



WC Network Report Card Update

A KEY COMPONENT of the new workers' compensation networks is an annual report card to help employers and employees make informed decisions about the quality of services provided by networks, and to help health care providers assess the quality of the network they participate in. The first report card will be published in September 2007 (18 months after the first network was certified, as required by statute).

Report card elements will include:

- employee access to care
- return-to-work outcomes
- health-related outcomes
- employee satisfaction with care
- health care costs
- utilization of health care

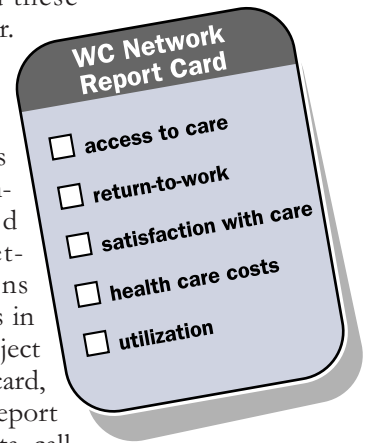
Data sources for the report cards include medical billing and income benefit data collected by TDI's Division of Workers' Compensation, injured worker survey data collected by TDI's Research and Evaluation Group, and additional data collected by TDI-certified workers' compensation networks.

Injured Worker Survey

TDI began gathering stakeholder input regarding the content and length of the injured worker survey in July 2006. The survey was posted on TDI's website starting in July and it was also distributed to stakeholders at a meeting held on February 16, 2007 at TDI. The deadline for final comments was February 28, 2007 and the stakeholder comments were reviewed.

In order to identify injured workers being treated in the certified workers' compensation networks and develop a sampling plan, a data call was issued on February 14, 2007 to networks that were certified in 2006. The data call identified all injured workers treated in a network on or before February 1, 2007. Currently, the survey instrument and the sampling plan for the survey have been finalized. The Survey Research Center at the University of North Texas was selected to administer the survey and is expected to begin the data collection process in late May.

At this point, the Research and Evaluation Group expects the report card to include survey measures for several groups and these groups will be compared to each other. The groups include: two individual certified networks; all other certified networks (includes networks with too few numbers of treated injured workers to be reported individually); and a non-network category (includes injured workers being treated outside the network). Although political subdivisions that contract with health care providers in lieu of using certified networks are subject to be included in the network report card, they will not be included in this first report card. At the time of the network data call, none of the political subdivision networks had begun to fully function. Political subdivisions will be reported as a separate group in the second report card.



Performance Measures from Administrative Data

The network report card will also include aggregate summaries for networks and non-networks on a number of cost and utilization measures. In addition, summary measures for each individual network will also be calculated. The final measures will depend on availability of administrative data from the Division of Workers' Compensation, but a tentative list of cost measures would include Total Medical Cost, Pharmaceutical Cost, Hospital Cost, Professional Medical Services Cost, and Medical Cost per Claim. A tentative list of utilization measures would include Utilization of Evaluation and Management Services, Physical Medicine, Diagnostic Tests, Surgery Treatments, and Pharmaceutical Drugs.

InSideInSight



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TDI Orders Annuity Company to Cease & Desist Fraudulent Practices

THE TEXAS DEPARTMENT OF INSURANCE (TDI) issued a Cease & Desist Order on May 18, 2007 to the National Foundation of America (NFOA) for engaging in the business of insurance without a license.

NFOA, based in Tennessee, claims to be a tax exempt charity that assists individuals with their charitable planning goals. It has solicited at least 26 licensed insurance agents in Texas to sell its purportedly tax-deductible annuities. In essence, individuals transfer ownership of their existing annuity to NFOA through a change of ownership form and receive an "Installment Purchase Plan" that promises to provide payments over a fixed period of time as well as providing a substantial charitable tax deduction. NFOA also promises long term payout and/or substantial payment to heirs and beneficiaries. However, information received by TDI shows that NFOA does not have charitable tax exempt status. NFOA does not hold a certificate of authority to act as an insurer or "charitable organization" in Texas and has not filed a notice of exemption.

To date, TDI has discovered 39 Texas citizens who have transferred existing annuities to NFOA. Most of these individuals are elderly. These elderly Texans appear to have surrendered in excess of \$11 million in insurance products, cash, and securities.

