



Texas Insurance Commissioner Will Not Seek Re-appointment

AFTER THREE TERMS serving as the state's top insurance regulator, Texas Insurance Commissioner Jose Montemayor announced in January that he would not be seeking a fourth term. In a letter to Texas Governor Rick Perry, Montemayor called serving as Texas Insurance Commissioner an "honor and a privilege."

While the Commissioner's current term ends in February, Montemayor stated that he will remain on the job through the current legislative session. "It's important that I remain at the helm for a little while longer" said Montemayor. "With the 79th Legislative Session underway, I need to be available to present the agency's legislative recommendations and provide accountability for the Department's performance during the last biennium. I'm committed to do all I can to prepare the TDI for the transition to its next Commissioner."

Montemayor's joined TDI in 1993 serving as the agency's Director of Insurer Services, and from 1995 until being appointed Commissioner, he served as Associate Commissioner for the Financial Program, overseeing licensing, solvency and market conduct. Former Governor George W. Bush first appointed Montemayor as Texas Insurance Commissioner in January of 1999. Governor Rick Perry reappointed Montemayor in 2001 and 2003.

Montemayor said he has enjoyed every day of his tenure as Commissioner and described the work as challenging but also invigorating. Asked about the decision now to leave a job he admittedly loves, Montemayor says it is simply time to move on to his next challenge and allow new leadership at TDI.

"The Department has accomplished so much over the past few years, from stabilizing the homeowners market to creating new options for businesses to offer health insurance to their employees. After some tough years, the insurance market in Texas is now improving and expanding, offering new choices and better protection for consumers."

Asked to summarize what accomplishment he is most proud of during his time as Commissioner, Montemayor is reluctant to name one thing, saying every day at the agency has its share of victories and defeats.

"I would say each time we faced a new crisis we rose to the challenge—setting up the FAIR Plan when the homeowners market restricted access to coverage, working with the legislature to address the issue of medical malpractice coverage, creating an early warning system to identify companies at risk of solvency issues and working to improve consumer protections in every line of insurance. I am proud of our work on each and every one of those issues."

As to what the future holds for Montemayor, the Commissioner says it is too early to even consider any options.

"Right now my main focus is on the current legislative session and acting as a resource to our state leadership. I have a very real sense of obligation to the State and to the TDI. That's not going to go away anytime soon."

Montemayor is a certified public accountant. He joined the Texas Department of Insurance after retiring from the Air Force in 1993 with the rank of Major. ☺



InSideInSight	
New Fraud Prosecutor	2
Credit Scoring Part II	3
Legislative Recommendations	6

Fraud Conference Focuses on Special Investigative Techniques

RECORD ATTENDANCE for TDI's 7th Annual Fraud Conference necessitated a move to UT's J.J. Pickle Center this year. The two-day conference, which took place Jan. 27–28, 2005, drew anti-fraud professionals from across the state to share tips and information and learn the latest investigation techniques.

Commissioner Jose Montemayor kicked off the conference by pledging the department's assistance on anti-fraud efforts statewide. Mac Fulfer, an attorney and face reading expert, gave a presentation on the use of facial characteristics to gauge stress levels and nonverbal communication indicators. Fulfer demonstrated his techniques by "reading" the faces of seven volunteers from the audience, and colleagues were able to verify the accuracy of Fulfer's assessments.

Other expert training included interview techniques by Dwayne Wright of the Houston Police Department and a presentation on layered voice analysis (LVA), which provides computer-aided voice analysis to help determine if a person calling in an insurance claim is being truthful. LVA analyzes frequencies of sound waves to detect stress, excitement, or deception.

In addition to training in techniques, conference attendees were briefed on organized crime rings that stage auto accidents and FBI efforts to combat healthcare fraud. Attendees also received updates on the activities of the Committee on Insurance Fraud and the Coalition Against Insurance Fraud, both of which included legislative recommendations to boost anti-fraud efforts. 🌟

Special Prosecutor Hired to Tackle Fraud Cases in Dallas

TDI IS PLEASED TO ANNOUNCE the hiring of Kyson Johnson for the newly created special prosecutor position in the Dallas County District Attorney's Office. The new position, part of the Special Crimes Unit, was created through a memorandum of understanding between TDI and the Dallas County DA's Office. Though based in Dallas, Johnson is a TDI employee and will primarily prosecute cases referred by the department's Fraud Unit.

"We're excited to have filled the position with someone of Kyson's caliber," said Dennis Pompa, Director of TDI's Fraud Unit. "This will greatly benefit our anti-fraud efforts in a major metropolitan part of the state."

Johnson, 36, has most recently served as an assistant district attorney for the Grayson

County DA's Office in Sherman, where he prosecuted all levels of felonies, including insurance fraud and other types of white collar crime, since 2001. Prior to that Johnson was a partner in the private law firm Burnett, Trahan & Johnson LLP, in Dallas.

Johnson is also a captain in the Army Reserve and served as a military attorney in Iraq for the first six months of 2004. While there Johnson prosecuted the first court martial in the Abu Ghraib prison case.

