



## New Signs of Improvement in the Texas Marketplace

### FAIR Plan Applications Falling

**T**HERE ARE CLEAR SIGNS that the Texas homeowners insurance market is recovering and becoming much more competitive. Companies that had restricted sales to new customers are becoming more aggressive in seeking new business, more companies are expressing an interest in coming to Texas, and the state's insurer of last resort—the FAIR Plan—is reporting fewer applications for coverage.

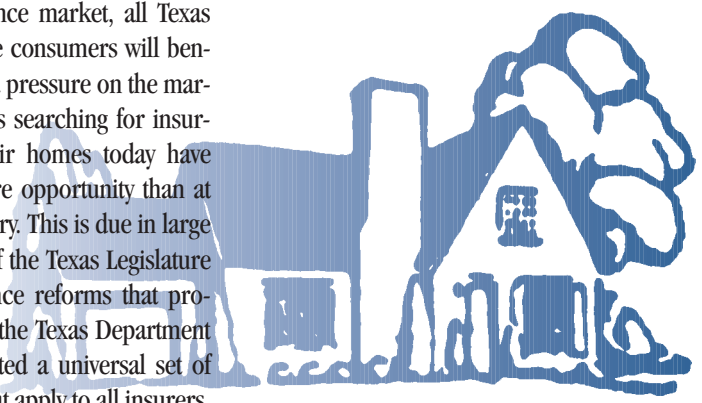
The Texas FAIR Plan was established in late 2002 to provide an option for homeowners who could not find coverage on the open market. Participation in the Plan has leveled off since early 2004 and new policy applications have declined. This downward trend is another indicator that there is increased availability in the Texas homeowners insurance market.

Another sign of improving conditions was the recent announcement by Countrywide that its Texas insurance branch, Balboa Lloyds Insurance Company, would be lowering its rates on homeowners insurance by an average of 20 percent across the state. "We are very eager to reach out and grow the number of our homeowners insurance policyholders in Texas," said Tom Scrivener, managing director and chief executive officer of the Countrywide Insurance Group. "By voluntarily reducing Balboa Lloyd's rates, we hope to send the message that we are committed to the communities and residents of Texas."

Improving market conditions are equally positive for insurers, with loss ratios improving across the board in Texas. The quiet storm

season and reduced losses over the past year should yield even more benefits for consumers as the market seeks its competitive level. Increased competition for market share will mean lower rates and better service for many in Texas.

Although some of these positive signs may not be obvious to those who don't follow the intricacies of the insurance market, all Texas homeowners insurance consumers will benefit from the downward pressure on the market. Texas homeowners searching for insurance coverage for their homes today have more options and more opportunity than at any time in recent history. This is due in large measure to the work of the Texas Legislature in passing key insurance reforms that provided new authority to the Texas Department of Insurance and created a universal set of fair rating standards that apply to all insurers. The result for consumers is more availability and coverage at fair prices. ☺



### InSideInSight

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## Commissioner'sInSight

By **Jose Montemayor**,  
Texas Insurance Commissioner

# Rate Relief Achieved through Settlement with Farmers

**O**N DEC. 2, 2004, I reached an agreement with Farmers Insurance Group. The agreement calls for Farmers to reduce its homeowners insurance rates in 2005 by 5 percent for all current and new policyholders and to provide current policyholders with an additional 15 percent, one-time discount when they renew their policies in 2005. This amounts to a total reduction of 20 percent, totaling approximately \$100 million in rate relief. The agreement also enhances water coverages at no additional cost to the policyholder.

In September 2003, I ordered 30 insurance groups to reduce homeowners insurance rates and all but two complied. State Farm and Farmers challenged the order in court, where it languished for 16 months. A recent decision by a state district court ruled against my reduction orders to these two companies on a technicality, declaring the law passed by the Legislature to be unconstitutional. The Texas Department of Insurance recently initiated new actions to force these companies to reduce their rates but these actions will be subject to court challenges, as well. I was faced with the prospect of several more years of contentious litigation without the prospect of immediate rate relief for State Farm and Farmers policyholders, which the Legislature contemplated in Senate Bill 14.

During this time, I have been negotiating with both companies, urging them to do the right thing for their policyholders—provide rate relief. While State Farm has yet to bring a serious offer to the table, I was able to make headway with the Farmers Insurance Group.

The agreement reached with Farmers is not perfect. No settlement ever is. However, it is not the end product, either. It is a “ceasefire” that provides \$100 million (or approximately \$250 per policyholder) in rate relief and allows increasingly competitive market forces to work. During the next 18 months, Farmers homeowners’ rates will be capped at the reduced rate. No increases will be allowed. I am confident that our increasingly robust insurance market will exert downward pressure on all homeowners insurance rates. Farmers will have to respond to this pressure and lower its rates even further in order to remain competitive. If they don’t, at the end of the 18-month “ceasefire,” TDI will resume regulatory action.

This is a necessary first step to bring Farmers homeowners insurance rates in line with the rest of the market. I expect Farmers to live up to its commitment to its policyholders that its rates accurately reflect current market realities. If it doesn’t, the Texas Department of Insurance is ready to use the full measure of its authority, as granted by the Texas Legislature, to bring those rates down.