The Texas State Securities Board also entered a Cease & Desist Order against NFOA after concluding that the organization was fraudulently soliciting Texas investors to participate in an unregistered investment program. In addition, insurance departments in the States of Florida, Iowa and Washington have issued Cease & Desist Orders in the recent past. At least nine other states have ongoing investigations regarding the unauthorized business of insurance by NFOA.

TDInSight

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

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

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

Houston Escrow Officer Convicted In Mortgage Fraud Scheme

Marjorie Atkinson Ford, formerly a licensed escrow officer, was convicted by a federal jury of conspiracy to commit wire fraud.

Testimony and evidence produced at trial showed that from 2005 through 2007, Ford closed residential real estate purchases for First Southwest Title Company, Greater Texas Title company and AmeriTrust Title Company. Together with co-conspirator Michael Harris, Ford worked with lenders to arrange funding for mortgage loans. At or after closing, Ford created a false settlement statement that would be forwarded to the lender to advise the lender of the disposition of the lender's money. Unknown to the lender, Ford used some of the money to pay her co-conspirators.

Harris pleaded guilty to conspiracy charges stemming from the same activity on April 4, 2007. During trial, he testified that he conspired with Ford to commit the fraud. Harris told the jury that he recruited buyers for residential property, helped them qualify for a loan

using false social security numbers and bank account information, then located a mortgage company to provide the funds for the purchase of the home. During the closings, Harris provided false invoices to Ford for repairs that were never done to the home. On other occasions, Ford paid Harris from the loan proceeds without an invoice.

Title company closing documents were introduced at trial to show that Ford made copies of the signature pages of settlement statements signed by the buyers and attached them to false settlement statements that was forwarded to the lender. By falsifying the documents, the conspirators defrauded lenders of hundreds of thousands of dollars.

Conspiracy to commit wire fraud carries a possible punishment of up to 20 years in prison, a fine of \$250,000 and three years of supervised release after any jail term is completed. Sentencing has been set for July 10, 2007.

Fraud Case Dispositions

February

Jose Martinez pled guilty in Dallas on 8/30/06 to Attempted Insurance Fraud, a Class A misdemeanor. Martinez was sentenced to 2 years probation and fined \$1,500.

Miguel Salvador Aranda pled guilty in Harris County on 10/27/06 for Misapplication of Fiduciary Property, a Class A misdemeanor. Aranda received 24 months deferred adjudication and must pay a \$300 fine, \$1,550 in restitution and 100 community service hours.

March

Garrett Michael Williams pled guilty in Conroe on 2/20/07 to Insurance Fraud, a state jail felony. Williams was sentenced to 3 years deferred adjudication, fined \$1,500, ordered to repay \$1,678.46 in restitution, and 120 community service hours.

Kenneth Frazier pled guilty in Dallas County on 2/8/07 for Misapplication of Fiduciary Property, a 3rd degree felony. Frazier received 36 months deferred adjudication and must pay \$15,480.06 in restitution, a \$2,000 fine and 160 community service hours.

Iketha Saunders, charges of Insurance Fraud and Theft were dismissed in Beaumont in a

plea agreement with Robert Saunders on 11/27/06.

Robert P. Saunders II, charges of Theft was dismissed in a plea agreement in Beaumont on 11/27/06. Saunders pled guilty to Insurance Fraud, a 3rd degree felony and received 36 months deferred adjudication and 150 community service hours.

Janet Cavanaugh aka **Janet Harper** pled guilty in Austin on 12/1/06 to Insurance Fraud, a state jail felony. Cavanaugh was sentenced to 22 months confinement in the county jail.

Russell Lane, Jr., pled guilty in Austin on 2/14/07 to Insurance Fraud, a class A misdemeanor. Lane was sentenced to 1 year confinement in the county jail.

Guillermo Moran II pled guilty in Dallas on 12/19/06 for Unauthorized Insurance, a 3rd degree felony. Moran received 72 months deferred adjudication and must pay a \$2,000 fine and 160 community service hours.

Guillermo Moran II pled guilty in Dallas on 12/19/06 for Tampering with a Governmental Record, a 3rd degree felony. Moran received 72 months deferred adjudication and 160 community service hours.

