



Making Health Insurance More Affordable for Texas Small Businesses

THE TEXAS DEPARTMENT OF INSURANCE has published proposed rules for public comment that should make health insurance coverage affordable for more Texas businesses and their employees. The proposed rules would implement Senate Bill 541 and SB 10, which were passed during the 78th regular session of the Texas Legislature. SB 541 permits the sale of Consumer Choice Plans and SB 10 allows business owners to band together to purchase health insurance in health group cooperatives.

Both pieces of legislation attempt to address a problem reported by many Texas small businesses—a lack of affordable health coverage for their employees. As medical costs have risen, so has the cost of health insurance. TDI surveyed 50,000 Texas small businesses last year regarding health insurance. The survey showed a majority of business owners would like to offer a health plan to their employees, knowing that providing the benefit would help them reduce turnover and keep their workforce more productive. However, many of those same small employers said they were unable to find a health plan that would fit within their company's budget.

The proposed rules are intended to provide some new options for health insurance carriers and their potential consumers, and ultimately to reduce the number of uninsured Texans.

Senate Bill 541

The proposed rules to implement SB 541 would allow health maintenance organizations and insurers to provide a new variety of health plans to Texas consumers and employers and offer some discounts relative to the cost of administering these new plans.

The plans, known as “Consumer Choice Plans,” will offer various levels of benefits and are designed to provide consumers with more choices at different price ranges, rather than a “one size fits all” approach. By allowing carriers to omit certain coverages, including some that were previously required by the state, and expand cost-sharing options, they should be able to offer basic benefits at reduced prices.

The legislation and TDI's proposed rules establish which health care benefits can be made optional and which benefits must be included in all health plans. For example, most federally mandated benefits must be included in all health plans. The legislation also lists additional elements that must be common to all health plans such as childhood immunizations, cancer screenings, and rules for how pre-existing conditions are addressed.

In the recent TDI survey, many business owners said cost was the primary reason they did not provide health coverage to their employees. For those small businesses that were providing health insurance for their employees, rising costs meant many were now being forced to consider dropping those health plans. Consumer choice plans are one way to address this

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Agents' Corner

Electronic Nonresident Licensing

ON DECEMBER 4, 2003, Texas became the 28th state to begin accepting and processing electronic non-resident applications via the National Insurance Producer Registry's automated system. Between December 4th, 2003 and January 7, 2004 TDI successfully processed 295 electronic non-resident license applications. Even in the infancy of the program, we are averaging approximately 60 electronic non-resident applications per week. The system even processed 15 applications on Christmas Eve and another 15 on New Years Eve.

Average TDI processing time for electronic non-resident licensing (e-NRL) is 3 days, starting from the moment the applicant completes the on-line application. (Average time for non-resident non-electronic processing is 9 days).

Non-resident individuals may submit General Lines agent license applications to TDI electronically through the National Insurance Producer Registry (NIPR) via NIPR's website. Go to www.licenseregistry.com, click on "Non-Resident Licensing," then click on "Electronic Non-Resident Licensing."

NIPR is a non-profit affiliate of the National Association of Insurance Commissioners. NIPR developed and implemented the Producer Database (PDB), which contains insurance agent license information from state insurance departments and facilitates the processing of electronic non-resident applications in multiple states at the same time.

What are the advantages of electronic non-resident licensing (e-NRL)?

- ▶ TDI does not need to see a letter of certification, because the e-NRL process automatically verifies that the applicant has the appropriate resident license in the applicant's home state.
- ▶ The NIPR automatically collects the correct license application fees and sends the fees to TDI electronically.
- ▶ All e-NRL applications are complete; applicants cannot leave a question blank.


- ▶ All e-NRL applications are automatically screened, when entered, to ensure that:
 - The applicant's name, Social Security Number, address, resident state, and birth date match what has been reported to PDB.
 - The applicant is not a Texas resident.
 - The applicant does not have an inactive license in Texas.
 - The applicant is not requesting a license he/she already holds in Texas.
 - The applicant attests that all information is correct.
- ▶ TDI staff has to hand-key little, if any, of the application information.
- ▶ Applicants can obtain non-resident licenses in multiple states simultaneously

How do people using e-NRL find out the status of their application?

NIPR sends the applicant an email when NIPR sends the application to Texas.

It could take up to 48 hours for the application to actually show up in the Texas database for processing.

NIPR is automatically notified when TDI approves an NIPR application. After receiving notice of TDI approval, NIPR will notify the applicant by email of the state's approval. (Of course, a paper license will be printed by the state and mailed as well.)

New automated processes like e-NRL increase accuracy, efficiency and expediency in processing of agent licenses in the state of Texas. 

TDInSight

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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.

TDI Holds Hearing on Credit Scoring Limits

THE TEXAS DEPARTMENT OF INSURANCE (TDI) held a public hearing on January 7, 2004 to receive testimony regarding allowable differences in rates charged by insurers due solely to differences in credit scores. TDI's proposed amendment to the current rules on credit scoring calls for a rate difference that cannot be greater than +/- 10 percent from what would have been charged had credit scoring not been used. The proposal further provided that if the +/- 10 percent limitation would result in rate increases for policyholders, the insurer must request and justify a variance to support its proposed rating structure.

In her opening remarks, Associate Commissioner for Property & Casualty Insurance Marilyn Hamilton stated that it was the staff's position that it was good public policy to set a limit on the use of credit scores. However, there is concern that the limit, or "collar", while bringing rate relief for people with weak credit scores, could result in higher rates for people with strong credit scores. The ability to request a variance would therefore enable an insurer to ask for a rate beyond the collar if it could be actuarially justified, thus avoiding "rate shock" for consumers with good risks and resulting market instability.