Johnson is an avid hunter and runner, and has completed three marathons. Married and the father of a teenaged daughter, Johnson was born in Oklahoma but came to Texas "as soon as he could" at age 18. We welcome Kyson to the TDI team and look forward to many successful fraud cases. 🌟

TDInSight

Contact **TDInSight** at:

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

512 463-6425
512 463-6461 fax

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

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

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

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

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

TDInSight, MC-113-1A,
P.O.Box 149104
Austin, TX 78714-9104

The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. **TDInSight** should not be construed to represent the policy, endorsement or opinion of the Commissioner of Insurance or the Texas Department of Insurance.

By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the Texas Register.

To the best of the staff's ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.

Insurance Credit Scoring Back in the Spotlight

THE TEXAS DEPARTMENT OF INSURANCE (TDI) recently completed its long-awaited study of credit scoring, providing the most thorough and comprehensive analysis of this controversial practice to date.

The initial report was delivered to state leadership and the Texas Legislature on Dec. 30, 2004, prior to the start of the 79th Legislative Session as directed by statute. A follow-up report, using a multivariate analysis to assess the impact of credit scoring independent of other rating variables, was completed and delivered to state policymakers on Jan. 31, 2005. With both reports now completed, the study will provide Texas lawmakers with valuable data as they consider the continued use of credit scoring by insurers in Texas.

TDI's study is groundbreaking in the quantity and quality of data analyzed to better understand the practice of credit scoring. More than 2 million policies were examined from six separate insurance companies. Data received from the companies was then cross-matched with supplemental information from the Texas Department of Public Safety to determine the race/ethnicity of policyholders. This is the first study in the nation to actually match race/ethnicity to individual policies. Additionally the study was validated through peer-reviews by researchers at Texas A&M University and The University of Texas at Austin.

Key Findings of the Initial Report

Data in the initial report show a consistent pattern of differences in credit scores among the different racial/ethnic groups. The average credit scores for Whites and Asians are better than those for Blacks and Hispanics. In addition, Blacks and Hispanics tend to be over-represented in the worse credit score categories and under-represented in the better credit score categories.

Researchers also found a consistent pattern of differences in credit scores depending on

an individual's age, with younger people having worse credit scores than older people. The best average credit scores were maintained by people over 70 years of age. Additionally, the data showed that the average credit scores for upper income levels are better than those for lower and moderate income level populations. Moderate income level populations tend to be over-represented in the worse-than-average credit score categories and under-represented in the better-than-average categories.

Data in the initial study also showed a strong relationship between credit scores and claims experience. However, the study was not designed to determine the extent to which credit scores might be reflective of other risk characteristics associated with claims. To evaluate the extent credit scoring enables insurers to more accurately predict losses, TDI conducted a second part to its study—the multivariate analysis.

Key Findings of the Second Report

The second part of the study analyzed the relationship between credit scores and claims experience by considering the impact of other rating variables. This type of analysis measures statistical relationships between rating variables but does not address causal factors that may account for these relationships.

Overall, the study concluded that credit scoring significantly improves pricing accuracy when combined with other rating variables in predicting risk. For both personal auto liability and homeowners insurance, credit scores are related to claims experience even after considering other commonly used rating variables. This means that credit scores provide additional predictive information separate from other rating variables.

For personal auto liability, credit score varies in importance depending on the model the

Continued on page 4

Credit Scoring

...from page 3

insurer is using, but was generally comparable in importance to territory and driving record for predicting claim experience. Only class (which reflects the age, gender and marital status of the driver combined with usage of the vehicle) was consistently a more important rating variable than credit score, driving record, or territory.

For homeowners insurance, credit score was one of several important rating variables for predicting claim experience. However, the study was unable to draw conclusions regarding the relative ranking of rating variables.

For both personal auto liability and homeowners insurance, the difference in claims experience by credit score was substantial. Typically, the claim experience for the 10 percent of policyholders with the worst credit scores was 1.5 to 2 times greater than that of the 10 percent of policyholders with the best credit scores.

Developing a Credit Scoring Policy

With the TDI study showing that credit scores have a disproportionate impact on Blacks, Hispanics, low and moderate income Texans and the young, some observers called upon Texas Insurance Commissioner Jose Montemayor to ban or severely limit the use of credit scoring, claiming it to be unfairly discriminatory. At the same time, the insurance industry pointed out that the study clearly demonstrated a correlation between credit scores and risk. In their view, credit scoring helped them to price their business more accurately and therefore helped them to write more business in Texas.

In a letter to the Texas leadership and members of the Texas Legislature, Montemayor noted his initial skepticism about credit scoring but outlined the difference between unfair discrimination, intentional discrimination, and disproportionate impact:

“The *Texas Insurance Code* defines unfair discrimination to be the unequal treatment of individuals in the same class or hazard. Underwriting or rating classifications are not unfair, though, if they are actuarially supported. On the other hand, overt classifications or discriminations based on race, color, religion or national origin are intentional discrimination and are prohibited by law, regardless of actuarial support,” Montemayor stated. “Disproportionate impact is a lack of symmetry, or unequal percentages. In other words, disproportionate impact is an uneven distribution of each racial group within a given risk factor, although the uneven distribution is not caused by one’s race. Also, disproportionate impact changes over time. For credit scoring, the disproportionate impact changes as economic conditions and population distribution change.”