State Fire Marshal's Office Provides Fire Safety Training for State Employees



THE STATE FIRE MARSHAL'S OFFICE (SFMO) has, at the request of officials at TDI's Division of Workers' Compensation (DWC), agreed to conduct fire safety inspections at 23 DWC field offices and provide "Have an Exit Strategy" (HAES) safety awareness training to employees at these locations. Once the project has been completed, the SFMO will provide a findings report to the DWC, the Texas Building Procurement Commission (TBPC), and the State Office of Risk Management (SORM).

The SFMO has a vested interest in protecting state resources, both human and property. Local fire departments and fire marshals have limited authority when it comes to state properties. For example, a municipal fire department may inspect a state-owned or leased property, and notify the building manager or the SFMO of its findings, but it has no jurisdiction to mandate changes to state properties. In these cases, the SFMO is the appropriate entity to monitor safety and order necessary modifications.

The DWC contacted the State Fire Marshal to request these services amid increased concerns following the recent Houston fire in which three people, including two state employees, lost their lives to an incendiary fire. This project is a top priority in keeping with the Fire Marshal's belief that all available resources should be utilized to protect the lives of state employees.

This is not a one-time project, nor is it the first time the SFMO has provided such services to other state agencies. Through a Memorandum of Understanding with TBPC and SORM, the SFMO inspects certain state buildings. It also inspects universities and correctional facilities on a regular basis.

In addition to ongoing inspection activities, the SFMO's Prevention and Outreach Division has provided HAES training to all of TDI's divisions. Likewise, SORM is working with SFMO staff to develop a train-the-trainer program that will make HAES training available to all state employees in the future.



TDI Windstorm on the Road Again

OFFICIALS REPRESENTING TDI's Windstorm Inspections program are visiting several Texas coastal communities in the month of June in an effort to pass on safety information about the potential dangers hurricanes represent to coastal communities and in adjacent areas, and what homeowners can do to reduce that risk.

Along with the Windstorm Inspection Team, members of TDI's Consumer Protection and Property and Casualty Divisions will provide presentations at each location.

In recent years the Windstorm Inspections Team has met with builders, contractors and engineers in the early days of each hurricane season to reiterate the need for diligence in following current building code standards and having proper inspections conducted during the

construction process. This year's effort will be focused directly on individual property owners, in an effort to combat any complacency regarding the potential for a large scale hurricane disaster. The programs will urge homeowners to take steps to protect their homes and property, to have an evacuation plan, and to review their insurance coverages, including windstorm and flood insurance.

TDI officials will visit community centers in Beaumont, League City, Corpus Christi and Brownsville during the third week of June.

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Alaniz, Albert III	Corpus Christi	Not in good standing with Professional Board of Engineers; Prior disciplinary history	Qualified Inspector appointment denied	070202	03/20/07
Barnes, Shelly Lynn	Montgomery	Failed to comply with continuing education requirements	\$1,250 fine	070189	03/12/07
Bodkin, Todd Francis Sr.	San Antonio	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$113,083 restitution; General Life, Accident and Health License revoked	070093	02/02/07
Bomar, David Earl	Austin	Engaged in fraudulent or dishonest acts or practices; Felony conviction involving moral turpitude	Insurance Adjuster License revoked	070233	03/27/07
Chandler, Einabeth	San Antonio	Engaged in fraudulent or dishonest acts or practices; Failed to comply with continuing education requirements	\$700 fine; General Property and Casualty License revoked; Application for a General Life, Accident and Health License denied	070172	03/02/07
Choate, Robert Hugh Jr.	Beaumont	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	General Life, Accident and License revoked	070099	02/07/07
Cortinas, Marie Isabel	Edinburg	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Felony	General Life, Accident and Health License and County Mutual License revoked	070104	02/08/07
Drews, Herman Edwin	Houston	Engaged in fraudulent or dishonest acts or practices; Felony conviction	General Life, Accident and Health License and General Property and Casualty License revoked	070160	02/23/07
Estrada, Jaime Enrique	Olmito	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	070101	02/07/07
Gray, Bryan Lee	Wichita Falls	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$5,000 fine; Adjuster application denied; General Property and Casualty License and General Life, Accident and Health License revoked	070138	02/16/07
Helms, Cathy Ann	Natalia	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	Insurance Adjuster License revoked	070192	03/12/07
High Plains Abstract, Incorporated	Dalhart	Failed to timely remit title insurance policy guaranty fees	\$1,700 fine	070184	03/12/07
Kirby Title, L.L.C.	Houston	Failed to timely provide an annual trust fund account audit report	\$11,000 fine	070195	03/13/07
Lecompte, Eugene E. Jr.	Alvin	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$14,722 restitution; Life, Accident and Health License and General Property and Casualty License revoked	070187	03/12/07
Lewis, Gregory Todd	Austin	Engaged in fraudulent or dishonest acts or practices; Engaged in unfair and deceptive acts or practices	General Property and Casualty License revoked	070157	02/23/07
Lopez, Jose M.	Premont	Failed to comply with continuing education requirements	\$850 fine	070088	02/01/07
Marshall, Byron Wesley	Garland	Criminal conduct related to the duties and responsibilities of an Insurance Adjuster	Insurance Adjuster License revoked	070188	03/12/07
Medical Liability Insurance Company of America	St. Louis, MO	Failed to implement a Texas compliant loss control program	\$45,000 fine	070185	03/12/07
Mitchell County Abstract Company	Colorado City	Failed to timely provide an annual trust fund account audit report	\$5,400 fine	070135	02/16/07



