain States Indemnity Company	Albuquerque NM	10/14/03
Hudson Insurance Company	New York NY	10/29/03
Associated Insurance Services, Inc.-TPA	Eldorado IL	10/31/03
Tower Administrative Services, Inc.-TPA	Chicago IL	10/31/03

NAME CHANGES

COMPANY NAME	LOCATION	CHANGED TO	DATE LICENSED
CIHC Life Insurance Company of Texas	Austin	Conseco Life Insurance Company of Texas (Subsequent to Merger)	9/12/03
Lutheran Brotherhood Variable Insurance Products Company	Minneapolis MN	Thrivent Life Insurance Company	9/18/03
Royal & Sunalliance Personal Insurance Company	New York NY	Axis Reinsurance Company	9/18/03
Golden Security Life Insurance Company	Chattanooga TN	Golden Security Insurance Company	10/8/03
Allianz Insurance Company	Burbank CA	Allianz Global Risks US Insurance Company	10/15/03
Western Continental Insurance Company of New York	New York NY	CDC Ixis Financial Guaranty North America, Inc.	10/20/03
Old Republic Minnehoma Insurance Company	Phoenix AZ	Old Republic Security Assurance Company	10/23/03
Planet Indemnity Company	Peoria IL	RLI Indemnity Company	10/29/03
Garrison Property and Casualty Association	San Antonio	Garrison Property And Casualty Insurance Company, converted from reciprocal to stock fire & casualty (14 To 07)-Effective 11/1/2003	10/31/03



Texas Department of Insurance
P.O.Box 149104
Austin, Texas 78714-9104

Presorted Standard
U. S. Postage Paid
Austin, Texas
Permit No. 1613