Only one company out of the 30 ordered to reduce rates in 2003 remains out of compliance with TDI authority. State Farm, the state’s largest homeowners insurance company, continues to charge to the courthouse and challenge actions taken by TDI. It is now time for State Farm to join with every other home insurer in Texas and provide long overdue rate relief for its customers.

# TDInSight

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The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. **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.

# TDI Orders Stricter Review for State Farm Rate Filings

## *State Farm Now Required to Receive Prior Approval for Homeowners Rates*

**T**HE TEXAS DEPARTMENT OF INSURANCE (TDI), utilizing authority under recent reform legislation, issued an order on December 6, 2004 requiring State Farm Insurance to seek prior approval before implementing any changes to its insurance rates in Texas. The action is a result of a determination by the Department that State Farm Lloyd's rating practices warrant the additional scrutiny. The order takes effect immediately and requires State Farm to file rates on or before January 14, 2005.

Other homeowners insurers in the state now operate under a "File and Use" system, effective December 1, 2004. "File and Use," also enacted as a result of the Senate Bill 14 insurance reform legislation passed in 2003, allows an insurer to begin using a new rate as soon as it is filed, subject to review and disapproval by TDI after the fact. It is considered a more efficient, market-based approach to rate regulation and has been used

effectively in Texas in commercial insurance lines for more than ten years.

TDI staff analysis found State Farm's homeowners insurance rate to be excessive relative to the risk to which it applies, and that the company has charged this rate from June 11, 2003 to the present. The excessive rate was put in place even as State Farm reduced its coverage to exclude most water and mold-related claims. As the leading writer of homeowners insurance in Texas with 30 percent of the market, State Farm's rating practices have a disproportionate effect on the market as a whole, according to the TDI order. 🔄

# TDI, DPS Complete Study of Uninsured Motorist Database System

**T**HE TEXAS DEPARTMENT OF INSURANCE (TDI) and the Texas Department of Public Safety (DPS) have recently completed a joint feasibility study examining the potential for a database interface system that would allow more efficient verification of financial responsibility information. The study, mandated by HB 3588 in the 78th Texas Legislature (regular session), specifically examined the feasibility, affordability, and practicality of such a system. The goal of a database interface system would ultimately be to reduce the uninsured motorist rate in Texas, currently approximately 20 percent of Texas drivers.

The study surveyed insurance companies and law enforcement agencies, as well as vendors of verification systems. The study found that the technology existed to implement such a system in a way that addressed security and privacy concerns, as well as being cost-effective. However, more information is needed about the particular needs of a Texas system. The joint study team recommended submitting a Request for Information (RFI) to develop parameters for a Texas-specific database information system. 🔄

# TDI to Host 7th Annual Fraud Conference

**TDI's** FRAUD DIVISION will hold its Seventh Annual Fraud Conference, January 27th and 28th, 2005, at the J.J. Pickle Research Campus. Some of the presentations lined up for the conference include healthcare fraud, organized crime rings, and updates on antifraud initiatives by TDI's Fraud Unit, the Texas Committee on Insurance Fraud, and the Coalition Against Insurance Fraud. In addition, experts will make presentations on special investigative techniques such as reading facial expressions, Layered Voice Analysis technology, and investigative techniques.

Continuing education credit is available to attendees of the conference. There is no registration fee. Attendees are encouraged to register online at:

[www.tdi.state.tx.us/fraud/frconf2005.html](http://www.tdi.state.tx.us/fraud/frconf2005.html)

## Fraud Directors Meet in Austin

TDI's Fraud Unit hosted a conference for Fraud Directors in Austin on October 25th. The three day event was attended by fraud directors and fraud unit staff from 22 states along with representatives from the Federal Bureau of Investigation, U.S. Postal Inspection Service, Coalition Against Insurance Fraud and the NAIC.

Each year, the group meets in an informal setting to discuss a wide variety of topics from information sharing and staffing to the latest schemes in claim fraud, agent fraud and unauthorized schemes. The gathering also provides an opportunity for attendees to meet with their counterparts from across the country.

TDI's Fraud Unit hosted the first annual conference in October, 1998. Different states host the event each year.

A wide range of fraud topics were addressed. Barrett Hansen, Assistant District Attorney for Travis County, discussed the criminal perspective of unauthorized health insurance, and Doug Danzeiser, TDI Staff Attorney in Legal and Compliance, discussed unauthorized health plans and discount medical cards. Dan Johnston, Executive Director of the Insurance Fraud Bureau of Massachusetts, covered staged auto accident rings. Bob Stanton, Director of New Hampshire's Insurance Fraud Unit, provided an update on the Gypsy fraud ring.

Curtis Polk, Employee Ombudsman for TDI, addressed management challenges in the law enforcement environment, and Michael Ridgeway, Assistant General Counsel for the Oklahoma Insurance Department, gave a presentation about "Thinking Outside the Box."

National anti fraud efforts were addressed as well. Howard Goldblatt, Director of Governmental Affairs for the Coalition Against Insurance Fraud, provided a national perspective on the problem and Alan Haskins, NAIC's Antifraud Coordinator, provided an update on NAIC's Antifraud Task Force projects. 🔄



## **Consumer Protection Requirements**

### **APA Proposal**

#### **Updating the Consumer Bills of Rights**

- ▶ The Texas Department of Insurance is proposing the adoption of Subchapter W, §5.9970, concerning the Consumer Bills of Rights. The department received petitions from the Office of Public Insurance Counsel (OPIC), requesting the adoption of a revised Consumer Bill of Rights Personal Automobile Insurance and a revised Consumer Bill of Rights Homeowners, Dwelling and Renters Insurance. The Consumer Bill of Rights is to be distributed upon the issuance of a policy by insurers to each policyholder.

