



TDI's Top 10 Fraud Cases

IN THE PAST 18 MONTHS, (FY 2005-2006) TDI's Fraud Unit has seen 114 fraud cases prosecuted successfully. Here, in no particular order, is TDI's infamous "Top Ten List" of adjudicated cases:

- 1. Walter Neuls**, former Colonial Casualty Insurance Company President, along with his wife Deidra who served as Vice President, schemed to defraud the company out of \$750,000. The Neuls used the money to fund an elaborate lifestyle, including travel and extravagant personal purchases, resulting in the insolvency of Colonial Casualty. TDI subsequently placed the company in receivership. Both husband and wife received 120 months deferred adjudication for the offense of misapplication of fiduciary property and were ordered to pay \$750,000 in restitution.
- 2. David Brabandt** and his sister Barbara Del Aguila operated Aguila Insurance Agency in Dallas. Neither held valid licenses to sell insurance in Texas (Brabandt had never been licensed to sell insurance in Texas and Aguila's license was cancelled in 1998). They were charged in multiple indictments in April 2005 with taking payments from over 300 victims and not purchasing insurance for them. They pled guilty on Feb. 1, 2006 to two felony charges, were sentenced to two years in the Texas Department of Corrections, and were ordered to pay \$183,861.29 in restitution.
- 3. Jack Miller Sr.**, a former insurance agent, used the identities of unsuspecting consumers to submit 30 fraudulent applications for life insurance to two different insurance companies. Miller's scheme enabled him to obtain \$21,850.40 in advance commissions on those purported sales. Miller pled guilty in Austin to the state jail felony charge of Aggregated Theft and was sentenced to nine months in a Texas State Jail Facility.
- 4.** An investigation into a **staged accident** ring in the Dallas area netted the apprehension of nine individuals. The nine were part of a ring that submitted 71 fraudulent accident claims totaling almost \$600,000. Several of the claims were filed using identifying information of people without their knowledge. To date, seven of the nine have been convicted of Engaging in Organized Criminal Activity. Bobby Williams received 10 years deferred adjudication and was ordered to pay \$55,021.61 in restitution; Wallace Williams received 10 years deferred adjudication and was ordered to pay restitution totaling \$109,729.29; Michael Williams was sentenced to 7 years in the Texas Department of Criminal Justice; Kenneth Clewis was sentenced to 5 years in the Texas Department of Criminal Justice, was fined \$1,500 and was ordered to pay restitution in the amount of \$598,431.69; Lushiul Charles Boston received 10 years probation, was fined \$3,000 and was ordered to pay \$89,000 in restitution; Nathaniel Williams received 5 years probation and was ordered to pay restitution in the amount of \$59,913.20; and Brandon Williams received 10 months deferred adjudication and was fined \$1,500.
- 5. Donn A. Bauer**, using a company name of International Diagnostic Technologies, fraudulently submitted 1,371 health insurance related claims, totaling \$425,682 to insurance companies for his services as a medical provider. Bauer represented himself as a licensed Doctor of Chiropractic, when, in fact, he is not. Before the scheme was detected, Bauer was able to receive approximately \$344,679.87 from insurance companies. Bauer received 72 months probation for the offense of Insurance Fraud, was fined

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Report fraud at
www.tdi.state.tx.us

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Top 10 Fraud Cases

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\$14,000 and was ordered to pay restitution in the amount of \$55,113.91.

6. Dirk Rose continued working for almost three years while receiving Long Term Disability benefits and Workers' Compensation benefits. Insurers paid \$103,004.60 to Rose and medical providers during the course of his scheme. Rose received 120 months probation for insurance fraud, was fined \$2,500 and was ordered to pay \$81,000 in restitution.

7. Rodney Bigler, a passenger in a vehicle involved in an accident, submitted a fraudulent statement to the at-fault driver's insurance company for \$40,000 in lost wages attributable to the accident. Bigler pled guilty to the offense of Insurance Fraud and was sentenced to two years in the Texas Department of Criminal Justice.

8. Katie James filed a claim on a credit disability policy using fraudulent medical records to support her claim. She received \$8,275 in payments before her scheme was detected. James was sentenced to 30 days confinement for Insurance Fraud, was ordered to serve five years probation, was fined \$500 and ordered to pay restitution in the amount of \$8,284.

9. Jose Vega, a former Texas Peace Officer, filed a claim with his insurer for \$7,790.50 in items stolen during a burglary of his residence. The burglary never happened and the items were not stolen. Vega received five years deferred adjudication, was ordered to complete 260 hours of community service, and was ordered to pay \$7,790.50 in restitution. In addition Vega was ordered to surrender his peace officer license to the Texas Commission on Law Enforcement Officer Standards and Education.

10. Donald "Tony" Brelsford, a former agent, received insurance premiums from two business clients, and instead of forwarding the premiums to the insurance company, used the money for his own benefit. Brelsford received 10 years deferred adjudication and was ordered to pay restitution in the amount of \$74,021.

TDInSight

Contact **TDInSight** at:

Texas Department of Insurance
TDInSight /MC-113-1A
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Austin, TX 78714-9104

512 463-6425
512 463-6461 fax

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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.