Testimony received during the hearing generally fell into two areas. Opponents of credit scoring, while conceding that its use had been legislatively approved, called for a small allowable difference (generally no greater than 15 percent) to minimize its impact, due to their opinion that credit scoring was an inconsistent practice of questionable validity. Furthermore, opponents called for eliminating the ability to request a variance. Their contention was that the variance option represented a loophole through which insurers could request whatever rate they wanted.

Proponents of credit scoring, chiefly representatives of insurance companies writing auto and homeowners policies, testified that the practice was an essential tool for pricing insurance risk accurately, and advocated either no collar or one that was significantly greater than that proposed (e.g., +/- 60 percent). In their view, the pricing accuracy afforded by credit scoring would be obviated by a tight collar, resulting in rate increases for anywhere from one-third to one-half of their customers. They also argued that without unrestricted use of credit scoring, they would be unable to offer policies for many customers who are now insured, resulting in less availability of insurance.

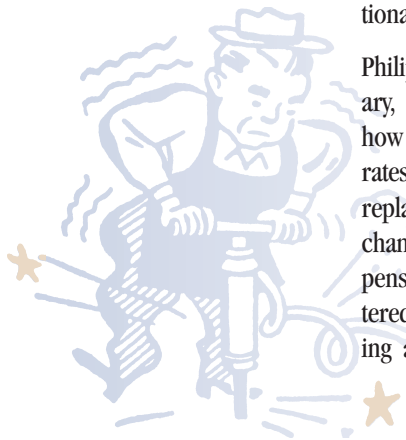
Rod Bordelon, Executive Director of the Texas Office of Public Insurance Counsel, testified in favor of the proposal suggesting that the "rate shock" of premium increases could be minimized by phasing in allowable differences.

Texas Commissioner of Insurance Jose Montemayor directed specific questions to insurance company representatives regarding their efforts to educate the public about the features of credit scoring, and how many customers might potentially experience premium increases due to a rate collar. The Commissioner concluded the hearing by noting that he would take the testimony received under advisement and announce a decision soon regarding the proposed rule amendments. 🗳️





InBrief



TDI Staff Testify on Rates, Premiums at Legislative Hearing on Workers' Compensation

ON JANUARY 23, 2004, TDI staff presented workers' compensation rate and premium information to the House Business and Industry (B & I) Committee, chaired by Representative Helen Giddings. The B & I Committee held a special hearing to examine the state of the workers' compensation system in light of complaints that the cost of workers' compensation insurance for Texas employers was disproportionately high.

Philip Presley, Chief Property and Casualty Actuary, provided background information about how workers' compensation premiums and rates are determined. Promulgated rates were replaced by a file-and-use system in 1992, changing the structure of the workers' compensation market from a closely state-administered system to one of open competition serving as the regulator. Workers' compensation

premiums subsequently experienced several years of declines, from \$3.42 per \$100 of payroll in 1993 to \$1.87 in 1999. Premiums began to rise again in 2000, and for 2002 the average workers' compensation premium was \$2.71 per \$100 of payroll.

Premiums are determined by the relative "riskiness" of the jobs that an employer has, and the individual claim experience of the employer. The premium can be further modified by deductibles and safety characteristics of the employer's workplace (known as "schedule rating"). TDI's role is to set the risk relativities through actuarial analysis of data provided by workers' compensation insurance carriers. TDI also provides the formula used to calculate experience modifiers (though these may be negotiated downward by the insurer). ☺

Hearing Held on Prohibited Rebates and Discounts in Title Insurance

TDI HELD A PUBLIC HEARING on January 20, 2004 to receive testimony regarding a new rule addressing prohibited rebates and discounts in title insurance. Procedural Rule P-53 had been proposed during the rulemaking phase of the 2002 Texas Title Insurance Biennial Hearing (held on September 24, 2003).

Title insurance is required in real estate transactions to protect the buyer and lender in the event that the title is ever challenged. The state sets title insurance rates, and consumers are free to choose the title company they want. In the past, some title companies have sought to increase their business by offering rebates or discounts to real estate agents or lenders in exchange for referrals. This practice is prohibited by law, which forbids the giving or receiving "a thing of value" to induce a referral and therefore limit consumer choice. Prohibited rebates and discounts are considered to be a hidden cost of the transaction that drives up the cost of title insurance for consumers. Rule P-53 spells out the parameters of allowed activities, includ-

ing Texas activity related to multi-state transactions involving Texas land that sometimes lend themselves to prohibited discounting.

One of the allowable activities in the new rule specified a \$50 limit on unsolicited gifts that might be a normal part of doing business. However, comments received after the rule was proposed indicated that this provision was problematic and Robert Carter, Deputy Commissioner of the Title Division at TDI, suggested removing it prior to adoption.

Testimony received from title industry representatives indicated almost unanimous agreement on the prohibited activities (which can include a variety of inducements besides money, such as trips, parties, signs and advertising expenses, to name a few). Some opposition was expressed regarding the multi-state provisions.

Commissioner Jose Montemayor thanked the attendees for their comments and announced that he would be making a decision regarding adoption of the rule soon. ☺



Availability

APA Proposal

TDI considers new rules regarding the use of credit information or credit scores

- ▶ SB 14 (78th Regular Session, 2003) made provisions for the use of credit scoring by the insurance industry but mandated that the Texas Insurance Commissioner regulate its use. The new rules being proposed relate to the allowable differences in rates charged by insurers due solely to differences in credit scores. While credit scoring has been deemed allowable by the legislature, TDI staff believes it is good public policy to set some limitations on the allowable differences in rates.