On August 31, 1993 the State Board of Insurance adopted a Consumer Bill of Rights for Personal Automobile Insurance and for Homeowners and Renters Insurance. On May 15, 2002, the Commissioner of Insurance updated the Consumer Bills of Rights pursuant to an OPIC petition. As a result of legislative changes, specifically the enactment of Senate Bill (SB) 14 by the 78th Legislature, the department is proposing new §5.9970, which adopts the Consumer Bill of Rights Personal Automobile Insurance and the Consumer Bill of Rights Homeowners, Dwelling and Renters Insurance, in English and Spanish, and sets forth the responsibility and obligation of insurers to provide copies of these Consumer Bills of Rights to insureds.

The department believes that, based on changes to regulatory provisions brought about by SB 14, the proposed new rule is a more efficient method of requiring that the Consumers Bills of Rights be provided to each policyholder for each personal line of insurance regulated by the department. The department supports the Consumer Bill of Rights Personal Automobile Insurance and the Consumer Bill of Rights Homeowners, Dwelling and Renters Insurance as filed by OPIC and is proposing the adoption of the Consumer Bills of Rights.

Since the last adoption of the Consumer Bills of Rights, SB 14 and departmental actions have resulted in changes affecting both policyholders and insurers. It is necessary to adopt the 2004 version of these Consumer Bills of Rights so that insurers will be distributing to current and future policyholders the appropriate information informing them of their rights. The 2004 version of these Consumer Bills of Rights contain the information previously provided to insureds as well as new information to reflect legislative acts and departmental actions concerning the use of credit information; repeal of statutory discounts; information regarding rate differentials within a county; the use of water claims, previous mold damage or mold damage claims, and appliance-related claims in underwriting; information concerning right to privacy; notices regarding premium increases or reduced coverage; and information concerning the use of underwriting guidelines. The new documents provide accurate, simplified, and clarified language as well as contact information and addresses.

*Publication: October 22, 2004*

*Additional information: 512 463-6326*

## **Credit Life and Credit Accident & Health**

### **APA Proposal**

#### **Rate Setting**

- ▶ TDI proposes new rules and amendments concerning credit life and credit accident and health insurance. These amendments and new sections are proposed to implement *Texas Insurance Code* Chapter 1153, as amended by Acts 2001, 77th Legislature in House Bill (HB) 2159, and to improve the organization of the subchapter by putting all definitions into one section of the subchapter.

*Continued on page 6*



HB 2159 amended Chapter 1153 with regard to the setting of premium rates for credit life and credit accident and health insurance by changing the way those rates are set. Previously, the commissioner of insurance, through a contested case proceeding, established presumptive premium rates for all classes of business and terms of coverage, and insurers that experienced excessive loss ratios, as defined by rule, could request approval for deviations from the presumptive premium rate. HB 2159, however, required that the presumptive premium rates be set by rulemaking, rather than through a contested case. It also allows insurers to file rates that deviate from the presumptive premium rates without seeking written approval from the commissioner, as long as the deviated rate is no more than 30% above nor more than 30% below the presumptive premium rate. HB 2159 also allows insurers to use rates that are more than 30% above or below the presumptive premium rates, if the insurer obtains prior written approval.

Credit rates have traditionally been applied uniformly to predetermined classes of business, as more specifically defined in proposed Section 3.5002(7). In reviewing industry expense and experience data supplied in response to the data call, the department observed that the loss ratios and compensation percentages for one class, Class E—Dealers, were significantly different than the other classes in both credit life and credit accident and health. This disparity establishes a basis for distinguishing between Class E and all other classes of business, as contemplated by *Insurance Code* Section 1153.102(a). In order to give interested persons the greatest latitude in commenting on this proposed change, however, the department has decided to publish for comment two alternatives, one that establishes presumptive premium

rates for Class E alone, with different presumptive premium rates for all classes other than Class E (Alternative 1), and a second alternative that establishes (as the department has done in previous rate proceedings) composite presumptive premium rates for all classes of business combined (Alternative 2).

For Alternative 2, staff recommends an average decrease in rates (all classes combined) of approximately 8.3 percent for credit life. For credit accident and health, staff's recommendation varies by plan of benefits and ranges from an approximate 12% decrease to no change. Staff's proposal for Alternative 1 would result in a decrease for Class E and an increase for the remaining classes.

*Publication: November 19, 2004*  
*Additional information: 512 463-6326*

## **Taxes and Fees**

### **APA Proposal**

#### **Maintenance Taxes and Fees**

- ▶ TDI proposes an amendment to Section 1.414, concerning assessment of maintenance taxes and fees for payment in the year 2005. The amendment is necessary to adjust the rates of assessment for maintenance taxes and fees for 2005 on the basis of gross premium receipts for calendar year 2004 or on some other designated basis. Karen A. Phillips, Chief Financial Officer, has determined that the anticipated impact on state government for fiscal year 2005 is estimated income of \$34,124,137 to the state's general revenue fund.