Summary of Allstate “ALE” Case

ON OCTOBER 21, 2005, District Judge Steven Yelenosky ruled that Allstate was temporarily enjoined from denying additional living expenses (“ALE”) for those who had sustained a loss of use of their residence due to the loss of utilities following Hurricane Rita. On January 17, 2006, a hearing was held before District Judge Lora Livingston where TDI sought to make the temporary injunction permanent, i.e., to order Allstate to pay the ALE claims without further delay.

On January 20, 2006, Judge Livingston issued a letter ruling stating that physical loss to the property had to occur before a homeowner’s ALE would be paid. In other words, Judge Livingston ruled in favor of Allstate in

determining that the current policy form permitted Allstate to deny claims for ALE when there was no damage to the structure. Judge Livingston’s final judgment in favor of Allstate was issued on February 13, 2005.

Following the ruling, TDI asked the Attorney General for representation in filing an appeal against Allstate in the ALE matter. After legal analysis of the matter the Attorney General’s Office decided not to appeal the ruling.



TDI Orders Two Bond Companies to Cease and Desist

THE TEXAS DEPARTMENT OF INSURANCE (TDI) recently took action against two bonding companies operating in the Houston area. Both companies, International Fidelity & Surety Ltd., and Providential Surety Company, Ltd., were issuing surety bonds without a license and therefore were engaged in the unauthorized business of insurance.

The problem with International Fidelity & Surety, Ltd., based in Connecticut, came to light after a construction company attempted to file a claim on a bonded subcontractor and the bonding company failed to acknowledge the claim. Because it has been found to be operating without a license, International has been ordered by TDI to cease and desist from further insurance business in the state.

Providential Surety, an offshore company headquartered in the British West Indies, was found to be operating without a license in July 2005 and was fined \$100,000 in addition to being ordered to cease and desist from the business of insurance. The company continued writing bonds however, resulting in a request by TDI to the Texas Attorney General to enforce the Department’s cease and desist order.

A surety bond is a contract whereby the surety guarantees the faithful performance of the contractor to the entity requiring the bond. There are many different types of contract surety bonds, including bid bonds, perform-

ance bonds, payment/labor and material bonds, and maintenance bonds. Federal and public works projects require that the contractor obtain a surety bond as a condition of performing the work. Surety bonds are also used in private work contracts.

TDI maintains a web page (www.tdi.state.tx.us/company/pcbond.html) for information about surety bonds, which includes:

- Links to governmental entities that provide assistance with obtaining surety bonds, including some municipalities, state agencies, and the federal Small Business Administration;
- A list of surety companies that write bonds for small contractors and a list of agents with contact information;
- The relevant Texas laws that pertain to the use of surety bonds; and
- Answers to Frequently Asked Questions about contract surety bonds.

The web resources are also beneficial to contracting entities that require bonded contractors and to those who assist qualified small and disadvantaged contractors in obtaining the necessary financial backing.



Many Facets to Consumer Assistance

IT PAYS FOR CONSUMERS of insurance to be savvy and shop for the coverage that best suits their needs and pocketbook. But, when the insurance market fails to meet the needs of consumers, or someone isn't treated fairly, the Texas Department of Insurance (TDI) can help. In 2005, TDI helped consumers collect over \$39 million in additional claims payments and refunds; took over 400 enforcement actions; and collected close to \$31 million in fines, penalties and restitution.

Consumer Protection

TDI provides assistance to consumers directly through its Consumer Protection division, which operates a toll-free information line (800-252-3439), administers a complaint resolution system, and provides an extensive array of consumer publications available upon request at no charge. Consumer Protection helps con-

sumers recover millions of dollars in refunds and additional claim payments each year.

"Our mission is to provide the best possible service to Texas consumers," said Audrey Selden, Senior Associate Commissioner for TDI's Consumer Protection Program. "We take our commitment to consumers very seriously and strive to ensure that they are treated fairly by the insurance industry and receive everything they're entitled to receive if they suffer an insured loss."

In Fiscal Year 2005, TDI:

- responded to approximately 920,000 consumer inquiries via phone, mail, email, and the Internet;
- resolved 24,132 complaints; and
- returned over \$39 million to consumers in the form of additional claims payments and refunds.

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Spotlight on: Consumer Protection

TDI's CONSUMER PROTECTION Division assists Texans by helping resolve insurance complaints; providing insurance information to the public through a toll-free Consumer Help Line, publications and the Internet; and reviewing insurance advertising.

The Consumer Protection Program consists of five activities:

1. Complaints Resolution reviews consumer disputes with insurance companies, agents and other regulated insurance businesses. Staff examine complaints for violations of the Texas Insurance Code (TIC) and the Texas Administrative Code (TAC) and recommend enforcement action when appropriate. The complaints resolution process results in the return of millions of dollars in premium refunds and additional claim payments to consumers each year. Staff handle complaints involving home, auto, life and health coverage.