Montemayor noted that while he does have the authority to end a practice that is either unfairly or intentionally discriminatory, he has no legal basis to ban a practice that has a disproportionate impact if it produces an actuarially supported result. He therefore has no authority to ban the use of credit scoring since it is not unfairly discriminatory as defined by current law because credit scoring is not based on race, nor is it a precise indicator of a person’s race.

With the completion of this study, the use of credit scores by insurers in Texas now becomes a public policy debate for Texas lawmakers. In his letter, Montemayor acknowledges the divisive nature of credit scoring.

“Unlike other risk-related factors, credit scoring does not have that readily discernable, causal link to risk, such as driving record. As a result, credit scoring has earned the outward appearance of being a surro-



gate for something sinister. Unfortunately, there is no formula that reconciles economic reality with the public perception of fairness; it is a matter of guessing the right answer for the times.”

Montemayor cautioned lawmakers that an immediate ban or severe limitation on credit scoring would create pricing and availability disruptions to the rebounding Texas insurance market. He advised that any changes in

the pricing and underwriting systems be phased in over a period of time to minimize rate shock and give the industry time to adjust to a different mix of rating factors.

“The ultimate goal has not changed,” said Montemayor. “All Texans should pay a rate that is fair and based only on the risk that they represent.” ☎

TDI Website Redesign Underway

THE TDI WEB TEAM has recently completed the first phase of a multi-stage effort to redesign the agency’s website. Phase I addressed the graphic look of the website and went online on Friday January 7, 2005. Phase II will address navigation improvements to help users find the information they’re looking for more easily. Phase III will address content improvements by breaking up lengthy articles with subheadings and jumplinks, and giving users the choice of a summary instead of the entire piece.

In addition to changing and updating the graphic look, other improvements have been made as well. All online forms are now in a Forms section under the direction of a forms manager. The goal is keep all forms in one place, with a uniform look. In some cases forms will be updated or retired to make sure that there are not multiple versions of the same form. Eventually all forms will be

“web enterable”—that is, capable of being filled out online without requiring a paper printout.

Another improvement that has already been implemented is to make all online information “printer friendly.” Now when an online document is printed, nonessential graphics are minimized and the information is formatted to fit on standard-sized paper. The user no longer has to select “print-friendly version.”

Users can now also select custom text sizes if they want to see larger-sized type, and the website can now be navigated entirely in text mode for users with accessibility requirements.

The web team is interested in user feedback and suggestions during the redesign process. Send any comments to Webmaster@tdi.state.tx.us. ☎

www.tdi.state.tx.us

Commissioner Offers Recommendations to 79th Legislature

TEXAS INSURANCE CODE requires the Texas Department of Insurance (TDI) to submit a written report to the Legislature before each Regular Session. The report spells out insurance issues the Department feels should be addressed by law. The basic criteria for all the legislative recommendations is that the Commissioner believes the change is needed in order for the Department to continue to effectively regulate the industry. The recommendations are also developed into bill draft form to assist legislators should they choose to formally consider any of the proposals. The Biennial Report to the 79th Legislature offered 14 issues for lawmakers to consider.

Clarification of Statutes

The first three issues addressed in the legislative recommendations are clean-up measures necessitated by the sweeping reforms approved during the 78th Legislative Session. Senate Bill 14 from the previous regular session significantly changed the method of rate and form regulation of property casualty insurance. During implementation of these reforms several areas were identified where further clarification and consistency in regulation are needed. These areas include recommendations regarding the application of surcharges, expanding the applicability of the “right to choose repair shop” statute and clarifying that Lloyds and reciprocal exchanges are subject to Department inquiries.

Consistent Regulation

The next four recommendations included in the legislative report are the result of the Department’s role in a national effort to improve the financial solvency monitoring of insurer groups. One of the essential responsibilities of the Department is the examination of insurers to ensure they are financially solvent and able to meet their liabilities.

Included in this section are issues such as updating company licensing statutes, remov-

ing automatic exemptions from the Holding Company Act that restrict the Department from oversight of insurance holding company systems owned by five or fewer individuals, and specifying that HMOs are subject to the Holding Company Act and Merger Statute.

Among the recommendations offered by the Department is requiring CPAs who perform annual audits of insurers to follow procedures outlined by the National Association of Insurance Commissioners (NAIC) Examiners Handbook. Another TDI recommendation regarding CPA audits is designed to ensure the independence of the auditor and guard against conflicts of interest. The recommendation is to amend the *Insurance Code* to specifically prohibit indemnification agreements between the auditor and the insurer for matters arising from an audit.

Health Insurance

There are two recommendations addressing needs in the health insurance arena. One focused on the Texas Health Insurance Risk Pool and the other on the Texas Health Reinsurance System. Regarding the Risk Pool, the department is proposing expanding eligibility and changing the way the system is funded.