TDI staff is proposing an amendment to establish a rate difference due solely to the use of credit scoring that cannot be greater than +/-10% from what would have been charged had credit scoring not been used. The amendment further provides that if the use of credit scoring results in a rate greater than +/-10%, the insurer must request and justify a variance. The variance must be based on sound actuarial principles, fully supported by data filed with the department.

The purpose of these rules is to ensure that insurance consumers are charged premiums that are reasonable, fair, and related to their risk profile. The purpose of the variance provision is to mitigate rate increases that might occur as a result of the +/-10% limitation. A public hearing was held on January 7, 2004 to receive testimony from interested parties. The proposed rule is currently under consideration by the Commissioner.

*Publication: 28 TexReg 11084
December 12, 2003
Earliest adoption date: January 11, 2004
Additional information: 512 463-6326*

Financial Reporting

APA Adoption

2003 Financial Statement Reporting Requirements Adopted

- ▶ The Commissioner of Insurance adopted new section 7.66 relating to financial statement reporting requirements.

The new section adopts by reference the 2003 NAIC annual and quarterly statement blanks, other reporting forms, electronic data filings with the National Association of Insurance Commissioners (NAIC) via the Internet, and instructions to be used by insurers and other entities regulated by TDI when reporting their financial condition and business operations and activities of the 2003 calendar year.

The information provided is necessary for the department to monitor the solvency, business activities and statutory compliance of insurers and other regulated entities. Most of the forms adopted by the section have been promulgated by the NAIC and are used by most other state insurance regulators. The use of these forms promotes uniformity and efficiency in the regulation of insurance companies and related entities.

The NAIC annual and quarterly statement blanks and other NAIC supplemental reporting forms can be produced as part of the software available from vendors and the Texas-only forms are available from the Texas Department of Insurance, Financial Analysis and Examinations Activity, Mail Code 303-1A, P.O.Box 149099, Austin, Texas 78714-9099.

*Publication: 28 TexReg 9389
October 31, 2003
Effective date: January 5, 2004
Additional information: 512 463-6326*

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Fire Marshal

APA Adoption

New Licensing Requirements for “Flame Effects” Operators

- ▶ The Commissioner of Insurance has adopted amendments to state fireworks rules requiring the licensing of “flame effects operators.”

The amendments add the definition of flame effects operator to the section and require that such an operator be licensed by the State Fire Marshal and take a written examination. The amendment also sets forth fees associated with the licensing and testing process.

The amendments implement SB 693, enacted by the 78th Legislature, Regular Session, incorporating National Fire Protection Association (NFPA) standards and procedures for the use of flame effects and pyrotechnics when used before an assembly of 50 or more people.

New safeguards include:

- Requiring an operational fire-sprinkler systems or personnel to implement a standby fire watch.
- Requiring the promoters of events that incorporate fireworks or flame effects to provide local authorities with a copy of the display plan.
- Requiring the promoter to notify the audience before the show that pyrotechnics or flame effects will be used and about the building safety features, such as a sprinkler system, fire alarm system and where fire exits are located.

Additionally, at least one pyrotechnic special effects licensee and/or one flame effects operator licensee must be present on-site for the duration of the event, depending on the type of display.

*Publication: 28TexReg9401
January 23, 2004
Effective date: January 27, 2004
Additional information: 512 463-6326*

Health Insurance

APA Proposals

Defining Basic Health Care for HMOs

- ▶ The Texas Department of Insurance has proposed amendments concerning basic health care services and state-mandated benefits for health maintenance organizations (HMOs). These proposed amendments are the result of the enactment of SB 541 during the 78th Regular Session.

SB 541 amends the definition of “basic health care services” in the HMO Act, *Texas Insurance Code* Chapter 843, to allow the commissioner to determine those services that an enrolled population might reasonably need to be maintained in good health, and to delete the requirement that such services include, at a minimum, services designated as basic health care services for federally qualified HMOs under Section 1302, Title XIII, Public Health Service Act (42 U.S.C. Section 300e-1(1)).

In developing a list of basic health care services, the department considered and evaluated the requirements of federal law contained in the existing rule. Many of these requirements were retained, although the proposed rule is comprised solely of basic services that apply to all persons and removes certain services that are condition-specific.

*Publication: 29TexReg294
January 9, 2004
Earliest adoption: February 8, 2004
Additional information: 512 463-6326*

Taxes & Fees

APA Adoption

Maintenance Taxes and Fees

- ▶ Insurance Commissioner Jose Montemayor adopted an amendment to Section 1.414 of the *Texas Administrative Code* concerning the assessment of maintenance taxes and fees for payment in 2004. These taxes and fees provide the revenue necessary to fund regulation of the insurance industry in Texas by the department.

Section 1.414 sets rates of assessment and applies those rates to the gross premium receipts for the calendar year 2003. The department anticipates the adopted rates will produce revenue of \$34,205,227 to the state's general revenue fund.

The following rates for maintenance taxes and fees are assessed on gross premiums of insurers for calendar year 2003 for the following lines of insurance:

- for motor vehicle insurance, the rate is .035 of 1.0%;
- for casualty insurance, and fidelity, guaranty and surety bonds, the rate is .091 of 1.0%;
- for fire insurance and allied lines, including inland marine, the rate is .188 of 1.0%;
- for workers' compensation insurance, the rate is .030 of 1.0%;
- for title insurance, the rate is .045 of 1.0%.
- for life, health, and accident insurance and the gross considerations for annuity and endowment contracts, the rate is .026 of 1.0%;
- for single service health maintenance organizations, the rate is \$.30 per enrollee, for multi-service health maintenance organizations the rate is \$.89 per enrollee, and for limited service health maintenance organizations, the rate is \$.30 per enrollee;
- for third party administrators, the rate is .150 of 1.0% of the correctly reported gross amount of administrative or service fees; and
- for corporations issuing prepaid legal service contracts, the rate is .022 of 1.0% of correctly reported gross revenues.