InDiscipline

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Morgan, Gilbert Scott; C.T. Group Inc.; Lucent Dynamics, L.P.	Houston; North Las Vegas, NV	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Unauthorized insurance	General Property and Casualty License revoked; Cease and desist order	070170	02/28/07
Morgan, Karen Sue; C & S Insurance Services, Inc.	Houston	Unauthorized insurance	\$5,000 fine; General Property and Casualty License held by C & S Insurance Services Inc. revoked; General Property and Casualty License held by Morgan suspended	070162	02/26/07
Murray, Robert Nelson	Houston	Failed to comply with continuing education requirements	\$1,500 fine; Must complete 30 hours of continuing education; General Life, Accident and Health License suspended	070105	02/08/07
Navarro County Abstract Company	Corsicana	Failed to timely provide an annual trust fund account audit report	\$5,400 fine	070194	03/13/07
Nuccio, Robert Vincent	Toluca Lake, California	Failed to timely provide Annual Agent Report for Risk Retention and Purchasing Group	\$2,600 fine	070161	02/26/07
Patrick, Darrell M.	Richmond	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	070173	03/05/07
Pearle Vision Managed Care - HMO of Texas, Inc.	Dallas	Failed to timely file Annual Statement, Management Discussion and Analysis, Actuarial Opinion and Annual Registration Statement	\$12,000 fine	070094	02/02/07
Pieper, Howard	Houston	Allegedly failed to provide adequate substantiating information requested by TDI regarding windstorm inspections	Qualified Inspector's Appointment revoked	070190	03/12/07
Principal Life Insurance Company	Des Moines, Iowa	Taught a continuing education course with an expired certificate	\$3,600 fine	070089	02/01/07
Remington, Emily Smith	McKinney	Acted as an escrow officer without a proper license; Engaged in fraudulent or dishonest acts or practices; Converted money belonging to another person for her own use	Escrow Officer License revoked; Restitution	070232	03/27/07
Robinson, Andre L. Sr.	Richmond	Felony offense	General Lines Life, Accident, and Health Agent License and General Lines Property and Casualty Agent License denied	070174	03/06/07
Safeland Title Company	Allen	Failed to timely remit title insurance policy guaranty fees	\$1,100 fine	070136	02/16/07
Salazar, Jean-Pierre	Amarillo	Engaged in fraudulent or dishonest acts or practices; Criminal offense	General Property and Casualty License application denied	070191	03/12/07
Scott, Morgan Lee	Longview	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$34,053 restitution; Funeral Prearrangement Life Insurance License revoked	070137	02/16/07
Smothers, Sheila Lynn	Schertz	Failed to comply with continuing education requirements	\$750 fine; Must complete 30 hours of continuing education	070158	02/23/07
St. Paul Travelers Companies	Richardson	Provided a continuing education course with an expired certificate	\$6,000 fine	070237	03/29/07
Stewart Title of Houston Company	Houston	Employed unlicensed individuals as escrow officers; Failed to maintain proper surety bonding	\$50,000 fine	070234	03/29/07
The Union Labor Life Insurance Company	Washington, DC	Used forms not filed with or approved by TDI	\$40,000 fine	070090	02/01/07