The following rates for 2005 maintenance taxes and fees are assessed on gross premiums of insurers for calendar year 2004 for the following lines of insurance:

- for motor vehicle insurance the rate will be .036 of 1% of those gross premiums;
- for casualty insurance, fidelity, guaranty and surety bonds the rate will be .073 of 1% of those gross premiums;

- for fire insurance and allied lines, including inland marine, the rate will be .184 of 1% of those gross premiums;
- for workers' compensation insurance, the rate will be .027 of 1% of those gross premiums;
- for title insurance, the rate will be .037 of 1% of those gross premiums.
- for life, health, and accident insurance, the rate will be .026 of 1% of those gross premiums.

In 2005, a health maintenance organization (HMO) will pay \$.34 per enrollee if it is a single service HMO or a limited service HMO, and \$1.02 per enrollee if it is a multi-service HMO. In 2005, a third party administrator will pay .125 of 1% of its correctly reported gross amount of administrative or service fees received in 2004. In 2005, for a corporation issuing prepaid legal service contracts, the cost will be .022 of 1% of correctly reported gross revenues for 2004.

*Publication: November 19, 2004*  
*Additional information: 512 463-6326*

## **Workers' Compensation**

### **APA Proposal**


#### **Hazardous Conditions**

- ▶ TDI withdraws the previous proposal of new Section 8.4 (published in the October 15, 2004 issue of the *Texas Register*; 29 TexReg 9620) and proposes new Section 8.4, concerning hazardous conditions related to the issuance of workers' compensation policies with negotiated deductibles. The rule also adopts by reference the Texas Negotiated Deductible Workers' Compensation Form. This proposed section is necessary to identify the conditions that may pose extraordinary risk to the solvency of insurers issuing these types of policies and assure the integrity of such insurer's financial statements filed with the Department.

Negotiated deductible policies are designed to give policyholders that are willing to

assume more risk an option that results in a premium credit that is applied against the workers' compensation policy premium. Policyholders can obtain full insurance coverage at a lower cost by assuming the financial responsibility to reimburse the insurer for amounts paid by the insurer that are within the deductible amount. In return, the employees are provided a full spectrum of workers' compensation benefits. However, an insurer's failure to take steps to ensure that the policyholder can meet its financial obligations may indicate a hazardous financial condition.

The proposed section, along with conditions set out in Section 8.3 of the *Texas Administrative Code*, sets forth the various conditions that the Department will consider to determine whether an insurer issuing negotiated deductible policies is in hazardous financial condition. Some of the proposed conditions the Department will consider include an insurer's failure to maintain security for any asset or credit taken against reserves or the insurer's failure to maintain or produce upon the Department's request, gross premium data and first-dollar loss data for each negotiated deductible policy on a quarterly basis in accordance with the Texas Negotiated Deductible Workers' Compensation Form. The existence of one or more of the conditions does not mean that an insurer issuing workers' compensation policies with a negotiated deductible is necessarily in hazardous condition. When one or more of the conditions are considered in the context of the state of affairs of an insurer, they operate as an early warning that the insurer might be hazardous to its policyholders, creditors, and the general public.

*Publication: October 29, 2004*  
*Additional information: 512 463-6326* 



## Anti-rebating Title Rule Debated

**T**EXAS INSURANCE COMMISSIONER Jose Montemayor considered a proposal by the Title Professionals Association (TPA) to withdraw or significantly narrow TDI's antikickback rule, P53. In considering the proposal, the commissioner received testimony from TPA, the Texas Land Title Association (TLTA), TDI staff, and the Office of Public Insurance Counsel (OPIC), as well as several title agents and producer groups at a public hearing November 2.

At one point, TLTA president Terry Grantham asked all title agents in the audience to stand up if they opposed the TPA proposal, and most of the hearing room rose to their feet. Producer groups, feeling the loss of sponsorships and other freebies, are opposed to the rule in its current form.

The commissioner questioned the participants at length, wondering at several points whether and how title industry expenses related to rebating might be eliminated from the rate base. Because title premiums are set by the commissioner, and because the commissioner must consider relevant expenses when setting rates, he is interested in limiting those expenses to the core areas of title insurance.

The TPA proposals were also an agenda item in the rules phase of the 2004 Title Insurance Biennial Hearing, held December 15. ☎

## Life and Health Licensing Program Prepares for New Billing System

**T**HE FILING AND OPERATIONS DIVISION of TDI's Life, Health and Licensing Program is announcing the implementation of a new Filing and Operations billing system. The new billing system is scheduled to go into effect on February 1, 2005. The new system is designed to enhance efforts of the agency to streamline and improve the collection and receipt of filing fees.

"We have worked very hard to streamline the process," said Filings and Operations Division Deputy Commissioner, Angelia Johnson, "This new billing system will go a long way toward providing better customer service for our filers."

Commissioner's Bulletin No. B-0051-04 has been mailed to all licensed carriers and HMOs doing business in Texas. Effective February 1, 2005, a regulated entity is not required to attach a filing fee to its filing. Filings

submitted on or after the effective date will be subject to the new billing system. Under the new system, filers will be billed monthly and receive an itemized invoice.

The following regulated entities shall be subject to the billing system:

- Life and Health insurers submitting filings requiring a fee pursuant to 28 TAC §§3.1 *et seq.*; and
- HMOs submitting filings requiring a fee pursuant to 28 TAC §11.301(4)(A), (B), and (L) and (5)(C), (G), (K), (M), and (N).