The taxes assessed under this amendment shall be payable and due to the Comptroller of Public Accounts, Austin, TX 78774-0100 on March 1, 2004.

*Publication: 29TexReg457
January 16, 2004
Effective date: January 20, 2004
Additional information: 512 463-6326*

Trade Practices

APA Adoptions

Submission of Clean Claims/ Dental Providers

- ▶ The Commissioner of Insurance adopts rules to implement SB 418 (78th Regular Session, 2003) regarding the prompt payment of claims by HMOs and preferred provider carriers. The new rules address legislative intent specifically by facilitating the submission of clean claims, i.e., claims that contain the necessary information required for efficient processing. In July 2003, the department proposed rules that listed required elements for non-electronic clean claims. Subsequently, the department received comments indicating that those rules did not reflect dental-specific requirements for clean claims submitted to HMOs. This adoption is meant to achieve that purpose, by specifically listing the required data elements for non-electronic clean claims submitted to health maintenance organizations (HMOs) by dental providers.

Because dental providers do not use, nor do HMOs require, one standard claim form when submitting a claim for dental services, the adopted rule does not prescribe a claim form or list the fields on which the information must be provided. In proposing the clean claim elements for dental claims, however, the department has referenced commonly-used American Dental Association claim forms. The rule thus provides the standardization contemplated by SB 418, while allowing sufficient flexibility to accommodate the actual practice of dental providers and HMOs.

*Proposal Publication: 28TexReg9396
(October 31, 2003)
Adopted: January 12, 2004
Adoption will be published in January 30, 2004
issue of Texas Register
Effective date: February 1, 2004
Additional information: 512 463-6326*

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Small Businesses

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marketplace concern. Because the coverages will vary, prices should also vary depending on the level of coverage selected.

Carriers issuing these plans must provide prospective policyholders with a written disclosure statement indicating that the plan does not provide certain state-mandated benefits and specify which of the mandated benefits are not included. Carriers offering consumer choice plans must also offer at least one health plan with all the standard state-mandated health benefits.

Commissioner's Bulletin

Texas Insurance Commissioner Jose Montemayor issued a Bulletin in December 2003, to all small employer health benefit plan carriers, urging them to file their consumer choice plans as soon as possible. Senate Bill 541 requires

The intent of Senate Bill 541 is to increase the availability of affordable health insurance, while providing appropriate safeguards so consumers understand the new options being offered.

that carriers offer consumer choice plans to small employers, beginning January 1, 2004. The Commissioner's Bulletin states that effective April 1, 2004, TDI's Life, Health and Licensing Division

will be reviewing filings to determine compliance with the new regulations. Life, Health and Licensing will take steps to assure compliance, including (but not limited to) referrals to TDI's Legal Division for appropriate action.

In developing a consumer choice plan, carriers may simply adjust a policy that has already been approved by the agency, deleting the mandated benefits they do not intend to include in the new health plan.

The intent of SB 541 is to increase the availability of affordable health insurance, while providing appropriate safeguards so consumers understand the new options being offered. Because the ultimate goal is to reduce the number of uninsured people in the state, the proposed rules will also require an annual data call, allowing TDI to collect statistical information about the success of the effort.

The annual data call will require carriers to report the total number of consumer choice policies issued, the cost savings between a standard benefit plan and their 541 plan, and the total number of Texans covered under the consumer choice plans. TDI anticipates that by eliminating benefits or by setting limits on certain benefits, cost savings should be realized and passed on to consumers. Health insurance carriers will be required to file their rates for the new 541 plans with TDI for informational purposes.

Senate Bill 10

Proposed rules to implement SB 10 allow small businesses to form "Health Group Cooperatives." Entering into such a cooperative should help improve the buying power of its participants when shopping for group health coverage. These cooperatives will benefit from the economies of scale provided by the larger number of participants.

Health group cooperatives must be composed of at least ten separate employers. A group of employers, a business association, chamber of commerce or other organization representing employers can form a health group cooperative with the assistance of a health insurance company or HMO. However, an insurer may provide services to only one cooperative in any particular county. Participation by the organization's membership would be voluntary, but employers that choose to enter into the cooperative must commit to purchasing health insurance through the cooperative for at least two years.

The legislation permits insurers to offer health group cooperatives health plans that allow more flexibility, choices and affordability. The legislation also requires that insurers use standard presentation forms to fully inform cooperative members of the benefits provided by the health plans they're offering. The proposed rule provides that if the plan does not contain all state-mandated benefits, a written statement must be included listing what benefits are not covered and how that may limit enrollees' future coverage options.

This new legislation was designed to give more Texans access to affordable health coverage, by encouraging employers to provide health benefits through a cooperative arrangement. Having new choices and options may allow employers who had previously discontinued health benefits, or those that were considering discontinuing health benefits, to reconsider and provide health coverage to their employees.

Employers who are interested in joining a cop should contact their insurance agent to find out what opportunities exist in their area.

TDI will monitor the development of the health group cooperative program and issue additional rules if needed.

Vision

"A full three-fourths of Texas small businesses do not offer health coverage to their employees," said TDI Commissioner Jose Montemayor. "I believe offering more options such as consumer choice plans and health group cooperatives will help Texas employers who can't afford a health plan that offers all the state-mandated benefits. These plans will help provide a basic level of comprehensive health coverage to more Texas workers and their families. It is a significant step forward in our efforts to address the uninsured." 🗳️

Proposed Rules to Implement Health Group Cooperatives

The Texas Department of Insurance is proposing rules concerning the establishment of health group cooperatives. The proposed rules would implement SB 10, passed during the 78th Regular Legislative Session. That legislation added special provisions to Chapter 26 of the *Texas Insurance Code*, allowing the formation of health group cooperatives and establishing the standards by which group health insurance coverage is provided to such cooperatives comprised of small employers or, at the option of the cooperative, both small and large employers.

