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Texas Insurance News

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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. Texas Insurance News 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.

Texas Insurance News

REGULATORY NEWS PUBLISHED BY THE TEXAS DEPARTMENT OF INSURANCE

Auto Benchmark Rates Rise 5.3 Percent

CITING UNFAVORABLE TRENDS of collision, uninsured motorist and property damage liability claims, Commissioner Jose Montemayor has increased private passenger automobile benchmark rates by a statewide average of 5.3 percent.

Montemayor also increased commercial auto benchmark rates by a statewide average of 4.6 percent and Texas Automobile Insurance Plan Association private passenger rates by 9.2 percent.

The private passenger benchmark increase is the first since 1996, when benchmark rates rose an average of 3.2 percent. Benchmark rates were not changed in 1997 and were reduced 5.0 percent in 1998, 5.5 percent in 1999 and 1.3 percent in 2000.

The new benchmark and TAIPA rates will take effect on December 31, 2001. Rate-regulated car insurers then will have 30 days to file their own rates, based on individual company experience.

Companies may use their new rates immediately after they file them if the rates are within a range 30 percent above or below the benchmark rates. They also have the right to delay the effect of their new rates for as long as 60 days after filing them. Filed rates are subject to challenge by Texas Department of Insurance actuaries if not supported mathematically by the companies' own claim experience.

TDI issued its "machine letter" on the new rates on November 9, 2001. The machine letter and Commissioner's Bulletin B-0047-01, introducing the letter, are available on TDI's Web site at <http://www.tdi.state.tx.us/com-mish/b-0047-1.html> The machine letter provides specific benchmark rates and, where applicable, differentials or relativities for individual coverages, rating classifications and rating territories.

Average statewide rate changes for the various private passenger auto coverages are:

Liability	
Bodily Injury (BI)	-6.7%
Property Damage (PD)	+11.9%
Combined Single Limit	+3.5%

Personal Injury Protection	+0.2%
Uninsured/Underinsured	+23.5%
Medical Payments	+10.0%
Physical Damage	
Comprehensive	-1.8%
Collision	+7.8%
Total, all coverages	+5.3%

Average statewide rate changes for commercial auto coverages are:

Liability	+3.1%
Physical Damage	+9.3%
Total, all coverages:	+4.6%

The industry, represented by the Insurance Council of Texas, State Farm and Farmers, recommended a 6.9 percent average increase. Mark Crawshaw, a consulting actuary representing TDI staff, proposed a 5.7 percent increase. The state's Office of Public Insurance Counsel recommended increases averaging 5.1 percent. State administrative law judges who conducted the rate hearing for TDI submitted conclusions that would have produced a 5.8 percent increase.

This was the final auto benchmark rate case under a 10-year-old system that required hearings before administrative law judges employed by the State Office of Administrative Hearings. Notice of the hearing was published on December 22, 2000, the hearing was held March 6-8, 2001, and the judges issued their final proposal for decision on August 20, 2001.

Future hearings will be before the Commissioner of Insurance as the result of House Bill 2102, which the Legislature passed this year to streamline the benchmark ratemaking process and enable the Commissioner to issue rates closer in time to the experience on which they are based.

TDI tentatively plans to hold the next hearing in the fall of 2002 after experience data for 2001 becomes available. By contrast, 1999 data was the latest available for use in the benchmark rate decision announced on November 1. ★

NewsBriefs

TDI Adopts Policy on Correcting Information

IN RESPONSE to a new state law, Commissioner Jose Montemayor has adopted a procedure that individuals may use for correcting information about them in the Department's records.

The policy was adopted as Commissioner's Order No. 01-1011, dated October 24, 2001. It implements provisions of *Texas Government Code* Chapter 559 giving individuals the right to ask state agencies to correct information about them that is incorrect.

The full text of TDI's policy is available on TDI's Web site at <http://www.tdi.state.tx.us/commish/lccorprc.html>

Under the policy, requests to correct information must be submitted in writing, by mail, fax, e-mail or hand delivery. Requests should include the individual's name, mailing address, telephone number and a list or description of the specific information that TDI is being asked to correct. There also should be an explanation or documentation of why the information is incorrect and verifying the correct information.

Requests for correction should go to the division that has the information to be corrected, attention Open Records Liaison. If an individual does not know the division, or the information may be in multiple divisions, he or she should send the correction request to the Agency Counsel Section of TDI's Legal and Compliance Division.