2. Information Assistance responds to calls to the agency's toll-free Consumer Help Line, 1-800-252-3439. These phone lines are staffed from 8 a.m. to 5 p.m. Central time, Monday through Friday. Staff answer questions regarding most lines of insurance;

provide information about companies and agents, including license status and complaint histories; and help consumers file insurance-related complaints. The section also maintains TDI.nfo, an electronic information database to help TDI respond consistently and efficiently to consumer questions. Information Assistance helps non-English speakers through its Spanish-speaking staff and use of the AT&T Language Line. Service for hearing- or speech-impaired consumers is provided through Relay Texas at 1-800-735-2989 (TDD/TTY).

3. Public Education develops and distributes informational materials to increase consumers' understanding of insurance products and to help consumers shop wisely for the insurance they need. Publications also are accessible through the Internet. Consumers may order complaint forms and publications 24 hours a day, seven days a week, by calling a toll-free automated telephone line, 1-800-599-SHOP (7467). Public Education also coordinates a Speakers Bureau that provides presentations for civic and community organizations and con-

sumer groups. In partnership with other state and federal agencies, Public Education operates the federally funded Health Information, Counseling and Advocacy Program (HICAP), which provides statewide training to volunteer benefits counselors who assist senior citizens in their local communities.

4. Advertising reviews industry marketing materials to evaluate compliance with rules governing solicitation and trade practices. Those materials include brochures, phone and sales scripts, agent presentations, newspaper, magazine, radio and TV ads, form letters, illustrations, Web pages, and other materials. Significant violations are referred to TDI's Legal and Compliance Program for possible enforcement action.

5. The Special Work Assignments Team (SWAT) enhances Consumer Protection's business processes by developing means of improving efficiency and effectiveness. SWAT coordinates the program's business planning activities and oversees production of program information published on the agency's Web site.

Consumer Assistance

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In FY 2006 to date, TDI:

- responded to 437,100 consumer inquiries;
- resolved 12,000 complaints; and
- returned over \$25.8 million consumers in the form of additional claims payments and refunds.

Legal and Compliance/Fraud

In addition, TDI works for consumers through its Legal and Compliance division and Fraud Unit by enforcing the state's insurance laws, sanctioning wrongdoers and ordering fines and restitution where applicable.

TDI may fine or penalize agents and companies that delay payment of claims, misrepresent policies, fail to provide required discounts to policyholders, or engage in other unfair and unlawful practices.

In FY 2005, TDI's Legal and Compliance Division:

- ordered 88 license revocations;
- formally denied 32 license applications;
- issued 281 orders assessing fines and/or restitution;
- assessed fines totaling \$12,727,166; and
- ordered restitution totaling \$17,725,119.

In FY 2006 to date, TDI's Legal and Compliance Division:

- ordered 20 license revocations;
- formally denied 11 license applications;
- issued 79 orders assessing fines and/or restitution;
- assessed fines totaling \$6,763,236; and
- ordered restitution totaling \$1,090,848.

Some of the larger fines assessed in FY 2006 include:

- United HealthCare International Insurance Company was fined \$4,000,000
- Chicago Title Insurance Company of Houston was fined \$1,200,000
- United International Insurance Company was fined \$1,000,000
- Employers Resource Management Company was fined \$1,000,000

TDI's Insurance Fraud Unit investigates, prepares and refers cases for criminal prosecution in district court. In FY 2005, TDI's Fraud Unit:

- received 6,810 reports of insurance fraud;
- opened investigations on 294 cases;
- referred 190 cases to prosecutors that resulted in:
 - 109 indictments;

- 65 convictions; and
- fines, penalties and restitution totaling \$520,188.

In FY 2006 to date, TDI's Fraud Unit:

- received 1,957 reports of insurance fraud;
- opened investigations on 64 cases;
- referred 54 cases to prosecutors that resulted in:
 - 33 indictments;
 - 21 convictions; and
 - fines, penalties and restitution totaling \$845,000.

Hurricane Assistance

The 2005 hurricane season was devastating for the Gulf Coast, with Hurricane Katrina affecting Louisiana, Mississippi and Alabama, and Hurricane Rita hitting Texas and Louisiana. TDI assisted 680 Gulf Coast residents affected by Hurricane Katrina and helped 5,123 consumers affected by Hurricane Rita.

"We sent staff into the field to assist consumers as soon as it was safe to do so," Selden said. "Along with several insurers we established Insurance Assistance Centers in a number of areas impacted by the hurricanes. These centers allowed consumers to get help quickly from their insurance companies and from TDI."

The Insurance Assistance Centers, or IACs, are a new concept in TDI's disaster response efforts. Because TDI staff are co-located with insurance company representatives, the IACs are "one-stop" resource centers for people with insurance concerns, Selden said. In addition, co-locating allowed TDI staff to react quickly to any problems consumers noted with their insurance companies.

As of the end of February 2006, TDI's Consumer Protection division had received a total of 1,537 insurance complaints related to Hurricane Rita. There have been over 180,000 insurance claims filed related to Hurricane Rita as of December 21, 2005 – thus the complaint ratio is less than one percent of all claims.