If you have any questions regarding the billing system implementation, please contact Angelia Johnson, Deputy Commissioner, Filing and Operations Division, at 512/322-4211 or via email at [Angelia.Johnson@tdi.state.tx.us](mailto:Angelia.Johnson@tdi.state.tx.us). ☎



# TDI Texas Coastal Tour

## *Lessons Learned from Florida's Hurricane Experience*

**M**EMBERS OF TDI's Windstorm Inspections Division visited several Texas coastal communities Nov. 30–Dec. 2, 2004 to highlight data obtained from the four recent Florida hurricanes and analyze current building codes. Their goal was to help builders and engineers minimize property damage and loss of life when the next big storm hits the Texas coast.

The 2004 Florida hurricane season provided a laboratory for engineers to study which structures were able to withstand the strong winds and which buildings succumbed to the storms. With the help of representatives of the Florida-based Federal Alliance for Safe Homes (FLASH) and the Insurance Council of Texas, TDI's Windstorm team shared the findings from the Florida experience at community meetings in Galveston, Corpus Christi

and Brownsville, the state's most populous coastal communities. The program included photos and animation of the Florida storms' paths and resulting damage, explanations of why certain structural elements failed and what steps builders could take to avoid similar issues in Texas.

Part of the team's message was also directed to new homebuyers and homeowners planning on remodeling or repairing their homes. That message was "you don't have to be an engineer to demand quality construction and repairs." Knowing what to ask your builder or contractor can help ensure that your structure is as storm resistant as possible. While no structure is "storm-proof," building to code and incorporating the latest technological advances in a structure can help minimize damage and cost. 🔄

# Disaster Teams Return from Florida

**T**HE LAST OF TDI's four volunteer disaster teams returned from storm-battered Florida in late November. The teams, consisting of seven to eight TDI volunteers each, were trained and dispatched for two-week intervals, on a rotating basis, to the Pensacola and West Palm Beach areas to assist Floridians impacted by the recent hurricanes. During the 2004 hurricane season, Florida was battered by hurricanes Charley, Frances, Ivan, and Jeanne in rapid succession. The first team of volunteers arrived on the scene September 29. In all, the TDI volunteers assisted more than 4,000 Florida consumers over the eight-week period.

"We were glad to provide valuable assistance to Florida consumers and gain practical experience in responding to multiple major disasters. We continue to look for ways to improve our disaster response efforts for Texans," remarked Audrey Selden, Senior

Associate Commissioner for Consumer Protection.

The primary mission of the TDI volunteers was to help Florida consumers understand what their homeowners policies covered and to help facilitate any claims-related issues or problems. TDI employees received high praise for their professionalism and tireless efforts in the field. In one case, two TDI volunteers were able to clear an administrative logjam and secure emergency housing for a couple who had been unable to reach an insurance company representative for two weeks.

"It is an unprecedented, and highly successful, effort," said Texas insurance commissioner Jose Montemayor. "Severe weather doesn't follow state boundaries, so in times of extraordinary need, neither do we." 🔄

# Insurance Business

## Texas Selected as Top Business Climate For 2004

**S**ITE SELECTION Magazine has ranked Texas first in its annual ranking of the country's best places to do business. Texas passed North Carolina, which had held the top spot for each of the past three years.


Governor Rick Perry commented that "creating an environment for job growth, opportunity and prosperity for the people of Texas is among my chief priorities as governor, and I am proud that our state is on the leading edge of economic development. Economic growth is about more than paychecks. By creating jobs, we create the wealth that generates the tax revenue to fund important priorities such as education, health care and transportation."

Site Selection Magazine noted that "Texas' not-so-secret weapon in job creation is the Texas Enterprise Fund (TEF), a \$295 million fund established in 2003 to help lure projects to the state. Thus far, Texas has committed \$181 million from the TEF that will create more than 14,000 new jobs and almost \$6 billion in capital investment in the Texas economy." The publication also credited the state's passage of a constitutional amendment mandating tort reform. "By one estimate, the state's lawsuit reform measures will lead to the creation of more than 240,000 permanent jobs and add \$36 billion to the Texas economy."

Earlier this year, Southern Business & Development magazine named Perry the top individual nationally making a difference in job creation. "According to this article, Texas has created more than 123,000 net new jobs for Texas families during the past year," said TDI Business Development Specialist, Donna Reynolds. "The next big step for Texas will be

a nationwide advertising campaign to promote Texas as a leading business destination."

Governor Perry announced the plan saying it would be an aggressive, nationwide marketing effort promoting Texas as the top state in the country to do business. The campaign will include billboards and direct mail to over 3,500 CEO's and site selectors across the country. Perry said "I believe that when employers are given the opportunity to examine the Texas record for themselves, they will see that you couldn't pick a better state to run a business. You can grow here, succeed here and prosper here. We have cultivated an economic climate in Texas that rewards hard work and welcomes new ideas."

"This is an exciting time for our state," said Reynolds in a presentation to the Governor's Regional Representatives from eight Texas regions. "The insurance industry is a big part of that success, because of the industry's close ties with the communities in which they operate, they are able to directly impact local economies." 