Among types of information that cannot be corrected are documents (such as complaints) filed by third parties, allegations, Commissioner's orders and copies of documents already distributed outside TDI. ★

Employee Contact Info Added to TDI Web Site

AS A RESULT OF PUBLIC REQUESTS, a page that allows searching for employee contact information has been added to TDI's Web site. The page can be found at http://www.tdi.state.tx.us/apps/perlroot/u_pio_email/esearch.html

Links to the page are under "Employee Contacts" at the bottom of most of our Web pages, as well as through the same heading in "Quick Links" at the top of every page.

The new Web page has the capability of searching by last name or first name or main telephone

number. The Web page also allows for downloading a complete database of employee contact information. ★

WC Payroll Includes Payments to Military

SOME EMPLOYERS are voluntarily continuing to pay salaries and wages to employees mobilized with their military units following the September 11 terrorist attacks. Insurers have asked TDI whether these payments should be included in the payroll against which workers' compensation premiums are computed.

TDI's Workers' Compensation Division has concluded after considerable research that there is no basis for excluding wages and salaries paid voluntarily to employees while on military service.

WC Division staff found such payments analogous to vacation and sick leave, in which the employee is paid even though not at work. Vacation and sick pay are included in the payroll used for calculating workers' compensation premiums.

Wages and salaries paid to employees absent on military duty should, therefore, be included when calculating premiums. The payroll for these wages should be shown under the same classification that applied to the employees before their mobilization. ★

Data Call Reminders

(Failure to comply with TDI's reporting requirements may result in disciplinary action.)

Quarterly Closed Claim Reports

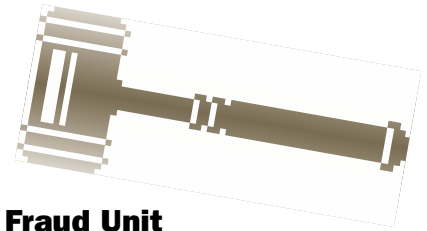
Reports (Long/Short Forms) for claims closed during the third quarter of 2001 were due by October 10, 2001. Reports (Long/Short Forms) for claims closed during the fourth quarter of 2001 are due by January 10, 2002. The forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html> TDI contact is Vicky Knox, 512 475-1879. E-mail address: vicky.knox@tdi.state.tx.us

Call for Quarterly Experience

The Call for Third Quarter 2001 Experience was mailed the end of September 2001 and was due November 15, 2001. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html> TDI contact is Julie Jones, 512 475-3030. E-mail address: julie.jones@tdi.state.tx.us

Call for Quarterly Experience, Workers' Compensation Deductible Plans

The Call for Third Quarter 2001 Experience was mailed the end of September 2001 and was due November 15, 2001. The bulletin and forms may be downloaded from TDI's Web site located at <http://www.tdi.state.tx.us/company/indexpc.html> TDI contact is Julie Jones, 512 475-3030. E-mail address: julie.jones@tdi.state.tx.us



Fraud Unit Prosecutions

Indictments

Doherty, Ben C., indicted in Austin on charges of unauthorized insurance, a third-degree felony.

Garrett, Laura Jeanine, indicted in Houston on charges of theft, a third-degree felony.

Convictions

Gray, Chester Lee, pleaded guilty in Dallas to misapplication of fiduciary property, a third-degree felony. Sentenced to 36 months' deferred adjudication, 160 hours of community service, \$12,000 restitution and a \$1,500 fine.

McLeod, Joann, pleaded guilty in Dallas to theft, a third-degree felony. Sentenced to 120 months' probation, \$30,762 restitution and a \$2,000 fine.

Kennell, David Maddox, pleaded guilty in Houston to tampering with a government record, a third-degree felony. Sentenced to six months' deferred adjudication.

Thomas, Billy, pleaded guilty in Austin to securing the execution of a document by deception, a class A misdemeanor. Sentenced to five days in the Travis County Correctional Center.

Lark, Nedra Dale, pleaded guilty in Dallas to insurance fraud, a state jail felony. Sentenced to two years in a state jail, probated for five years, \$16,567 in restitution and a \$1,500.00 fine.

Arrests

Garcia, Dario Mena Jr. arrested in Falfurrias resulting from charges in Austin of making a false statement in a written instrument, a third-degree felony. ★

TDI update

Commissioner OKs TWIA Rate Hike

COMMISSIONER JOSE MONTEMAYOR has increased rates for Texas Windstorm Insurance Association commercial risks by 5 percent, across-the-board.