TDI is in the process of investigating claims handling practices regarding Hurricane Rita claims, and will take disciplinary actions as needed to ensure compliance with state insurance laws. Data from this investigation will also be used to develop information on best practices that will be useful for the next storm season.





Update on TDI's Division of Workers' Comp

WORK CONTINUES to implement House Bill (HB) 7 (79th Texas Legislature) that created the Division of Workers' Compensation (DWC) at TDI. The legislation addressed several specific problems in the Texas workers' comp system, such as high medical costs, poor return-to-work outcomes, and the structure of the state agency charged with administering the system.

Realigning DWC to Better Carry Out Mission

In February, Commissioner of Workers' Compensation Albert Betts announced sweeping organizational changes at the DWC. Major reforms of the Texas workers' compensation system approved by the Legislature in HB 7 last year removed statutory divisions within the agency's administration. The new structure aligns the functions of the Division into four program areas overseen by four acting deputy commissioners who will report directly to Commissioner Betts.

"After careful consideration of our strategic mission and customer needs, I think the new organizational structure will allow the Division

to better administer the workers' compensation system and to better serve our customers," Commissioner Betts said. "It is my expectation that there will be no disruption in customer services as we make this transition."

The four new Division program areas are: Compliance and Regulation (Teresa Carney, Acting Deputy Commissioner); Dispute Resolution (Heidi Jackson, Acting Deputy Commissioner); Field Services (Brent Hatch, Acting Deputy Commissioner); and Workplace and Medical Services (Allen McDonald, Acting Deputy Commissioner).

Under the new Division structure:

- Workers' Health and Safety, Return to Work, and Medical Review's rule and guideline development function will be part of the Workplace and Medical Services program.
- Field Operations and Records Archiving and Management will be part of the Field Services program.
- Income and Medical Dispute Resolution will be part of the Dispute Resolution program.
- Self-Insurance will be part of the Compliance and Regulation program.

The creation of the Division of Workers' Compensation within TDI also created opportunities to consolidate certain functions. Commissioner Betts and TDI Commissioner Mike Geeslin have agreed to transfer the Division's legal enforcement functions to TDI Legal and Compliance and to transfer responsibility for all workers' compensation criminal fraud investigations to the TDI Fraud Unit.

Return-to-Work Pilot Program for Small Employers

To encourage small employers to find ways to return their employees to the job sooner after a workplace injury, Commissioner Betts has approved new rules to create a Return-to-Work Pilot Program for Small Employers.

Under the program, employers with 2 to 50 employees may be eligible to file an application to be reimbursed for expenses to bring their employees back to work to perform modified or alternate work within doctor-imposed

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Eligibility Requirements for Return-to-Work Pilot Program

- Are you a small employer that employed at least 2 but not more than 50 employees each business day of calendar year 2005?
- Do you purchase workers' compensation insurance in Texas, or are you a certified self-insurer?
- Do you have an employee who has a job-related injury that was accepted as compensable by your workers' compensation insurance carrier?
- Did you pay for any workplace modifications, purchase any special equipment, tools, furniture or devices, or pay any other related costs to bring your injured employee back to work in a modified or alternate duty capacity?

If yes, you may be eligible to receive reimbursement from the Return-to-Work Account for Small Employers.

Approved reimbursements are subject to funds availability. There is no guarantee that if you have paid for workplace modifications that you will receive reimbursement.

Call (512) 804-5000 or email rtw.services@tdi.state.tx.us for more information or to obtain an application.

Update on the Division of Workers' Comp at TDI

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work restrictions. Reimbursable expenses include: physical modifications to the worksite; equipment, devices, furniture or tools; and other costs necessary for reasonable accommodation of the employee's ability to work within the doctor's restrictions.

The pilot project will reimburse up to \$2,500 per employer for qualified expenses. The program is funded from administrative penalties

received by the DWC, not to exceed \$100,000 annually.

For more information about the Return-to-Work Pilot Program for Small Employers, visit the agency website at www.tdi.state.tx.us/wc/indexwc.html under "Return to Work." DWC Return-to-Work Services can be contacted at 512-804-5000 or rtw.services@tdi.state.tx.us.



First Workers' Compensation Health Care Network is Certified

THE FIRST workers' compensation health care network in Texas, as authorized by House Bill (HB) 7, was certified by TDI's Health and Workers' Compensation Network Certification and Quality Assurance Division on March 29, 2006. About 20 additional applications for certification are currently being considered.

Texas Star Network/Concentra has been certified to be a workers' compensation health care network, and will be providing network services exclusively to the Texas Mutual Insurance Company. The network's service area will include the major metropolitan areas of Dallas, Fort Worth, Austin, San Antonio and Houston and surrounding counties.

Health care networks introduce the concept of managed care into the workers' compensation system, in an effort to lower medical costs and improve quality of care for injured employees. While TDI certifies and regulates the networks, the effort includes redefining the role of the Division of Workers' Compensation (DWC) in administering non-network health care delivery for employees injured on the job. The ultimate goal is high quality care for all injured workers whether in or out of a network.