The Risk Pool provides health insurance to Texas residents who either cannot obtain coverage on the open market because of a medical condition or because they have recently lost employer-sponsored coverage and become automatically eligible due to the Health Insurance Portability and Accountability Act (HIPAA).

Currently rates are capped at 200 percent of the standard individual market. The Department is proposing reducing the rate to 150 percent of the standard rate, making the program more affordable to those without health insurance and possibly allowing the State to access Federal funding.

The Risk Pool is funded by a combination of member premiums and assessments against insurers. The steadily growing enrollment, claim costs and operating expenses has resulted in increased assessments for carriers. Currently self-funded plans do not face assessments, although their members can access the Risk Pool if they become eligible. The Department believes it is important to balance the goals of keeping the Risk Pool as affordable as possible with the goal of minimizing the burden of assessments on insurers.

While the proposed reduction in the maximum premium rate would likely have the effect of increasing carrier assessments, changing the Risk Pool's assessment methodology to include self-funded plans, and distribute the burden more equitably, would substantially mitigate that increase.

The Department is also recommending the gradual phase out of the Texas Health Reinsurance System. Over the years, the number of carriers participating in the System has declined. The small employer health insurance market in Texas is robust and many carriers are currently able to find reinsurance in the traditional market to cover their exposure.

Insurance Fraud

Another issue addressed in the Legislative package focuses on insurance fraud reporting.

In 2004 TDI's Insurance Fraud Unit received 5,738 reports of suspected insurance fraud, opened formal investigations of 265 cases, referred 181 persons for criminal prosecution and returned \$2,015,960 in restitution to victims of insurance fraud.

The Fraud Unit relies heavily on reports regarding actual or suspected fraudulent activity to carry on its mission. In order to enhance the efficiency of the reporting process the Department is proposing several amendments to current statutes including: allowing insurers

to report fraud to TDI and request an investigation of suspected fraud before their internal investigation is complete; requiring a person to report suspected insurance fraud to the TDI Fraud Unit; enhancing confidentiality provisions; ensuring that insurers have the appropriate level of immunity to encourage the prompt reporting of fraud and clarifying the standard of proof in the prosecution of unauthorized insurance cases.

These changes should expedite the investigation of insurance fraud by TDI. Recommendations were developed with the Texas Committee on Insurance Fraud.

Modernization

Two significant issues addressed in the legislative report involve updates related to the Life Health Guaranty Act and the consolidation, liquidation, reorganization or conversion of carriers. The proposed changes will help modernize the Texas system of insurance insolvencies.

The Guaranty Act protects Texas carriers against the insolvency of a carrier and its inability to perform contractual obligations. The last update of the Guaranty Act was in 1991 by the 72nd Texas Legislature. The current law was based on a prior model law developed by the National Association of Insurance Commissioners. The NAIC's model Act has been updated on at least five occasions since 1991, including an increase in asset limits to provide greater protection in the event of an insurer's insolvency.

Also since that time, new insurance products have been introduced and innovations have been made in the marketing and sale of insurance products. Updating the Guaranty Act

Continued on page 8

79th Legislature

... from page 7

to reflect these changes will provide greater protection to policyholders as well as clarify certain ambiguities within the Texas Guaranty Act.

Updating the Guaranty Act would also help ensure uniform treatment of policyholders among the states because it would more closely align Texas laws with the guaranty acts of other states. Uniformity among the states produces a variety of desirable results, including decreasing the risk of litigation.

The changes were also recommended by the Board of Directors of the Texas Life, Accident, Health and Hospital Service Insurance Guaranty Association.

Similarly in regard to the rehabilitation and receivership of insurers, the Texas statutes are largely based on a model law developed many years ago. These statutes are in need of a general updating to reflect current business practices and to provide clearer and more complete guidance for handling a failed insurer. The model law was recently updated on a national level and the improvements contained in the latest revised model would provide greater protection to a failed insurer's policyholders in Texas.

Enacting the revised Receivership Model Act developed by the NAIC would give the Commissioner of Insurance the authority to act sooner to take control of a failed insurer, and would streamline multi-state receiverships and put Texas claimants on par with claimants of others states

Speed to Market

The report also contains recommendations to streamline the review process for certain life products, to enable insurers to get insurance products to market faster and provide consumers with more choices.

The NAIC has developed a system that provides for uniform product filing standards for insurers and efficient and expeditious approval of filings submitted in accordance with those standards.

The Department recommends enacting the NAIC's Interstate Compact to streamline and modernize the regulation of insurance in Texas and countrywide. Having a uniform set of standards and an efficient approval process will help insurers compete with other sectors of the financial services industry. The Compact will streamline the insurance regulatory system and preserve the consumer protections that currently exist in the states.

Windstorm Coverage

The final recommendation in this year's legislative package is one of the most important in its scope and potential impact to the State's General Fund.

In 2004 four large hurricanes hit Florida coastal communities. The experience of that neighboring state underscored the critical need to review Texas' exposure, management, and financing of large scale catastrophes.