The new rates will take effect January 1, 2002.

TWIA wind and hail coverage is available for risks in the 14 coastal counties and parts of Harris County on Galveston Bay when insurers exclude such coverage from their property insurance policies.

Under the Texas procedure, enacted by the 1995 Legislature, the TWIA files its proposed manual rates annually with TDI. The Commissioner has authority to approve, disapprove or modify the rates as filed. Cumulatively, and including the newly adopted rates, TWIA's rates for commercial risks have risen 15.5 percent since the current system took effect.

In the latest case, TWIA filed for a uniform 13.6 percent increase on July 27, 2001, and Montemayor held an open meeting about the filing on September 5. The state's Office of Public Insurance Counsel (OPIC) submitted calculations indicating that TWIA rates should be reduced by 27.2 percent. ★



Enforcement Actions

Aetna Consents to \$1.15 Million Fine

COMMISSIONER JOSE MONTEMAYOR has signed a consent order requiring four Aetna insurance companies and HMOs to pay a \$1.5 million fine and to make restitution to physicians and health care providers who did not receive prompt payment of their clean claims.

The order brings to \$10.4 million the total of fines imposed this year for alleged violations of the prompt payment laws by insurers and HMOs.

Aetna agreed to the order without admitting any violation of Texas laws and rules.

The consent order notes that the Aetna companies failed to pay clean claims in accordance with the state's prompt payment laws and clean claims rules, failed to pay 85 percent of disputed claims while conducting audits and failed to maintain proper complaint records.

Montemayor's order names Aetna Life Insurance, Aetna U.S. Health Care Inc., Aetna U.S. Health Care of North Texas Inc. and Aetna Health Care Plan Inc. The companies and HMOs must pay restitution and penalties to physicians and providers for clean claims that were not paid within 45 days of receipt and clean claims that were not paid correctly.

The order calls for each company to provide restitution to physician and health care providers for claims dating from August 1, 2000, through October 1, 2001. Aetna will have 75 days from November 1, the date of the order, to report its restitution amounts to the Commissioner.

"I strongly urge Aetna to improve its claim handling and take the lead in becoming a model health insurer," Montemayor said.

Aetna U.S. Healthcare of North Texas faces an additional fine of \$600,000 if it fails to satisfy several voluntary payment arrangements for certain claims for the benefit of physicians and providers associated with Medical Select Management, a Fort Worth-based delegated network.

The consent order requires Aetna to use reasonable efforts to enforce contract obligations of certain delegated networks to pay physicians and providers the applicable contract penalty or full billed charges. If these delegated networks do not pay the required restitution, Aetna will have to pay the restitution amounts within 60 days from the date of the order.

Senior Associate Commissioner Audrey Selden, TDI's prompt payment ombudsman for physicians and providers, and TDI attorneys earlier concluded enforcement action that led to consent orders on September 28 requiring 17 insurers and HMOs in seven groups to pay \$9.25 million in fines, plus restitution to physicians and providers.

"We have fairly, but relentlessly, analyzed company complaints, sought explanations for delayed payments and taken action when it was in the best interests of all of the parties involved," Montemayor said. "Our efforts have improved claim handling by all concerned—physicians, providers, insurers and HMOs." ★

Agent Indicted in Annuity Fraud Scheme

DAVID FRANKLYN McMILLIN, an Austin life insurance agent, has been arrested on charges of defrauding an elderly woman in Dime Box of more than \$117,000.

A Lee County Grand Jury in Giddings indicted McMILLIN, in August on charges of second-degree felony theft.

Investigators from TDI's Insurance Fraud Unit alleged that McMILLIN carried out a scheme to systematically steal \$117,038 from annuities owned by the woman.

The alleged theft occurred over a period from February 1994 through May 1997. McMILLIN allegedly converted funds taken from the annuities to his own personal use, and none of the money benefited the victim. The victim died in 1999.

McMillin allegedly carried out his scheme by forging documents that made it appear he was advising the woman with estate planning through the establishment of a living trust. Family members who were helping the victim with her finances subsequently discovered the possible theft.

If convicted, McMILLIN could face a prison term of from two to 20 years and a fine of up to \$10,000.