SB 10 is designed to address small employers' need for access to health-care by allowing them to join with other employers on a cooperative basis to obtain health coverage for the cooperative as a single entity. To further achieve this purpose, it also allows for greater flexibility in the plans that may be written through cooperatives by making those plans not subject to state-mandated benefits relating to a particular illness, disease, or treatment, or to a state law that regulates the differences in rates applicable to services provided within or outside a health benefit plan network.

The proposed rules prescribe the requirements for establishing a health group cooperative, including: organization as a nonprofit corporation, having a minimum membership of ten participating employers, and a contractual commitment by each employer to purchase coverage for two years, except where the employer can demonstrate financial hardship.

Publication: 29TexReg306, January 9, 2004
Earliest adoption date: February 8, 2004
Additional information: 512 463-6326

Consumer Choice Health Benefit Plans

The Texas Department of Insurance has proposed new rules concerning consumer choice health benefit plans. These proposed new sections would implement SB 541, which was passed during the 78th Regular Session. That legislation is designed to increase the availability of health insurance coverage by allowing authorized insurers and health maintenance organizations (HMOs) to issue health plans that, in whole or in part, do not offer or provide state-mandated health benefits.

The proposed rules require health insurers to include a notice on each application for a consumer choice health plan, and on the policy, detailing which state-mandated health benefits are not included in the plan. Health carriers that offer a consumer choice health plan must also offer a plan that includes all state-mandated health benefits.

The proposed rules implement the provisions and the intent of SB 541 by increasing availability of more affordable health benefit plans; developing a well-defined, efficient process for bringing those plans to market; and instituting appropriate consumer safeguards.

Publication: 29TexReg297
January 9, 2004
Earliest adoption date: February 8, 2004
Additional information: 512 463-6326

Small Businesses

Insurance Fraud

INSURANCE FRAUD in Texas is on the increase. In Fiscal Year 2003, the Texas Department of Insurance's Fraud Unit opened 325 cases of suspected fraud, referring 183 of those cases for prosecution. The dollar amount of those referred cases is astounding—nearly \$13 million. The National Insurance Crime Bureau estimates that \$200–\$300 of premium for property and casualty insurance is a direct result of insurance fraud. According to the Coalition Against Insurance Fraud, when the cost of all insurance fraud is totaled, it is estimated that consumers pay nearly \$1,000 per household per year in additional premium and the additional cost of goods and services.

The Texas experience with insurance fraud isn't an isolated one. According to a recent study by the Coalition Against Insurance Fraud, the

Public education and consumer awareness are the keys to successfully cracking down on insurance fraud

number of cases presented for prosecution nationally rose by 14 percent between 2001 and 2002. The number of investigations initiated by fraud units increased by nearly 18 percent, and the number of criminal convictions for insurance fraud rose by 31 percent.

The Texas Department of Insurance will be highlighting anti-fraud efforts in 2004. The TDI Fraud Unit continues to be one of the most effective units in the nation. In 2002, the Fraud Unit secured \$12.9 million in restitution, the second-highest total in the nation. The Fraud Unit did that with only 30 employees, 18 of which are fulltime fraud investigators.

According to TDI Associate Commissioner for Insurance Fraud Dennis Pompa, insurance fraud takes many forms and is just as likely to be committed by consumers as by unscrupulous agents or companies. A 2002 survey by the Insurance Research Council found that one-third of survey respondents believed it was "OK to increase claim amounts to make up for deductible." Padding claims, such as overstating

values in theft reports, is often cited as the most common form of insurance fraud in the United States. Other types of fraud often seen by the TDI Fraud Unit include deceptive practices by insurance agents, fraudulent health insurance schemes, staged accidents and exaggerated injuries, and disability fraud.

TDI fraud investigators work with the Travis County District Attorney's Office to prosecute fraud cases in which insurance companies, agents, or anyone involved in the business of selling insurance are involved. Cases involving consumer fraud are generally prosecuted within the jurisdiction in which the fraud was committed. TDI allies in the fight against fraud include county prosecutors, U.S. attorneys, federal and state law enforcement agencies, insurance companies and their special investigative units, and anti-fraud organizations. The National Association of Insurance Commissioners also houses an anti-fraud task force that works closely with state fraud directors.

"Public education and consumer awareness are the keys to successfully cracking down on insurance fraud," said Pompa. "As we become more effective in highlighting insurance fraud in Texas, consumers will become more vigilant when it comes to buying insurance and filing claims." 🔄

How You Can Help Fight Insurance Fraud

THERE ARE several ways to avoid becoming a victim of insurance fraud.

When Buying Insurance

Before you provide any personal information, be sure the company you are dealing with is licensed to do business in Texas. You should always receive a copy of your insurance policy within 60 days. Read that policy carefully and only pay for the coverage to which you originally agreed. In most cases premiums are paid to the insurance company, not directly to the agent.

If the premiums you are being offered seem unreasonably low, that could be an indication that the offer is fraudulent. Beware of unsolicited offers to upgrade your insurance or any investment opportunities that seem too good to be true. You should also be skeptical of insurance coverage sold door-to-door or by telephone, unless you requested the contact.

When Behind the Wheel

Staged accidents are a serious and dangerous form of insurance fraud. Drive defensively. Always allow plenty of space between your vehicle and the vehicle in front of you. Slow down if a car suddenly pulls in front of you. The driver could step on the brakes to try and force a collision, to collect an insurance settlement.