# TDI Announces Selection of New State Fire Marshal

**T**HE TEXAS DEPARTMENT OF INSURANCE (TDI) announced the selection of Paul Maldonado as the new State Fire Marshal. Maldonado has been an Assistant Fire Chief with the City of Austin Fire Department (AFD) since 1995 and has over 25 years experience with AFD. Maldonado has experience both as a firefighter as well as manager and administrator in the AFD.

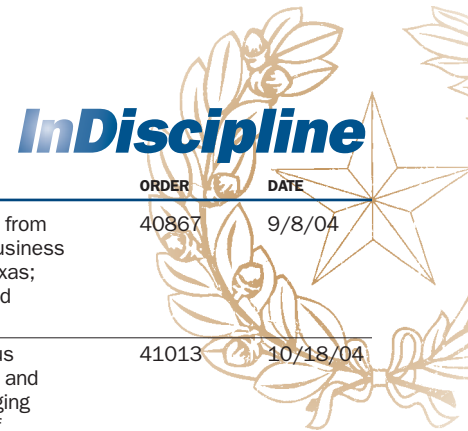
As State Fire Marshal, he will be responsible for management and direction of the State Fire Marshal's Office and programs, and will be a member of the agency's executive management team. "I believe his knowledge and experience will be an asset to this agency and the citizens of this state as we continue our statewide efforts at fire prevention, fire safety education, and investigation," said Texas Insurance Commissioner Jose Montemayor.

Maldonado's selection comes after an extensive search and interview process with many highly qualified candidates. Maldonado holds a Master Fire Fighter certification, Fire Inspector certification, and Fire Instructor cer-

tification from the Texas Commission on Fire Protection. Maldonado has served as Vice President of the International Fire Marshals Association and is a member of the National Fire Protection Association and International Fire Chief Association.

"I'm excited about becoming the State Fire Marshal and honored to have an opportunity to make a difference at this level," said Maldonado. "I aim to manage all of our services so that we focus on reducing the frequency and consequences of fire emergencies."

Maldonado is a native of Caldwell, Texas and received his bachelors degree from the University of Texas at Austin. He began employment with AFD as a Fire Cadet and progressed through the ranks to his current position as Assistant Fire Chief with responsibility for Homeland Security/Special Operations. As an Assistant Fire Chief for the past 9 years, Maldonado served as Chief of Staff, City of Austin Fire Marshal, and Director of Fire and Medical Training for AFD. 🔄



NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Administrative Benefits Inc.	Dallas	Unauthorized insurance	Cease and Desist from engaging in the business of insurance in Texas; Pay all valid unpaid Texas claims	40867	9/8/04
Advanced Employment Concepts, Inc.; Cynthia Main; Brian Main	San Antonio	Acted as an agent for unauthorized entities; Acted as an insurance agent without a license	\$500,000 fine plus restitution; Cease and Desist from engaging in the business of insurance	41013	10/18/04
Ainsworth, Samuel Brent	Beaumont	Felony conviction directly related to the business of insurance; Engaged in fraudulent or dishonest acts or practices	Life Insurance Not Exceeding \$15,000 License denied	40991	10/14/04
Aldridge, Glenn	Dallas	Failed to comply with continuing education requirements	Adjuster General Lines License revoked	40826	8/30/04

Continued on Page 12

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Bellino, Cynthia	San Antonio	Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License denied	40877	9/9/04
Brandt, Russell W.	New Braunfels	Acted as an agent for unauthorized entities	\$5,000 fine; General Life, Accident and Health License and Limited Lines License revoked	41021	10/21/04
Burdick, Christie Lynn	Liberty	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License revoked	40993	10/14/04
Caillouet, Reginald Joseph, Jr.	Houma LA	Acted as an agent for unauthorized entities; Engaged in unfair and deceptive acts or practices	Non-resident General Life, Accident, Health and HMO License revoked; \$100,000 fine subject to a dollar-for-dollar reduction by restitution to \$30,000	40752	7/30/04
Catlin, Steven L.	Humble	Acted as an agent for unauthorized entities	\$35,000 fine subject to a dollar-for-dollar reduction by restitution to \$15,000	40871	9/8/04
Cavazos, Joe E.	San Antonio	Failed to comply with continuing education requirements	General Life, Accident and Health License suspended for three months	40981	10/8/04
Center Autoplex Inc.	Center	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	Specialty Credit Insurance Agency License revoked	40953	9/29/04
Clifton, Ronald Jay	Odessa	Engaged in fraudulent or dishonest acts or practices; Felony conviction directly related to the business of insurance	General Life, Accident and Health License and General Property and Casualty License revoked	40952	9/29/04
Colbert, Clyde Leon Jr.	Alief	Felony conviction directly related to the business of insurance; Attempted to obtain a license by fraud or misrepresentation	General Life, Accident, and Health License revoked	41033	10/25/04
Commonwealth Land Title Insurance Company	Richmond VA	Allegedly engaged in unfair and deceptive acts or practices; Failed to timely forward to TDI an accurate and complete copy of statistical reports	\$100,000 fine subject to a dollar-for-dollar reduction to \$25,000	40928	9/27/04
Continental Casualty Company	Chicago IL	Failed to timely file required experience rating data	\$3,000 fine	40868	9/8/04
Cook, Novela D.	San Antonio	Engaged in fraudulent or dishonest acts or practices; Felony conviction; Attempted to obtain a license by fraud or misrepresentation	General Life, Accident and Health License denied	41027	10/22/04
David, Sandra Cortez	Martindale	Acted as an escrow officer without being properly licensed	\$750 fine; Escrow Officer License application granted	41008	10/18/04
Empire Fire and Marine Insurance Company	Omaha NE	Failed to timely respond to requests for information from TDI; Failed to provide adequate loss control information to policyholders	\$10,000 fine	40966	10/1/04
Fireman's Fund Insurance Company	Novato CA	Failed to provide experience rating data; Failed to timely respond to requests for information from TDI	\$15,000 fine	41030	10/25/04