The Fraud Unit routinely investigates criminal complaints concerning insurance agents, insurance companies, and others licensed by TDI. A fraud complaint form can be found on the agency's Web site at www.tdi.state.tx, and TDI has a toll-free hotline, **888-327-8818**, for reporting suspected insurance fraud. ★

RuleMaking

AGENTS

APA Proposal

Specialty Agent Licenses

■ TDI has proposed amendments to 28 TAC §§ 19.1902, 19.1905 and 19.1909 concerning specialty insurance licenses, including the telecommunications specialty license added by Senate Bill 466 of the 77th Legislature in 2001.

Existing rules allow the use of a specialty license only at locations "owned and operated by" the specialty license holder. The proposed change would enable an applicant to obtain a single license authorizing the applicant to sell insurance at "registered locations." A registered location would be defined as a location identified by an applicant or specialty license holder as the place where the applicant's or specialty license holder's associated consumer transactions occur and for which all applicable registration fees have been paid.

A specialty license holder that changes locations, adds new ones or acquires locations already in operation would be required to register them with TDI.

Staff explained in the preamble to the proposed rules that many industries covered by the specialty license do not follow a franchise business model. Instead, vendors in these industries often conduct their associated consumer transactions and insurance sales through other businesses. In these circumstances, the vendor maintains control through the use of forms, specific requirements and procedures, not through a franchisor-franchisee relationship. The existing rules, however, do not recognize this business model and restrict the use of a specialty license to locations owned and operated by the specialty license holder. The proposed rule amendments would drop this restriction and enable a specialty license holder to register non-franchise locations. The amendments also broaden the definition of "employee" beyond a direct contractual relationship while making the specialty license holder responsible for the related training and actions of persons who sell insurance products under its license.

*Publication: 26TexReg8708, November 2, 2001
Earliest possible adoption, December 2, 2001
Further information: 512 463-6327*

FINANCIAL

APA Proposals

Accounting Guidance

■ The Department has proposed an amendment to 28 TAC § 7.18 concerning the adoption by reference of the March 2001 version of the NAIC *Accounting Practices and Procedures Manual*, which contains seven new statements of statutory accounting principles (SSAPs) added since publication of the March 2000 version of the manual. The adoption by reference would be applied to examinations conducted as of January 1, 2002, and thereafter and to prepare financial statements filed with TDI for periods after that date.

In addition to the SSAPs in the manual, the proposed change would adopt by reference the following:

- SSAP No. 81, concerning software revenue recognition.
- SSAP No. 82, concerning the costs of computer software developed or obtained for internal use and Web site development costs.
- SSAP No. 83, concerning mezzanine real estate loans.
- SSAP No. 84, concerning health care receivables and receivables under government insured plans. (Effective December 31, 2001.)

The rule change would add a provision stating that retrospective premiums must be billed within 60 days of computation and audit premiums must be billed within 60 days of the completion of the audit in determining the beginning date from which the 90-day period is calculated to determine admissibility of uncollected premium balances under SSAP No. 6.

The provisions in 28 TAC § 7.18 (c)(1) and (2) relating to the establishment of interest maintenance reserves and asset valuation reserves have expired and, therefore, are deleted in the proposed rule.

*Publication: 26TexReg9029, November 9, 2001
Earliest possible adoption: December 9, 2001
Further information: 512 463-6327*

HMO Withdrawal Plans

■ The Department has proposed amendments to 28 TAC §§ 7.1801–7.1808 concerning plans of orderly withdrawal. The rule changes would implement House Bill 3020 of the 76th Legislature, which brought HMOs under *Texas Insurance Code* Article 21.49C. This article re-

quires insurers to file withdrawal plans with TDI when they intend to totally withdraw from a line of insurance or to reduce total annual premium volume in a line of insurance by 75 percent.

The proposed rule changes add requirements that all withdrawal plans identify the policy forms to be withdrawn, address the needs of policyholders and certificate holders with special circumstances and identify insurance products, if any, that a withdrawing insurer will continue to offer.

Among other changes, the rule amendment would add to the list of "lines" of insurance, small employer health coverage, individual A&H, Medicare+Choice plans, CHIP coverage, association coverage and large employer health plans. For HMOs the list of lines also would include Medicaid, limited service group and individual coverages and single service individual coverages.

Withdrawing from Medicare, Medicare+Choice or Medicaid would not constitute a withdrawal requiring submission of a plan to TDI. However, an HMO withdrawing from one of those programs would have to notify TDI at the same time it notifies the state or federal agencies that administer the program.