Commissioner of Insurance Mike Geeslin and Commissioner of Workers' Compensation Albert Betts are overseeing the system changes while keeping stakeholders engaged as important milestones are reached. The commissioners issued Bulletin No. B-0013-06 on March 20 outlining insurance carrier responsibilities in anticipation of the certification of the first networks. Also, the Department has created an outreach plan to communicate with workers' compensation system stakeholders about the functions of networks.

Commissioner Betts said he is keeping in mind the long-term goals of lower medical costs and better quality of care in the system as the Division adjusts to the network approach. One primary concern is customer service during the transition. For example, injured employees may be asked to change treating doctors if their insurance carrier becomes a part of a network.

Commissioner Betts said the March 20 Bulletin issued with Commissioner Geeslin urges insurance carriers to develop plans for continuity of care when handling existing workers' compensation claims. Although the Texas Insurance Code states that a network may assign an injured employee to a treating doctor 14 days after the employee receives notice, the commissioners have asked health care providers, carriers and networks to be flexible.

"It may become necessary in some situations for carriers or networks to authorize out-of-network care for a brief period of time in order to maintain a high level of care during the transition," the Bulletin states.

Networks may establish unique procedures for preauthorization of health care, change of treating doctor, treatment guidelines, etc. and are not required to use Division medical forms. The Division's procedures for health care delivery will remain in effect, however, for injured employees whose employers subscribe to workers' compensation insurance that is not through a network. These non-network procedures include selection of a treating doctor from the Division's Approved Doctor List.

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Texas Leads Job Creation Race

REPEAT CLAIM TO THE GOVERNOR'S CUP is evidence that economic development strategies for creating a healthy business climate in the state are working.

Site Selection magazine, a leading publication for business expansion and relocation, has again awarded the annual Governor's Cup to Texas for securing the most job creation announcements in the nation for 2005. This is the second consecutive year that Texas has won the award. This year's win brings a record seven wins to Texas, more than any other state.

The Governor's Cup rankings are determined by tracking the number of business expansion projects in a state that involve a capital investment of at least \$1 million, create 50 jobs or more or involve 20,000 square feet of

"No state has been more successful in making good jobs available to its workforce."

new floor space. Texas secured 842 such projects in 2005 – a 26 percent increase from the previous year. Ohio, which placed second in the rankings, had 598 projects. Last year, Texas won the award with 668 job expansion projects.

"Winning the Governor's Cup two years in a row is powerful evidence that Texas is on the right track to a prosperous future. We have made wise decisions by keeping taxes low, investing in an educated workforce, limiting lawsuit abuse and aggressively pursuing jobs," Governor Rick Perry said. "Our coordinated strategy to educate out-of-state employers about Texas' excellent business climate is working. And it is proof that our unprecedented investments in job creation tools are paying real dividends for the people of this state."

In 2004, *Site Selection* called the \$295 million Texas Enterprise Fund (TEF) a tool that is "central to Texas' ability to lure projects" whose role "cannot be overstated." This year, the magazine noted that several Enterprise Fund projects were important for Texas' success, including expansions by Tyson Foods, T-Mobile, Hilmar Cheese, and Washington Mutual's decision to bring 4,200 jobs to San

Antonio, which was the largest job creation project in America for 2005.

Site Selection magazine editor Mark Arend said, "Texas' repeat claim to the Governor's Cup is evidence that economic development strategies for creating a healthy business climate in the state are working." Additionally, the magazine cited two Texas metropolitan areas among the strongest in the nation for job growth. The Dallas-Forth Worth area was ranked second nationally and the Houston-Sugar Land-Baytown area ranked third.

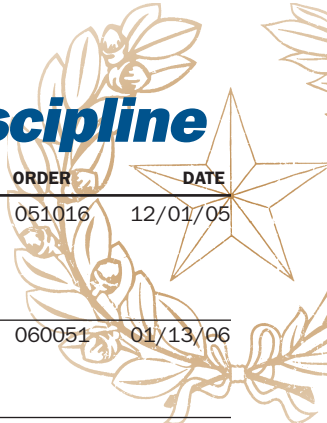
Even if Texas had simply matched its winning 2004 number of new and expanded facilities (668) in *Site Selection's* annual Governor's Cup competition, it would easily have won again in 2005. But it far exceeded that number in this year's ranking with 842 qualifying new or expanded facilities. Runners up Ohio, Illinois and Michigan were unable to crack the 600 mark.

Among the key projects that helped Texas secure the win were: Hilmar Cheese Co. announcing a new, 2,000-employee cheese factory in the northern panhandle town of Dalhart, Tyson Foods bringing 1,600 jobs to Sherman to staff a meat-packing plant that will package more than 6 million pounds of beef and pork each week and T-Mobile's decision to bring 850 new jobs to its new technology campus in Frisco. Once fully operational, the project will expand T-Mobile's total Texas workforce by 30 percent.

Network is Certified

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HB 7 requires TDI's Workers' Compensation Research and Evaluation Group to prepare annual report cards on the performance of workers' compensation health care networks. The report cards will compare the networks to each other and to non-network medical care on measures including access to care, health-related outcomes, return-to-work outcomes, health care costs and utilization, and employee satisfaction of care.



NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Advanced Administration, Inc.	Orlando, FL	Acted as third party administrator without first obtaining a certificate of authority	\$113,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000; Cease and Desist order	051016	12/01/05
Atkinson-Lively, Sherry	Houston	Made a material misrepresentation on a license application	\$7,500 fine	060051	01/13/06
Atkinson, Torrence	Houston	Made a material misrepresentation on a license application	\$1,000 fine	060052	01/13/06
Bankers Insurance Company	St. Petersburg, FL	Allowed unlicensed individuals to act as insurance agents	\$8,000 fine	051082	12/21/05
Branton, Stephen Foster; Binggeli, Harold Dean	Midland	Acted as an agent for unauthorized entities	\$25,000 fine subject to a dollar-for-dollar reduction by restitution to \$10,000	051092	12/22/05
Browning, Danny	Dallas	Acted as an agent for unauthorized entities	\$5,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,500	051029	12/05/05
Burch, Jacquelyne Rena	Houston	Misdemeanor and felony convictions for crimes directly related to the duties and responsibilities of an insurance agent	General Life, Accident, and Health License Denied	060098	01/30/06
Champion, Robert Earl	Harlingen	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	\$6,301 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	060100	01/30/06
Choate, Robert Hugh Jr.	Beaumont	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Life, Accident and Health License revoked	060080	01/23/06
Clarendon National Insurance Company	New York, NY	Failed to provide experience rating data in a timely manner; Failed to timely respond to requests for information from TDI	\$20,000 fine	051083	12/21/05
Collins, Jeffrey Harold	Beaumont	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices	General Life, Accident and Health License and General Property and Casualty License revoked; \$10,231 restitution	060011	01/03/06
Freeman, Ted H.	Arlington	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 30 hours of continuing education; One year suspension of Adjuster License	060013	01/03/06
Graves, James Eugene	Claude	Engaged in fraudulent or dishonest acts or practices; Failed to timely respond to requests for information from TDI	General Life, Accident, and Health License revoked	060055	01/17/06
Gregory, Rachael A., Gregory Insurance Services, LLC	Dallas	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Unauthorized insurance	Restitution; General Property and Casualty Licenses held by Rachael A. Gregory and Gregory Insurance Services, LLC revoked	050964	11/08/05



InDiscipline

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Hernandez, Perry Raymond	San Antonio	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices; Unauthorized insurance	Cease and Desist order; Limited Lines License revoked	060053	01/13/06
Hernandez, Susan Helen	San Antonio	Misappropriated or converted money belonging to an insurer or insured; Engaged in fraudulent or dishonest acts or practices; Unauthorized insurance	\$12,000 fine; Restitution; Cease and Desist order; Complete 15 hours of continuing education; General Life, Accident and Health License suspended	060054	01/13/06
Karlseng, Robert Christopher; Escrow Partners Dallas GP, Inc.; Title Partners, L.L.P.	Dallas; Coppell	Conducted business as an escrow officer without license	\$100,000 fine	060101	01/30/06
Lawyers Title Insurance Corporation - Plano	Plano	Failed to timely file required annual audit report	\$2,000 fine	050040	01/07/05
Liberty Life Insurance Company	Greenville, SC	Failed to terminate certain policies with specified termination ages and continued to accept premiums and pay claims past the termination age	Must notify insureds of it's termination/expiration provisions and give insureds the option of refunds	060022	01/05/06
Matagorda County Title Company, LLC	Bay City	Placed advertising for title agency before license issued	\$2,500 fine	051055	12/12/05
Medsolutions, Inc.	Franklin, TN	Failed to issue adverse determinations in a timely manner	\$45,000 fine	051051	12/12/05
Milliron, Roy Clark	Amarillo	Previous license revocation	General Life, Accident, and Health Agent's License denied	060099	01/30/06
Progressive County Mutual Insurance Company	Mayfield Village, OH	Failed to provide guidelines to its independent agents to ensure non-discriminatory application of its variable commission program	\$10,000 fine	051099	12/23/05
Real County Title Company	Leaky	Failed to timely remit title insurance policy guaranty fees	\$3,900 fine	060106	01/31/06
Richardson, Janis Laverne; Wright Insurance Agency; Island Insurance Agency	Corpus Christi	Misappropriated or converted money belonging to an insurer or insured; Acted as a surplus lines agent without a license	\$24,000 fine	060023	01/05/06
St. Paul Fire and Marine Insurance Company	St. Paul, MN	Failed to timely file required experience rating data	\$5,400 fine	060024	01/05/06
Shumate, Cynthia	Mt. Pleasant	Engaged in fraudulent or dishonest acts or practices; Engaged in criminal conduct involving moral turpitude	Insurance Service Representative License application denied	051011	11/29/05
The Western and Southern Life Insurance Company	Cincinnati, OH	Race based pricing	Restitution and remediation	060001	01/02/06
Torres, Carlos G.	Brownsville	Engaged in fraudulent or dishonest acts or practices; Engaged in criminal conduct directly related to the business of insurance	Limited Lines License revoked	051084	12/21/05