The Department is recommending that Texas Legislators consider new approaches to managing and financing major windstorm events.

Because insurers are not required to write windstorm insurance along the coast, individuals may obtain windstorm coverage through the Texas Windstorm Insurance Association. The Association, consisting of all property insurers authorized to write property insurance in Texas, administers day-to-day operations, including policy issuance and claims processing. In the event the Association is unable to cover losses from collected premiums, reserves and reinsurance, assessments are made against member insurers. Those assessments are subject to premium tax credits for 5 or more successive

years—potentially impacting the Texas General Fund.

The current capacity of the State's windstorm system before premium tax credits would be necessary stands at \$1.3 billion for residential and commercial property combined. That \$1.3 billion is estimated to be sufficient to cover the probable maximum loss of a Category III storm hitting a heavily populated area such as Galveston. But Florida's 2004 Hurricane season demonstrated that multiple hurricanes are possible in a single storm season. Additionally, those storms could easily exceed the Category III level. Texas' General Revenue stream would be at a significant risk should storm severity or occurrence go beyond the single Category III scenario.

In addition, the threat of future assessments stifles the full development of a competitive homeowners market since insurers must weigh expanding their market share against the potential for future assessments which are based on market share. Additional insurers are precluded by IRS regulations to

accumulate reserves for future catastrophic events on a tax deferred basis.

The Department recommends that the State leadership consider a combination of solutions to address the Windstorm problem:

- provide incentives for carriers to directly assume more risk along the Texas coast;
- restructure the financing of storm damage by transferring risk to reinsurance markets and special facilities capable of accumulating catastrophe reserves on a tax exempt basis;
- provide for the issuance of bonds within the insurance structure to pay for future losses with repayment of bonds to be funded by policyholders rather than General Revenue Tax off;
- establish stand-by financing capacity as a tool for short-term

Future changes should contemplate the combination of reinsurance, financial instruments, and bonding, as well as restructuring the public-private system of coastal insurance. 🔄



Life Insurance

Actuarial Opinion and Memorandum Regulation

28 TAC §§3.1601-3.1608

- ▶ The Texas Department of Insurance is proposing new rules concerning the submission of actuarial opinions and their supporting memoranda with the annual statements of life insurance companies. *Insurance Code* Article 3.28 §2A(a) requires every life insurance company doing business in Texas to annually submit to the department the opinion of a qualified actuary that states whether the reserves and related actuarial items are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts and comply with applicable laws of this state.

The existing rule provides exemptions for life insurance companies with regard to the inclusion of an asset adequacy analysis with the actuarial opinion. The new subchapter will require all life insurance companies, with the exception of life insurance companies that only do business in Texas, to provide an actuarial opinion based on an asset adequacy analysis with their 2005 annual statement and thereafter. The proposed sections also require the preparation of an actuarial memorandum including an asset adequacy analysis and a regulatory asset adequacy issues summary.

The proposed rules are based on the National Association of Insurance Commissioners' "Model Actuarial Opinion and Memorandum Regulation." The public benefits anticipated as a result of the proposed sections will be more consistent and stronger standards for reserves held by life insurance companies.

Proposal Published: December 17, 2004
Additional Information: 512 463-6326

Financial

Risk-Based Capital and Surplus

28 TAC §7.401

- ▶ The Texas Department of Insurance is proposing new rules concerning risk-based capital and surplus requirements for insurers and health maintenance organizations (HMOs). The proposed section addresses the minimum risk-based capital and surplus requirements for property and casualty insurers, life insurance companies, fraternal benefit societies, mutual life insurance companies, stipulated premium companies, HMOs and insurers filing the NAIC Health Blank. The proposed section will replace the existing risk-based capital rules in §§7.401, 7.410 and 11.809. The new section is necessary in order to adopt the NAIC's 2003 and 2004 Life Risk-Based Capital Report, Fraternal Risk-Based Capital Report, Property and Casualty Risk-Based Capital Report and the Health Risk-Based Capital Report. The proposed section will also provide for specific actions by the commissioner or the reporting entity when the total adjusted capital of the reporting entity falls to certain levels.

The department has been following these standards for screening purposes subsequent to the authorization by the Legislature of risk-based capital standards in 1991. The risk-based capital requirement is a method of ensuring that an insurer has an appropriate level of policyholders' surplus after taking into account the underwriting, financial, and investment risks of an insurer. The proposed new rules will enable the department to more efficiently and effectively utilize existing resources in the review of companies' financial condition, to more efficiently monitor solvency regulation of the insurers and to implement the most current risk-based capital requirements.

Proposal Published: December 24, 2004
Additional Information: 512 463-6326 

TDI Business Development Roundup

TDI's ECONOMIC DEVELOPMENT ROUND-table met December 14th at the Greater San Antonio Chamber of Commerce Small Business Resource Center. Innovative ideas were offered by host, Joe Krier, President of The Greater San Antonio Chamber of Commerce, Shannon Cantrell, Office of the Governor-South Texas Regional Representative and Cyndi Taylor Krier, Vice President of Texas Government Relations for USAA. Texas Insurance Commissioner Jose Montemayor and TDI Business Development Specialist, Donna Reynolds learned about new economic and community development ideas from industry representatives, area universities and economic development executives. The discussion focused on successful economic development activities carried out through partnerships with local business groups that yielded job creation, retention, training programs, and public and private capital investments. Commissioner Montemayor stressed TDI's commitment to their continued success in 2005.