Withdrawal plans submitted by insurance companies would have to include identification of policy forms, by number and type, affected by the withdrawal. The plans also would have to identify any *Texas Insurance Code* or *Texas Administrative Code* provisions mandating notices to policyholders. Another change would require withdrawal plans to include provisions for identifying customers with special circumstances and to identify any third party contracts that may provide for their continuity of care.

The proposed rule change would require HMO withdrawal plans to contain, in addition to the elements required in insurer withdrawal plans, a list of the counties affected by the intended withdrawal. HMOs filing total withdrawal plans also would have to submit quarterly financial projections from the beginning of the withdrawal to its completion.

*Publication: 26TexReg8471, October 26, 2001
Earliest possible adoption: November 25, 2001
Further information: 512 463-6327*

RuleMaking

LONG-TERM CARE

APA Proposal LTC Rating Policies and Consumer Disclosures

■ The Department has proposed amendments to 28 TAC §§ 3.3803–3.3805, 3.3810, 3.3819, 3.3821, 3.3829, 3.3831, 3.3832, 3.3837, 3.3839 and 3.3844 concerning standards for long-term care insurance coverage. The changes would apply to policies issued or issued for delivery on or after July 1, 2002.

Commissioner Jose Montemayor will hold a public hearing on the proposed amendments at 2 p.m., December 13, 2001, in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe, Austin.

The amendments are designed to implement House Bill 2482 of the 77th Legislature, codified as *Texas Insurance Code* Article 3.70-12, Section 5A. The statute requires the Commissioner to adopt rules to stabilize long-term care insurance rates by ensuring that initial rates are adequate and that subsequent increases are justified, adequate and reasonable in relation to benefits.

The proposed amendments would make TDI's rules consistent with the rating practices and consumer disclosure provisions of the NAIC's Long-Term Care Insurance Model Regulations. Among other things, the amendments would clarify that TDI's long-term care rules apply to long-term care insurance riders attached to life insurance policies or certificates or annuity contracts or certificates.

Definitions

The amendments would add several new definitions to the long-term care rules, including:

Attained age rating—A schedule of premiums starting from the issue date which increases with age by at least one percent per year prior to age 50 and at least three percent per year beyond age 50.

Exceptional premium rate increases—Increases filed by an insurer as exceptional and for which the Department determines the need for the premium rate increase is justified due to either

- changes in laws or regulations applicable to long-term care coverage in this state or
- increased and unexpected utilization that affects the majority of insurers of similar long-term care products.

Long-term care benefit classifications—Institutional long-term care benefits only, non-institutional long-term care benefits only, or comprehensive long-term care benefits.

Similar policy forms—All of the long-term care insurance policies and certificates issued by an insurer in the same long-term care benefit classification as the policy form being considered. There would be exceptions for certain labor union or employer sponsored plans.

Reserves and Rate Increase Notification

Reserves for long-term care policies would be determined in accordance with 28 TAC Chapter 3 Subchapter GG, relating to minimum reserve standards for individual and group accident and health insurance.

Insurers would be required to notify insureds of upcoming premium rate increases at least 45 days before implementation.

Rating Practices Disclosure

A major feature of the proposed rule changes is required disclosure of rating practices on all long-term care policies, other than those issued to union-sponsored and employer-sponsored group plans. TDI would prescribe a disclosure form that insurers could use for making the disclosures. Insurers would be required to provide the following information at the time of enrollment or application:

- Notice that the policy may be subject to rate increases in the future.
- An explanation of potential future premium rate changes, including an explanation of contingent benefit upon lapse and the policyholder's or certificate holder's option in the event of a rate revision.
- The premium rate or rate schedules applicable to the applicant that will be in effect until a request is made for an increase.
- A general explanation concerning premium rate or rate schedule adjustments. The explanation would have to include:
 - A description of when premium rate or rate schedule adjustments will become effective—for example, next anniversary date, next billing date, etc.
 - The policyholder's right to receive notice of a revised premium rate or rate schedule if the premium rate or rate schedule is changed and an explanation of the options available at the time of the increase.

- A 10-year history of premium rate increases on the applicable policy form or similar policy forms in Texas or any other state. This information would have to identify:
 - The policy forms for which rates have been increased.
 - The years when the affected forms were available for purchase.
 - The amount or percentage of each increase.