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Fulton, Norma L.	Spring	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	Limited Lines License revoked	40990	10/14/04
Glazier, Leslie Mac	Fort Worth	Acted as an agent for unauthorized entities	\$10,000 fine subject to a dollar-for-dollar reduction by restitution to \$5,000	40950	9/29/04
Goodwin, April Jeanette	League City	Failed to timely file required monthly reports	General Life, Accident and Health License revoked	40951	9/29/04
Greene, Diane Lee	Phoenix, AZ	Acted as an agent for unauthorized entities; Cease and Desist from engaging in the business of insurance	\$10,000 fine	41034	10/25/04
Hale, Sydonna Lynn	Killeen	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License revoked; \$13,174 in restitution	40896	9/16/04
Hall, Melissa Jade	Kerrville	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident and Health License and General Property and Casualty License revoked	40899	9/16/04
Hansen, K.C. Ann	Dallas	Failed to comply with Commissioner's order	General Property and Casualty License revoked	40898	9/16/04
Harris, Elizabeth Ann	Dallas	Engaged in fraudulent or dishonest acts or practices; Felony conviction directly related to the business of insurance	Limited Lines License application denied	41023	10/21/04
Hernandez, Michael E.	El Paso	Failed to comply with continuing education requirements	\$1,450 fine	40869	9/8/04
Hilcher, Charles Wayne	Plano	Acted as an agent for unauthorized entities	\$15,795 fine subject to a dollar-for-dollar reduction by restitution to \$3,795	40872	9/8/04
Iraheta, Felicito Humberto	The Woodlands	Failed to comply with continuing education requirements	\$1,500 fine	40995	10/14/04
Lasley, Kelli Anne	San Antonio	Failed to comply with a Commissioner's order	General Property and Casualty License revoked	40897	9/16/04
Lawrence, Robert John	Irving	Made a material misrepresentation on a license application	General Life, Accident and Health License denied	40933	9/27/04
Lawyers Title Insurance Corporation	Richmond VA	Allegedly engaged in unfair and deceptive acts or practices; Failed to timely forward to TDI an accurate and complete copy of statistical reports	\$100,000 fine subject to a dollar-for-dollar reduction to \$25,000	40929	9/27/04
Lewis, Devin Roshawn	Lancaster	Attempted to obtain a license by fraud or misrepresentation; Engaged in fraudulent or dishonest acts or practices; Engaged in a felony crime of moral turpitude	Limited Lines License application denied	41036	10/25/04
Lucio, Vicente R.	Mission	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident, and Health License revoked	40992	10/14/04

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NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Martinez, Abraham Roberto	McAllen	Engaged in fraudulent or dishonest acts or practices; Made a material misrepresentation on a license application	General Life, Accident, and Health and Limited Lines Licenses revoked	40763	8/3/04
Miller, Truman B.	Ranger	Failed to comply with continuing education requirements	\$1,500 fine	41012	10/18/04
Myatt, Jason Wendell	Arlington	Felony conviction for crime of moral turpitude	General Life, Accident, and Health License denied	40815	8/25/04
National Union Fire Insurance Company of Pittsburgh, Pennsylvania	Harrisburg PA	Issued several policy forms and endorsements prior to approval by TDI	\$17,500 fine	40997	10/14/04
NFC Consulting Group	Chicago IL	Taught a continuing education course prior to course certification	\$4,500 fine	40870	9/8/04
PacifiCare Life Assurance Company	Santa Ana CA	Used unapproved marketing or advertising materials	\$7,500 fine	41031	10/25/04
Parodi, Edward John	Friendswood	Acted as an agent for unauthorized entities	\$23,067 fine subject to a dollar-for-dollar reduction by restitution to \$2,067	40927	9/27/04
Paul, Christian Alan	Rowlett	Failed to comply with continuing education requirements	\$350 fine; Probated suspension of General Life, Accident and Health License after completion of continuing education	40909	9/21/04
Phillips, Maria Ann	Dickinson	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident and Health License revoked	41022	10/21/04
Phoenix Life Insurance Company	Enfield CT	Failed to timely file required annual certification form	\$3,000 fine	40999	10/14/04
Property and Casualty Insurance Company Twin City Fire Insurance Company	Hartford CT	Quoted unfiled rates; Mid-term policy changes	\$20,000 fine	40924	9/27/04
Reserve National Insurance Company	Oklahoma City OK	Failed to bring its long term care policy into compliance with Texas regulations	\$15,000 fine	40925	9/27/04
Rodriguez, Debra Deleon	San Antonio	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License revoked	41011	10/18/04
Ron Ray and Ray Insurance Agency	San Antonio	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Employed unlicensed agents	General Life, Accident and Health License, General Property and Casualty License and Limited Lines License held by Ron Ray surrendered; General Property and Casualty License held by Ray Insurance Agency cancelled	40930	9/27/04
Samaniego, Veronica	San Angelo	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	Limited Lines License revoked; \$1,806 in restitution	40816	8/25/04
Shafik, Shawkat Lewis	Houston	Acted as an agent for unauthorized entities	\$14,250 fine subject to a dollar-for-dollar reduction by restitution to \$4,250	40926	9/27/04
Smith, William Kent	Martindale	Taught a continuing education course with an expired certificate	\$3,500 fine	40982	10/8/04