Texas continues to shine. According to the Federal Deposit Insurance Corporation's quarterly economic forecast for the state, Texas is expected to outpace the nation in 2005. Expansion of the professional business sector is one factor in the state's improving economy. The competitive business climate makes Texas an ideal place for insurers. The continuing U.S. economic growth and global trade coupled with favorable population trends and relatively low business and living costs are fueling Texas' economic growth.

Governor says creating jobs will ensure Texas' success

In remarks to the Texas Association of Business, Governor Perry said job creation is the key to the state's future and its ability to fund education and social services.

"What a great state to live in, and it's because of men and women like you who understand that the future of this state is inextricably intertwined with the business climate," Perry told the business group.

Perry noted that 160,000 new jobs have been created in Texas since September 2003. The Governor is asking lawmakers for an additional \$600 million for his office to use for business development. During the 2003 session, lawmakers approved \$295 million for his Texas Enterprise Fund.

Governor Perry in a December 14th press release said that the Enterprise Fund and the proposed Texas Emerging Technology Fund (TETF*) "will help us build a better Texas one job at a time." Governor Perry said, "The Enterprise Fund was a key factor in Texas landing one of the largest capital investments in the nation last year—the \$3 billion Texas Instruments expansion, and in securing the largest job expansion announcement in the first quarter of this year—Vought Aircraft and the 3,000 new jobs the company is bringing to the state. Those who doubt the effectiveness of the Enterprise Fund should consider this: while other states were losing jobs in 2003, Texas doubled its share of job creation announcements," Perry said. "The

Continued on page 12

* The TETF will focus on six key industry clusters. The Texas Legislature called for the creation of a long-term economic expansion strategy in Senate Bill 275, which was passed in 2003.

TAB Remarks... from page 11

TETF will boost Texas' reputation as a global leader in the technology economy, usher in revolutionary developments in science and medicine, and bring the high-paying jobs of tomorrow to Texas."

Texas Economic Development Council (TEDC*) Executive Director, Carlton Schwab, is supporting the reinvestment of \$300 million in the Texas Enterprise Fund. The Council's legislative agenda, available at <http://www.texasedc.org/>, also supports investing an additional \$300 million into the proposed Texas Emerging Technology Fund. "The TEDC believes that funding should be targeted to projects that create primary jobs and bring new dollars into our communities," said Schwab. "The TEDC supports Governor Perry's proposal to invest \$300 million to boost the state's ability to compete globally for jobs in emerging industries, such as advanced manufacturing, biotechnology, environmental sciences, and nanotechnology." Additional agenda items include support of the Skills Development Fund, maintaining the economic development sales tax, reducing property taxes, preserving local property tax abatement authority and strengthening the state's commitment to rural economic development.

On the Medical Malpractice Front

"We see improvements in the medical malpractice market for 2005," says TDI's Donna Reynolds. In late 1999, 17 companies reported writing physicians medical

professional liability insurance. That number decreased to 4 by early 2002.

"There are more companies writing Medical Malpractice insurance today than when I appeared before the House Civil Practices Committee last year," says Reynolds. "At that time, there were 10 new companies writing medical professional liability insurance, and 2 existing medical malpractice carriers that announced they would expand their writings in Texas. Presently, a total of 20 new medical malpractice carriers have now either entered the market or declared they soon will." Most of these write physicians, but some write in other needed areas such as dentists and nursing homes.

Twelve risk retention groups have completed or filed for registration since September 2003. Three surplus lines insurers indicate new Texas sales. There are also three new admitted companies, and two more filed for a name reservation. They indicate to TDI they will soon file as admitted carriers in Texas.

"Recruiting new carriers is the primary focus of business development. But, it also includes retention and expansion assistance," says Reynolds. "I have appreciated the assistance and support received from the economic development team at the Governor's Office and the Texas Workforce Commission. No project has been too small for them to pitch in to help." 🔄

* TEDC is an Austin-based, statewide professional association dedicated to the development of economic and employment opportunities in Texas. Any individual whose work or interests are concerned with industrial or economic development in Texas may be a member of TEDC.



NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Alamo Title Company	San Antonio	Use of non-promulgated language in policy forms	\$10,000 fine	41145	11/29/04
Alves, Kelli D'Ann	San Antonio	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	Adjuster Property and Casualty License revoked	41169	12/7/04

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
American Insurance Managers, Inc.	Atlanta GA	Unauthorized insurance	Cease and Desist from engaging in the business of insurance; \$2,000,000 fine subject to a dollar-for-dollar reduction by restitution to \$100,000	41119	11/22/04
Beggs, Victoria	Lindsay OK	Failed to comply with continuing education requirements	\$700 fine	41156	12/3/04
Bullard, Tiffany Gail	Gilmer	Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License application denied	41065	11/3/04
ceu.com	New Haven CT	Taught a continuing education course with an expired certificate	\$2,200 fine	41142	11/24/04
Chase, Linda Kathryn	Elm Mott	Acted as an escrow officer without a proper license	\$1,500 fine; Escrow Officer License granted	41143	11/24/04
Colorado City Abstract & Title Company	Colorado City	Failed to timely file required annual audit reports	\$3000 fine	41241	12/28/04
Continuing Education Insurance School	Port Richey FL	Taught a continuing education course with an expired certificate	\$400 fine	41207	12/17/04
Cooley, Terri Lee	Richardson	Failed to comply with continuing education requirements	\$1,500 fine	41064	11/3/04
Dixon, Jerry Lee	San Antonio	Committed crimes involving moral turpitude	General Life, Accident and Health Agents License application denied	41076	11/8/04
Fairway Premium Finance Company	Dallas	Failed to send cancellation notices to insureds; Accepted premium finance agreements for policies other than personal, family or household purposes for amounts less than \$1,000 that were not signed by the insureds; Charged and received premium finance rates in excess of those allowed by law	\$15,000 fine	41095	11/12/04
Gallo, Eileen	Dallas	Made a material misrepresentation on a license application	\$1,500 fine	41091	11/12/04
Gerber, William Fredrick, Jr.	Wall	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Property and Casualty License suspended through May 12, 2006; \$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$3,396	41239	12/28/04
Goodson, Edwin	Texarkana	Acted as an agent for unauthorized entities	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	41096	11/12/04
Hamann, Dennis R.	Katy	Unauthorized insurance	\$75,000 fine subject to a dollar-for-dollar reduction by restitution to \$25,000; Probated suspension of General Lines Agent License and Surplus Lines Agent License	41114	11/19/04
Henderson, Michael Dwaine	Fort Worth	Failed to comply with continuing education requirements	\$1,500 fine	41139	11/24/04
Holt, Jerry Ray	Royse City	Failed to comply with continuing education requirements	\$1,500 fine; Complete 15 hours of continuing education	41240	12/28/04

Continued on page 14

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Hornbostel, Linda	Forney	Failed to comply with continuing education requirements	\$500 fine	41208	12/17/04
International Union of Industrial and Independent Workers Benefit Fund	Alpharetta GA	Unauthorized insurance	Cease and Desist from engaging in the business of insurance	41068	11/3/04
Jackson, Keith Edward	Hurst	Engaged in fraudulent or dishonest acts or practices; Engaged in felony directly related to the business of insurance	Adjuster Trainee License application denied	41175	12/8/04
Khan, Amina	Houston	Materially misrepresented terms and conditions of an insurance policy	\$5,000 fine	41158	12/3/04
Marsh USA, INC. (Massachusetts)	Boston MA	Unauthorized insurance	\$20,000 fine	41067	11/3/04
Miller, Jack L. Sr.	San Antonio	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	41147	11/29/04
Mitchell County Abstact Co	Colorado City	Failed to timely file required annual escrow audit reports	\$2,000 fine	41242	12/28/04
Montgomery, Larry E.	Richmond	Acted as an agent for unauthorized entities	\$7,000 fine subject to a dollar-for-dollar reduction by restitution to \$3,500	41192	12/15/04
Murphy, Ryan Scott	Bedford	Engaged in fraudulent or dishonest acts or practices; Misdemeanor conviction directly related to the business of insurance	Adjuster Property and Casualty License application denied	41146	11/29/04
National Legal Aid & Defender Association	Washington, DC	Operated as a purchasing group after its registration expired	\$2,000 fine	41243	12/28/04
Pace, Lester Ray	Houston	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	41141	11/24/04
Pacific Life	Pontiac MI	Taught a continuing education course with an expired certificate	\$1,800 fine	41092	11/12/04
Poston, Roy Dean	San Antonio	Made a material misrepresentation on a license application	\$3,000 fine	41157	12/3/04
Reith, Edward	Dallas	Acted as an agent for unauthorized entities	\$200,000 fine subject to a dollar-for-dollar reduction by restitution to \$10,000	41093	11/12/04
Reyes, Noe Antonio	Mesquite	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	41212	12/17/04
Rodriguez, Graciela R	San Antonio	Failed to comply with continuing education requirements	\$500 fine	41244	12/28/04
Rosas, Michele	Hockley	Acted as an agent for unauthorized entities; Engaged in unfair and deceptive acts or practices	Agree to cooperate with TDI staff and be available for inquiries or testimony	41094	11/12/04
Rubaiy, Mike H.	Houston	Signed or prepared an inspection report that contained a false or fraudulent statement	Qualified Inspector Appointment revoked	41035	10/25/04