While any driver could potentially be the victim of a staged accident, common "targets" are vehicles perceived to be fully insured, such as luxury cars and SUVs, female or elderly drivers and drivers alone in their car.

If you do have a collision, call the police. Count the number of passengers in the other vehicles. Get license numbers and information of all drivers involved and the names of all passengers. It's a good idea to keep a disposable camera in your car, as well as a pen and paper to record accident damage and other details at the scene.

If you believe you've been the victim of insurance fraud, contact TDI. ☎

To speak to a Fraud Unit Investigator call:

1-888-327-8818

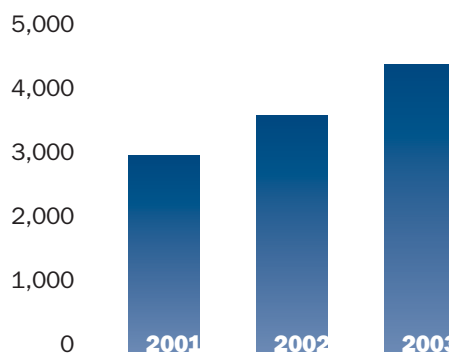
You may also report suspected insurance fraud online at:

www.tdi.state.tx.us

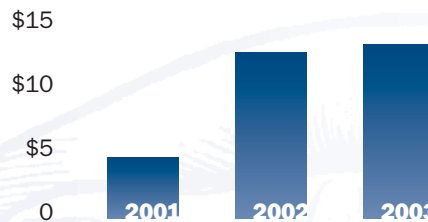
Follow the link to "Insurance Fraud"

Fraud Unit Statistics by Fiscal Year

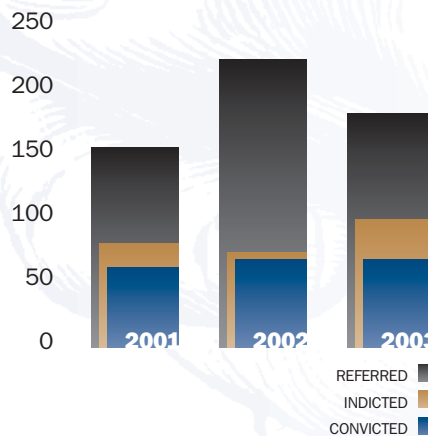
Incidents Reported



Restitution Ordered in \$Millions



Cases Referred, Indicted & Convicted





Submission of Clean Claims/ID Cards

- ▶ The Commissioner of Insurance has adopted rules to implement SB 418 (78th Regular Session, 2003) regarding the prompt payment of claims by HMOs and preferred provider carriers. The new rules state that carriers that issue ID cards must display certain standard information on the cards, including the date the insured or enrollee first became enrolled or a toll-free number a physician or provider may use to get that information. The purpose of the rule is to make the cards as uniform and useful as possible for enrollees, insureds, carriers, and physicians and providers.

Because these provisions only apply to carriers and health plans subject to SB 418, the cards must identify applicability of the statute through prominent display of the letters “TDI” or “DOI” (for “Department of Insurance”). These requirements apply to any HMO coverage or preferred provider benefit plan issued or renewed on or after February 1, 2004.

The rule does not require carriers to issue ID cards, but rather prescribes the limited information that must be included if the carrier has made the decision to issue ID cards. Carriers may include additional information on the cards as well. Cards already printed with an alternate state-designation (per an emergency rule in effect since August 16, 2003) are considered to be in compliance with this rule.

The additional information provided for by this rule will assist carriers, health care providers, and insureds with determinations regarding coverage for pre-existing conditions. It will also provide greater clarity for health care providers as to which patients’ health plans are subject to the requirements and protections of SB 418, including the provisions relating to prompt payment of claims.

*Proposal Publication: 28TexReg9398
(October 31, 2003)
Adopted: January 12, 2004
Adoption will be published in January 30, 2004
issue of Texas Register
Effective date: February 1, 2004
Additional information: 512 463-6326*

Submission of Clean Claims/ Waiver of Certain Statutory Provisions

- ▶ The Commissioner of Insurance has adopted rules to implement SB 418 (78th Regular Session, 2003) regarding the prompt payment of claims by HMOs and preferred provider carriers. SB 418 stated that if the commissioner of insurance, in consultation with the Health and Human Services (HHSC) commissioner, determines that any of the stated provisions will cause a negative fiscal impact to the state with respect to providing benefits or services under the Medicaid or Children’s Health Insurance Program (CHIP) programs, the insurance commissioner shall by rule waive application of those provisions. HHSC has advised the commissioner that application of the provisions of SB 418 to Medicaid and CHIP plans would have a negative fiscal impact on the state and has requested a waiver of the statute and rules for those plans. Based on this, the commissioner has adopted the provision that the statute and rules regarding prompt payment do not apply to Medicaid and CHIP plans provided by a carrier to persons enrolled in those programs, established under Chapter 62, *Health and Safety Code*. This only applies to state programs providing these benefits and services, not to all Medicaid plans.