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Turner, Samuel Gerard	Houston	Engaged in fraudulent or dishonest acts or practices; Failed to comply with a previous order	\$242 restitution	051052	12/12/05
United Healthcare Insurance Company; United Healthcare Of Texas, Inc.	Hartford, CT	Violated Texas prompt pay statutes; Failed to file complete and accurate provider claim data reports; Failed to maintain adequate complaint logs and complaint records.	\$4,000,000 penalty within 30 days; Additional contingent penalties for future similar violations; Restitution ordered for failure to properly pay statutory penalties on late clean claim payments	051073	12/19/05
Valdez, Margarita Bustos	El Paso	Felony conviction directly related to the business of insurance; Engaged in fraudulent or dishonest acts or practices	General Property and Casualty License denied	060025	01/05/06

InLicensing

New Companies	LOCATION	LINE	DATE LICENSED
American Farmers & Ranchers Life Insurance Company	Oklahoma City, OK	Life & Health	12/02/05
Augustine & Associates Insurance Agency, Inc., DBA Process One TPA - TPA	Garland, TX	Third Party Administrator	12/02/05
Core V Solutions, Inc. - TPA	Frisco, TX	Third Party Administrator	12/02/05
Regional Care, Inc. - TPA	Scottsbluff, NE	Third Party Administrator	12/02/05
InternationalL Funding, Ltd. - TPA	Madison, WI	Third Party Administrator	12/16/05
J. P. Farley Corporation, THE - TPA	Westlake, OH	Third Party Administrator	12/16/05
Stanley Walker and Associates, Inc. - TPA	Brownwood, TX	Third Party Administrator	12/16/05
Wellcare Prescription Insurance, Inc. - (Medicare D Prescription Drug Plan)	Tampa, FL	Life & Health	12/19/05
Healthplan of Texas, Inc., DBA Hot - TPA	Tyler, TX	Third Party Administrator	12/20/05
ABA Seguros, S.A. DE C.V.	Garza Garcia, MX	Property & Casualty	12/27/05
North American Title Insurance Company	Walnut Creek, CA	Title	12/29/05
MML Assurance, Inc.	New York, NY	Property & Casualty	01/13/06
Methodist Transplant Physicians - TPA	DALLAS, TX	Third Party Administrator	01/17/06
PMC Ventures, PA - TPA	Houston, TX	Third Party Administrator	01/17/06
G.U.I.C. Insurance Company	Amelia, OH	Property & Casualty	01/24/06
American Community Mutual Insurance Company	Livonia, MI	Life & Health	01/25/06
Agents Title Insurance Company, Inc.	Longmont, CO	Title	01/27/06
MHNET Life and Health Insurance Company	Austin, TX	Life & Health	01/31/06

Name Changes

COMPANY NAME	LOCATION	CHANGED TO	DATE OF CHANGE
California Indemnity Insurance Company	Dallas, TX	Dallas National Insurance Company	12/06/05
Commercial Guaranty Lloyds Insurance Company	Irving, TX	CGL Insurance Company, Cnvt from Lloyds to Stock Fire & Casualty	12/30/05
Gulf Group Lloyds	Irving, TX	GGL Insurance Company, Cnvt from Lloyds to Stock Fire & Casualty	12/30/05
Continental Lloyd's Insurance Company	Dallas, TX	Continental Insurance Company of Texas, The, Converted from Lloyds to Stock Fire & Casualty	01/02/06
GE Life and Annuity Assurance Company	Richmond, VA	Genworth Life and Annuity Insurance Company	01/02/06
General Electric Capital Assurance Company	Wilmington,, DE	Genworth Life Insurance Company	01/02/06
Mutual Protective Insurance Company	Omaha, NE	Medico Insurance Company, Converted from a Mutual Life to a Stock Life Insurance Company	01/10/06
PHCC of Texas Workers' Compensation Trust	Irving, TX	CompPac Trust of Texas, The	01/13/06
CSC Healthcare, Inc. - TPA	El Segundo, CA	DST Health Solutions, Inc.	01/17/06
John Hewitt & Associates, Inc. - TPA	Portland, ME	JHA	01/17/06
WHP Health Initiatives, INC., DBA Walgreens Health Initiatives - TPA	Deerfield, IL	Walgreens Health Initiatives, Inc. and delete DBA	01/17/06
National Insurance Underwriters	Little Rock, AR	Direct National Insurance Company	01/19/06