# InDiscipline

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Solow, Rod M.	Metairie LA	Felony conviction directly related to the business of insurance; Made a material misrepresentation on a license application	General Life, Accident and Health License and General Property and Casualty License revoked	40811	8/23/04
Soward, Natile Nicole	Royse City	Engaged in fraudulent or dishonest acts or practices; Felony conviction directly related to the business of insurance	County Mutual License application denied	40932	9/27/04
Stava, Gerald R.	Monahans	Acted as an agent for unauthorized entities	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	40946	9/28/04
Tanzer, Herbert	Plano	Failed to notify TDI of an administrative action taken by a financial regulator of this state	\$1,000 fine	40923	9/27/04
Turner, Patricia Diane	Nacogdoches	Engaged in fraudulent or dishonest acts or practices; Attempted to obtain a license by fraud or misrepresentation; Felony conviction	General Life, Accident and Health License application denied	40931	9/27/04
U S Auto Insurance Services, Inc. Gamma Group, Inc. dba Insurance Depot James D. Maxwell	Dallas	Engaged in unfair claim settlement practices; Used unapproved forms; Employed unlicensed agents; Improperly paid referral fees	\$500,000 fine; Restitution	40947	9/28/04
United Healthcare Insurance Company United Healthcare of Texas, Inc.	Hartford CT Plano	Alleged violation of prior Commissioner's order; Failure to respond to TDI inquiries; Failure to timely pay claims for injuries arising from motor vehicle accidents; Failure to timely respond to requests for fee schedules and failure to file forms with TDI	\$240,500 fine; Restitution	40841	9/1/04
Viatical & Elderly Settlement Providers, LLC	Washington DC	Failed to timely respond to requests for information from TDI; Engaged in the business of life settlements without a certificate of registration	\$10,000 fine	41009	10/18/04
Weaver, Tomorrow Nevada	Oklahoma City OK	Felony conviction directly related to the business of insurance	2 year probation of Adjuster Property and Casualty License	40945	9/28/04

# InLicensing

## New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
Collegiate Association Resource of the Southwest, Inc.	Austin	MEWA	9/1/04
Legacy Health Solutions, Inc.	San Angelo	HMO	9/8/04
Eagle's Trace, Inc.	Baltimore MD	Specialty CCRC	9/10/04
Life of the South Insurance Company	Nashville TN	Life & Health	9/15/04
American International Assistance Services, Inc.	Dover DE	Third Party Administrator	9/22/04
Employee Benefits Corporation	Middleton WI	Third Party Administrator	9/22/04
HMA, Inc.	Tempe AZ	Third Party Administrator	9/22/04
R/XX Pharmacy Solutions, Inc.	Tempe AZ	Third Party Administrator	9/22/04
True Choice Health Plans, Inc.	Plano	Third Party Administrator	9/22/04

Continued on Back Page

# InLicensing

## New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
Texas Air Conditioning Contractors Association Workers' Compensation Trust	Irving	Workers' Compensation	9/29/04
Prime Therapeutics, LLC	Wilmington DE	Third Party Administrator	10/8/04
North Pointe Insurance Company	Southfield MI	Property & Casualty	10/19/04
Association Health Care Management, Inc.	Houston	Third Party Administrator	10/22/04
Benefits Network, Inc.	Dallas	Third Party Administrator	10/22/04

## Name Changes

COMPANY NAME	LOCATION	CHANGED TO	LOCATION	DATE OF CHANGE
Safeco Life Insurance Company	Redmond WA	Symetra Life Insurance Company		9/1/04
Safeco National Life Insurance Company	Redmond WA	Symetra National Life Insurance Company		9/1/04
Equitable Life Assurance Society of the United States	New York NY	AXA Equitable Life Insurance Company		9/7/04
The Equitable Of Colorado, Inc.	Denver CO	AXA Life and Annuity Company		9/15/04
New York Life and Health Insurance Company	Newark DE	Direct General Life Insurance Company	Aiken SC	9/15/04
Associates Lloyds Insurance Company	Irving	Commercial Guaranty Lloyds Insurance Company		9/17/04
SN Insurance Company	Davie FL	Bristol West Specialty Insurance Company		9/17/04
A/N Security National Insurance Company				
Specialty Risk Insurance Company	Mayfield Village OH	Progressive Choice Insurance Company		9/24/04
Cigna Life Insurance Company	Bloomfield CT	Prudential Retirement Insurance and Annuity Company	Hartford CT	10/6/04
The Tokio Marine and Fire Insurance Company, Limited	Tokyo Japan	Tokio Marine & Nichido Fire Insurance Co., Ltd.		10/15/04
First American Title Insurance Company of Texas	Houston	Censtar Title Insurance Company		10/28/04
Security Continental Insurance Company	Wilmington DE	TruAssure Insurance Company	Lisle IL	10/28/04



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