*Proposal Publication: 28TexReg9400
(October 31, 2003)
Adopted without changes: January 12, 2004
Effective date: February 1, 2004
Additional information: 512 463-6326*

NOVEMBER

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Alexander, Mike	Houston	\$5,500 fine subject to a dollar-for-dollar reduction by restitution to \$1,500	Acted as an agent for an unauthorized insurer	31152	11/19/03
American Life and Accident Insurance Company	McKinney	\$6,000 fine	Failed to timely take corrective action on matters identified during financial examinations	31154	11/20/03
Babbs, Christi Rene	Snyder	General Property and Casualty License application denied	Made a material misrepresentation on a license application; Attempted to obtain a license by fraud or misrepresentation	31098	11/6/03
Baca, Joseph Michael	San Antonio	Limited funeral Prearrangement Life License denied	Attempted to obtain a license by fraud or misrepresentation	31125	11/13/03
Davis, Bradford	Dallas	License issued; Probated suspension of General Life, Accident, Health and HMO License	Misdemeanor offense which directly relates to the business of insurance	31139	11/17/03
Doyle, John Glenn	Houston	\$3,500 fine subject to a dollar-for-dollar reduction by restitution to \$500	Acted as an agent for unauthorized entities	31099	11/6/03
Epperson, Fred Wayne	Houston	\$1,223 fine subject to a dollar-for-dollar reduction by restitution to \$723	Acted as an agent for unauthorized entities	31173	11/24/03
Gaylord, Robin	Frisco	General Life, Accident, Health and HMO License revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated and converted money belonging to an insurer or insured	31127	11/13/03
Grogan, Varsha	Pflugerville	Notice to affected policy holders; Issue Corporate License	Alleged to have materially misrepresented terms and conditions of an insurance policy	31128	11/14/03
International Bank of Commerce	San Antonio	\$5,000 fine	Failed to file required Annual Operations Reports in a timely manner	31096	11/6/03
Magna Insurance Company	New Orleans LA	\$6,000 fine	Failed to timely respond to Commissioner's Bulletins concerning Credit Data Call	31130	11/14/03
McNabb, Thomas Michael	Celina	General Life, Accident, Health and HMO License and the General Property and Casualty License revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated and converted money belonging to an insurer or insured	31135	11/14/03
Metropolitan Title Company	Dallas	\$5,000 fine	Failed to file required annual escrow audit reports in a timely manner	31131	11/14/03
Montgomery, Larry E.	Sugar Land	General Life, Accident, Health and HMO License and the General Property and Casualty License revoked; \$10,000 fine, plus full restitution	Acted as an agent for unauthorized entities	30939	9/25/03
Moreno, Beatrice Bernice	Borger	Probated suspension of Temporary General Life, Accident, Health and HMO License	Engaged in fraudulent or dishonest acts or practices	31123	11/13/03
Newby, Michael D.	Houston	General Life, Accident, Health and HMO license revoked; \$25,000 fine, plus full restitution	Acted as an agent for unauthorized entities	30980	10/3/03
Saracco, John Joseph Jr.	Galveston	General Life, Accident, Health and HMO and General Property and Casualty Licenses revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated and converted money belonging to an insurer or insured	31060	10/29/03

Continued on page 14

NOVEMBER

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Jesseyman, John William III	Tyler	General Life, Accident, Health and HMO License, Solicitor License, and General Property and Casualty License revoked	Misappropriated and converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	31124	11/13/03
Thompson, James Donald, Jr.	Kingwood	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,500	Acted as an agent for unauthorized entities	31132	11/14/03
Wexler, Michael Jay	Miami FL	\$100,000 fine; Two year probated suspension of General Property and Casualty License and Surplus Lines License	Conducted the business of a surplus lines agency without a license	31153	11/19/03
Young, Ronny D.	Nacogdoches	Funeral Prearrangement Life License Denied	Felony conviction directly related to the business of insurance; Made a material misrepresentation on a license application	31126	11/13/03
Zangirolami, Adrian	Pearland	\$11,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as an agent for unauthorized entities	31133	11/14/03

DECEMBER

Atessis, Kelli	Houston	\$2,000 fine subject to a dollar-for-dollar reduction by restitution to \$500	Acted as an agent for unauthorized entities	031180	12/1/03
Been, John A.	Houston	\$3,500 fine subject to a dollar-for-dollar reduction by restitution to \$1,500	Acted as an agent for unauthorized entities	031270	12/17/03
Bladt, David Michael	League City	\$4,000 fine	Acted as an agent for unauthorized entities	031271	12/17/03
Broesche, Rebecca Lynne	La Grange	\$12,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	Acted as an agent for unauthorized entities	031266	12/17/03
Cobb, Yvette	Fort Worth	\$250 fine	Failed to comply with continuing education requirements	031257	12/17/03
Cromwell, Karen D.	Allen	Restitution, \$5,000 fine and General Life, Accident, Health and HMO License revoked	Acted as an agent for unauthorized entities; Engaged in fraudulent or dishonest acts	031238	12/15/03
Esqueda, Noelia	Denver City	\$400 fine	Failed to comply with continuing education requirements	031258	12/17/03
Frias, Jose	El Paso	\$7,500 fine subject to a dollar-for-dollar reduction by restitution to \$5,000	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	031185	12/2/03
General Electric Capital Assurance Company	Wilmington DE	\$15,000 fine	Misleading or untruthful advertising	031239	12/15/03
Gilmore, Michael Demetrious	Garland	General Property and Casualty License and Adjuster Property and Casualty License denied	Attempted to obtain a license by fraud or misrepresentation; Felony conviction; Conducted the business of insurance without a license	031273	12/17/03
Hasselmeier, Robert J.	Friendswood	\$15,000 fine subject to a dollar-for-dollar reduction by restitution to \$7,500	Acted as an agent for unauthorized entities	031267	12/17/03
House, Robert	Katy	Adjuster General Lines License revoked	Engaged in fraudulent or dishonest acts or practices	031237	12/15/03
Lively, Roy Wayne	Houston	\$6,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	Acted as an agent for unauthorized entities	031269	12/17/03