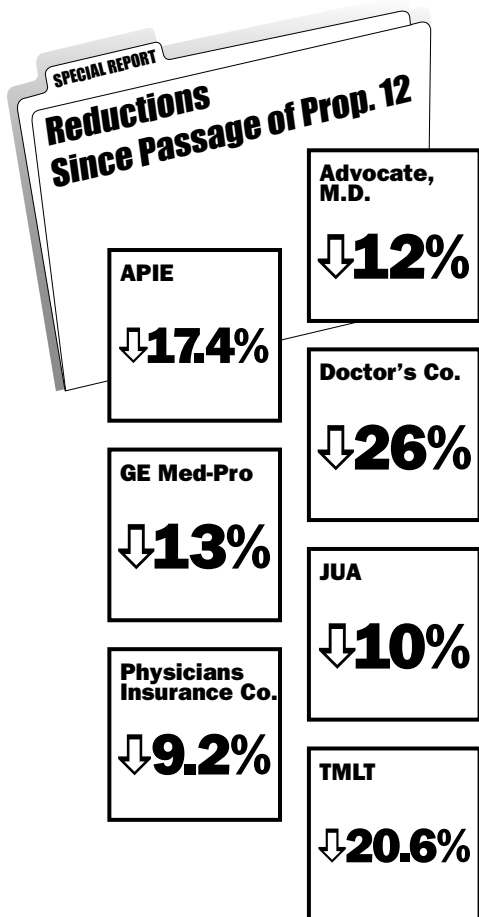


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Texas Department of Insurance SPECIAL REPORT

Medical Malpractice Update: Post Prop 12



IT HAS NOW BEEN TWO AND A HALF YEARS since Proposition 12 brought tort reform to Texas, in the form of a \$250,000 cap on non-economic damages. At this point it is clear that insurance markets have recovered.

Reported claims are down. From January through May 2003, prior to the passage of House Bill 4 that led to Proposition 12, new medical malpractice claims reported by Texas' four largest physician medical malpractice carriers averaged 348 per month. Data after the reform, October 2003 through 2005, show post-reform reported claims averaging 210 a month.



Participation in the Texas Joint Underwriters Association (JUA), the insurer of last resort, is down. By the end of December 2005, total JUA policyholders dropped by 877 to 1,736, a 34 percent drop in one year and the lowest total in recent years. Falling JUA populations are commonly taken as an indication of a healthy insurance market.

The number of new and start-up medical malpractice insurers is increasing. Since the proposal of tort reforms in the 2003 legislative session, TDI has fielded inquiries from over 40 entities or individuals interested in starting a new medical malpractice insurer or bringing an existing one to Texas. In January of 2006, we identified 30 new medical liability insurers that have since begun operations or are in process of filing to do so. Reinsurers are also showing renewed interest in insuring Texas medical malpractice insurers.

Rate decreases for physicians have become common. Here are recent rate actions by the largest writers:

TMLT: total reductions through 2006 of 20.6 percent.

JUA: 10 percent reduction for physicians; 15 percent reduction for nursing homes.

GE Medical Protective: 10 percent increase in 2004; 2 percent decrease in 2005; additional 5 percent decrease effective January 1, 2006; additional 6 percent decrease effective July 1, 2006.

APIE: reduction average of 17.4 percent in 2005.

Doctor's Company: total reductions of 26 percent through 2006.

Advocate, M.D.: reduction of 12 percent on August 1, 2005

Physicians Insurance Company: reduction of 9.2 percent effective April 8, 2006.

Texas Department of Insurance
SPECIAL REPORT

**MedMal Insurers Commencing or
Eligible For Operations Since 2003**

Entity Name	Type of Entity	Date Began or Eligible for Texas Operations
Physicians Prof Liability RRG	Risk Retention Group	Feb-2003
Red Mountain Casualty Ins Co	Surplus Lines	Apr-2003
Catlin Ins Co, Ltd.	Surplus Lines	Sep-2003
Capitol Specialty Ins Corp	Surplus Lines	Sep-2003
Emergency Physicians Ins Co RRG	Risk Retention Group	Oct-2003
Hudson Specialty Ins Co	Surplus Lines	Oct-2003
Health Network Providers Mut Ins Co RRG	Risk Retention Group	Dec-2003
Lake Street RRG	Risk Retention Group	Dec-2003
Physicians Specialty Ltd, RRG	Risk Retention Group	Jan-2004
Eldercare Mutual Co RRG	Risk Retention Group	Feb-2004
Applied Medico Legal Solutions RRG	Risk Retention Group	Feb-2004
Care RRG	Risk Retention Group	Feb-2004
Allied Professionals Ins Co RRG	Risk Retention Group	Feb-2004
Green Hills Ins Co RRG	Risk Retention Group	May-2004
Landmark Amer Ins Co	Surplus Lines	Jun-2004
Emergency Medicine RRG	Risk Retention Group	Jun-2004
Advocate MD Ins of The SW	Admitted	Jun-2004
Centurion Medical Liability Protect RRG	Risk Retention Group	Jul-2004
HCC Specialty Ins Co	Surplus Lines	Aug-2004
Professional Liab Ins Co of America	Admitted	Dec-2004
Everest National Ins Co	Admitted	Jan-2005
Emergency Medicine Prof Assur Co RRG	Risk Retention Group	Feb-2005
Oceanus Insurance Company, RRG	Risk Retention Group	Feb-2005
Lone Star RRG	Risk Retention Group	Mar-2005
Professional Solutions Ins Co	Admitted	Apr-2005
Novus Insurance Company RRG	Risk Retention Group	Aug-2005
Physicians Insurance Co	Admitted	Sep-2005
Communities of Faith RRG (formerly Non Profit LTC Alliance)	Risk Retention Group	Oct-2005
State Farm Fire And Cas Co	Admitted	Nov-2005