InDiscipline

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Rumson Capital, Inc.	Jenkintown PA	Advertising in a manner that is untruthful or misleading; Material misrepresentation in application for registration	\$2,500 fine; Viatical and Life Settlement Broker Certificate of Registration granted with probated suspension	41144	11/24/04
Savage, Robert Anderson	Fort Worth	Committed an offense against public order and decency	Limited Lines License application denied	41063	11/3/04
Shiple, Lisa Ann	Pearland	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$1,200 fine; Probated suspension of General Life, Accident and Health License and General Property and Casualty License	41161	12/3/04
SIA Insurance Company (Risk Retention Group) LTD	Hamilton, Bermuda	Unauthorized insurance	\$10,000 fine	41209	12/17/04
Sjodin, Vernon	Newport Beach CA	Unauthorized insurance	Cease and Desist; \$500,000 fine and restitution	41159	12/3/04
Smith, Jolene R.	Dallas	Engaged in fraudulent or dishonest acts or practices; Felony convictions involving moral turpitude	Insurance Service Representative License denied	41112	11/19/04
Spivey, Anita M.	Houston	Failed to comply with continuing education requirements	\$1,500 fine; Probated suspension of General Life, Accident and Health License	41081	11/9/04
USA Healthone, Inc. Odos Wesley Long Stephen Whatley	Houston	Unauthorized insurance	Cease and Desist; \$20,000 fine	41211	12/17/04
Vaughn, Narvel Prince	Cedarhill	Felony conviction involving dishonesty and moral turpitude	General Life, Accident and Health License application and General Property and Casualty License application denied	41097	11/12/04
Yancy, Joyce	Arlington	Failed to comply with continuing education requirements	\$1000 fine	41210	12/17/04
Zogob, Mitchell	Newport Beach CA	Unauthorized insurance; Engaged in unfair and deceptive acts or practices	Cease and Desist; \$2,000,000 fine and restitution	41160	12/3/04

InLicensing

New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
Alfa Vision Insurance Corporation	Montgomery AL	Property & Casualty	11/1/04
Geovera Insurance Company	Baltimore MD	Property & Casualty	11/1/04
American Vehicle Insurance Company	Plantation FL	Property & Casualty	11/10/04
Owl Insurance Company	Amarillo	Life & Health	11/12/04
Caterpillar Life Insurance Company— from Shell of MaxiCare Life And Health (93582)	Jefferson City MO	Life & Health	11/19/04
Entrust Administrative Services, Inc.—TPA	Houston	Third Party Administrator	11/23/04
Hallmark Services Corporation dba Hallmark TPA Services Corporation—TPA	Chicago IL	Third Party Administrator	11/23/04
Preferred Benefits Administrator, Inc.—TPA	Wichita KS	Third Party Administrator	11/23/04
PHCC of Texas Workers' Compensation Trust	Irving	Workers Compensation	12/1/04
21st Century Insurance Company of the Southwest	Phoenix AZ	Property & Casualty	12/16/04
Recept Healthcare Services, L.P. dba Workscripts—TPA	Fort Worth	Third Party Administrator	12/16/04
SQM Administrators, Inc.—TPA	Wilmington DE	Third Party Administrator	12/16/04
United Capital Title Insurance Company	Los Angeles CA	Title	12/17/04

Continued on page 16

InLicensing

New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
American Interstate Insurance Company of Texas	Austin	Property & Casualty	12/20/04
Western Insurance Company	Reno NV	Property & Casualty	12/21/04
BKD, LLP-TPA	Springfield MO	Third Party Administrator	12/23/04
Westlake Financial Group, Inc. <i>dba</i> Westlake Administrative Services, Inc.-TPA	Buffalo Grove IL	Third Party Administrator	12/23/04
Church Life Insurance Corporation	New York NY	Life & Health	12/27/04
Middle States Insurance Company, Inc.	Oklahoma City OK	Property & Casualty	12/28/04
Instil Health Insurance Company	Columbia SC	Life & Health	12/31/04

Name Changes

COMPANY NAME	LOCATION	CHANGED TO	LOCATION	DATE OF CHANGE
Seguros del Centro, S.A.	Leon Guanajuato MX	Ge Seguros, S.A. De C.V.		11/17/04
Contractors Insurance Administrators, Inc. of Florida-TPA	Plantation FL	Foundation Benefits Administrators, Inc.		11/23/04
The One Benefit Source, Inc. <i>dba</i> The One Benefit Source,-TPA	Milwaukee WI	Pyramid Benefit Services Corporation		11/23/04
Trip Mate Insurance Agency, Inc.-TPA	Kansas City MO	Trip Mate, Inc.	Overland Park KS	11/23/04
United Wisconsin Life Insurance Company	Green Bay WI	American Medical Security Life Insurance Company		12/6/04
Century American Casualty Company	Austin	Access Insurance Company	Dallas	12/9/04
Federal Kemper Life Assurance Company	Schaumburg IL	Chase Insurance Life and Annuity Company	Elgin IL	12/10/04
Zurich Life Insurance Company of America	Schaumburg IL	Chase Insurance Life Company	Elgin IL	12/10/04
CNA Lloyd's of Texas	Dallas	CAN Casualty Company of Texas & convert from Lloyds to Stock Fire & Casualty (12 To 07)		12/31/04



Texas Department of Insurance

P.O.Box 149104
Austin, Texas 78714-9104

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