DECEMBER

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Managed Healthcare, Inc.	Houston	\$100,000 fine, Third Party Administrator Certificate revoked and ordered to pay restitution of unpaid claims	Practiced the unauthorized business of insurance by commingling funds of different employers and acting as TPA for unauthorized MEWAS.	031256	12/17/03
Miller, Jessie	Corpus Christi	\$400 fine	Failed to comply with continuing education requirements	031259	12/17/03
Palluotto, Kenny Edward	Houston	Restitution, and \$1,500 fine	Acted as an agent for unauthorized entities	031272	12/17/03
Sure Premium Finance Company, Inc.	Houston	\$1,000 fine	Failed to timely file required Annual Operations Report	031274	12/17/03
Surety Title Company	San Angelo	\$1,400 fine	Failed to timely file required annual escrow audit report	031262	12/17/03
Tacey, Christian S.	Allen	General Life, Accident, Health and HMO License denied	Engaged in fraudulent or dishonest acts or practices	031155	11/20/03
Taormina, Nicholas Thomas	Houston	\$9,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	Acted as an agent for unauthorized entities	031268	12/17/03
Trimble, Ken	Mesquite	\$3,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,500	Acted as an agent for unauthorized entities	031281	12/18/03
Turner, Brett J.	Garland	\$750 fine	Failed to timely respond to requests for proof of financial responsibility	031263	12/17/03
Wm. Page & Associates, Inc. dba The Lifeline Program	Fort Lauderdale FL	\$40,000 fine	Engaged in the business of viatical and life settlements without holding a certificate of registration	031260	12/17/03
Young, John Barrett	Houston	\$575 fine	Failed to comply with continuing education requirements	031264	12/17/03
Zurich American Insurance Company	Schaumburg IL	\$10,000 fine	Failed to provide experience rating data in a timely manner	031265	12/17/03

InLicensing

NEW COMPANIES

COMPANY NAME	LOCATION	DATE LICENSED
Bankers Life Insurance Company of New York-TPA	Woodbury NY	11/13/03
Fara Benefit Services, Inc.-TPA	Mandeville LA	11/13/03
HRPartner Source, Inc., dba HRHG Benefit Services-TPA	Heath	11/13/03
Companion Information Management Resources, Inc.-TPA	Columbia	11/21/03
Fringe Benefit Resources, Inc.-TPA	Longview	11/21/03
CEM Insurance Company	Buffalo Grove IL	12/5/03
America's Choice HealthPlans, LLC-TPA	Houston	12/8/03
Group Administrative Concepts, Inc.-TPA	Tampa FL	12/8/03
ACS Health Administration, Inc.-TPA	Wilmington DE	12/12/03
Nahga, Inc.-TPA	Bridgton ME	12/12/03
Sagamore Insurance Company	Indianapolis IN	12/12/03
Securitas Life Insurance Company	Edmond OK	12/12/03
WHP Health Initiatives, Inc., dba Walgreens Health Initiatives-TPA	Deerfield IL	12/12/03
Amguard Insurance Company	Wilkes-Barre PA	12/17/03
Eastguard Insurance Company	Wilkes-Barre PA	12/17/03
Norguard Insurance Company	Wilkes-Barre PA	12/17/03
National Grange Mutual Insurance Company	Keene NH	12/23/03
Housing Authority Property Insurance, Inc.	South Burlington VT	12/29/03

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InLicensing

NEW COMPANIES

COMPANY NAME	LOCATION	DATE LICENSED
Ranchers and Farmers Insurance Company	Beaumont	12/29/03
BNM Indemnity Company (New Company from Redo Shell-Crum & Forster Indemnity Company) [05596]	Wilmington DE	12/31/03
MJR Fire Insurance Company (New Company from Redo Shell-United States Fire Insurance Company) [87000]	Wilmington DE	12/31/03

NAME CHANGES

COMPANY NAME	LOCATION	CHANGED TO	DATE LICENSED
Employers Modern Life Company	Des Moines IA	EMC National Life Company	11/10/03
One Health Plan of Texas, Inc.	Dallas	Great-West Healthcare of Texas, Inc.	11/12/03
F.A. Richard & Associates, Inc., <i>dba</i> Fara Benefit Services-TPA	Metairie LA	Deleted <i>dba</i> Fara Benefit Services	11/13/03
Innovative Resource Group, LLC, <i>dba</i> APS Healthcare Midwest-TPA	Waukeska WI	Changed <i>dba</i> name to APS Healthcare	11/13/03
John P. Pearl & Associates, Ltd.-TPA	Peoria IL	Pearl & Associates, Ltd., <i>dba</i> Pearl Insurance Services, Ltd.	11/13/03
Primary Carenet of Texas, LLC	San Antonio	Added <i>dba</i> Christus Primary CareNet of Texas	11/13/03
Charter County Mutual Insurance Company	Dallas	Unitrin County Mutual Insurance Company	12/4/03
Specialty Lloyds Insurance Company	Fort Worth	Reliable Lloyds Insurance Company	12/12/03
Underwriters Reinsurance Company	Concord NH	RSUI Indemnity Company	12/15/03
Benometrics Corporation, <i>dba</i> EMS Administrators-TPA	Fort Worth	Smith Administrators/EMS, LP	12/19/03
CitiFinancial Administrative Services, Inc.-TPA	Fort Worth	Citicorp Administrative Services, Inc.	12/19/03
Corporate Claims Management, Inc.-TPA	San Antonio	Valero Claims Management, Inc., Houston, Texas	12/19/03
United Life Agency Services, LLC, <i>dba</i> PayLogix-TPA	Garden City NY	Paylogix, LLC	12/19/03
BNM Indemnity Company	Wilmington DE	Crum & Forster Indemnity Company (After Redo With Shell)	12/31/03
MJR Fire Insurance Company	Wilmington DE	United States Fire Insurance Company (After Redo With Shell)	12/31/03



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