NAME	CITY	VIOLATION	ACTION TAKEN	ORDER	DATE
Triune Resources, Inc.; Management Counsel For Employee Benefits, Inc. (MCEB); Pettigrew, Gregory Howard	Arlington	Acted as an agent for unauthorized entities	\$60,000 fine; General Life, Accident and Health License and Limited Lines License held by Pettigrew placed on probated suspension; TPA License held by Triune Resources revoked; General Life, Accident and Health License held by MCEB is suspended, pending revocation upon entry of a final order in civil litigation	070142	02/20/07
Turpeau, Nicole	Houston	Engaged in fraudulent or dishonest acts or practices;	\$3,500 fine; Must complete 15 hours of continuing education	070186	03/12/07
Ubak-Offiong, Udoh David	Houston	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	\$2,500 fine	070230	03/27/07
Unitrin County Mutual Insurance Company	Dallas	Failed to properly log complaint information	\$10,000 fine	070238	03/29/07
Valdez, Edmundo M.	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 and County Mutual License revoked	070100	02/07/07
Wright, Thomas W.	Katy	Failed to comply with continuing education requirements	\$1,500 fine; One year suspension of Insurance Adjuster License; Must complete 30 hours of continuing education	070236	03/29/07
Wylie, Holland E.	Lubbock	Failed to comply with continuing education requirements	\$1,500 fine; One year suspension of General Property and Casualty License and General Life, Accident and Health License; Must complete 30 hours of continuing education	070231	03/27/07

Name Changes

COMPANY NAME	LOCATION	CHANGED TO	DATE OF CHANGE
IDS Life Insurance Company	Minneapolis, MN	Riversource Life Insurance Company	02/15/07
Farmers Mutual Protective Association of Texas, The	Temple, TX	R.V.O.S. Farm Mutual Insurance Company	02/22/07
Fidelity and Guaranty Life Insurance Company	Baltimore, MD	OM Financial Life Insurance Company	02/22/07
Tank Owners Mutual Insurance Company	Fort Worth, TX	Tank Owner Members Insurance Company	02/23/07
Employer Employee Benefit Administrators, Inc. - TPA	San Antonio, TX	added dba Healthcare Management Solutions	03/23/07
Houston TPA, LTD., dba Health Administration Services - TPA	Irving, TX	changed dba name to Trisurant	03/23/07
Continental National Indemnity Company	Cincinnati, OH	Continental Indemnity Company, Cedar Rapids, IA	03/27/07

InLicensing

New Companies

	LOCATION	LINE	DATE LICENSED
New Benefits, Ltd. - TPA	Dallas, TX	Third Party Administrator	02/16/07
Sun City Behavioral Health Care - TPA	El Paso, TX	Third Party Administrator	02/16/07
Superior Administrators, Inc. - TPA	Costa Mesa, CA	Third Party Administrator	02/16/07
American Risk Insurance Company, Inc.	Houston, TX	Property & Casualty	02/22/07
Healthspring Life & Health Insurance Company, Inc.	Houston, TX	Life & Health	02/27/07
AIOI Insurance Company of America	New York, NY	Property & Casualty	03/22/07
BDG Benefits Design Group, Inc. - TPA	Dallas, TX	Third Party Administrator	03/23/07
Innoviant, Inc. - TPA	Wilmington, DE	Third Party Administrator	03/23/07
John Sanders, dba TPA Processing - TPA	Tulsa, OK	Third Party Administrator	03/23/07
American Family Home Insurance Company	Jacksonville, FL	Property & Casualty	03/27/07
Endurance American Insurance Company	Wilmington, DE	Property & Casualty	03/27/07
Unitrin Direct Insurance Company	Chicago, IL	Property & Casualty	03/27/07



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