If the method of application does not allow for delivery of the disclosure at the time of application, the insurer would be required to provide it when delivering the policy to the consumer. Applicants would acknowledge in writing that they had received the required rating disclosures.

Insurers could include explanatory information about rate increases, but only if they present the information in a manner that is not misleading.

Rate Standards

Sixty days before using any long-term care policies or certificates to be issued in Texas on or after July 1, 2002, insurers would be required to submit to TDI copies of the required consumer disclosures concerning rates. Insurers also would have to submit an actuarial memorandum or certification. Among other things, the actuarial memorandum or certification would have to include a statement that the initial premium rate schedule is sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form, with no future premium increases anticipated. TDI could require an insurer to provide at any time an actuarial demonstration that benefits are reasonable in relation to premiums.

When an insurance company files for an exceptional premium rate increase, TDI could request an independent actuarial review to determine whether the necessary basis for such an increase exists.

Companies filing premium rate schedule increases would be required to submit actuarial certifications justifying the increases and stating that no further increases are anticipated if the increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized.

RuleMaking

Exceptional increases would be required to provide that 70 percent of the present value of projected additional premiums from the increases will be returned to policyholders in benefits.

For three years after increasing rates, a company would be required to submit updated projections each year, comparing actual results to projected values. TDI could require a longer reporting period if actual results are not consistent with prior projected values.

TDI could require premium rate schedule adjustments or other measures if actual experience following a rate increase does not adequately match the projected experience filed by the insurer.

The rule changes identify additional information that insurers seeking rate increases would have to file with TDI for policies or certificates eligible for contingent benefit upon lapse. For certain types of rate increase filings, TDI would determine if significant adverse lapsation has occurred or is anticipated and if a rate spiral exists.

If TDI found a rate spiral did exist, it could require the insurer in question to take certain actions. These actions could include offering all in-force insureds subject to the rate increase the option of replacing their policies—without underwriting—with comparable products offered by the insurer or its affiliates. Such an offer would be subject to TDI approval. It would have to be based on actuarially sound principles but not on attained age and also have to provide that maximum benefits under any new policy accepted by an insured would be reduced by comparable benefits already paid under the existing policy.

If TDI determined that an insurer has exhibited a persistent practice of filing inadequate initial premium rates, TDI could issue an order prohibiting the insurer from filing and marketing comparable coverage for up to five years. Alternatively, TDI could prohibit the insurer from offering all other similar coverages and from limiting the marketing of new applications to products subject to recent premium rate schedule increases.

Contingent Benefit Upon Lapse

Starting July 1, 2002, insurers would be required to provide contingent benefits upon lapse to policyholders and certificate holders

who decline the option of buying policies containing nonforfeiture benefits.

A contingent benefit upon lapse would be effective during the life of a long-term care contract, including the first three years. The benefit would be triggered when an insurer increases premium rates to a level that results in cumulative increases for specific ages as indicated in the *Triggers for a Substantial Premium Increase* table contained in the rule. The triggers range from a high of 200 percent for issue age 29 and under to a low of 10 percent for issue age 90 and over.

Upon making a substantial premium increase, an insurer would have to offer affected policyholders a reduction in policy benefits, so that premiums will not rise, and conversion to a paid-up status with a shortened benefit period. The insurer would be required to notify affected customers that a default or lapse at any time within 120 days after the due date of the premium that has been increased will trigger the conversion to paid-up status.

*Publication: 26TexReg9019, November 9, 2001
Earliest possible adoption: December 9, 2001
Further information: 512 463-6327*

TAXES, ASSESSMENTS AND FEES

APA Proposals

Examination Expenses

■ The Department has proposed an amendment to 28 TAC § 7.1012 revising domestic insurance company assessments to cover TDI administrative expenses attributable to the examination of insurers during 2002.

Companies being examined would continue paying examiners' actual salaries and expenses allocable to the examinations.

All domestic companies would pay a 2002 overhead assessment computed as follows, with the 2001 rates shown in brackets for comparison:

- .00577 [.00458] of 1 percent of the company's admitted assets as of Dec. 31, 2001, taking into consideration the annual admitted assets that are not attributable to 90 percent of pension plan contracts and
- .01383 [.01406] of 1 percent of the company's gross premium receipts for 2001, taking into consideration the annual premium receipts that are not attributable to 90 percent of pension plan contracts.

In addition to paying examiners' direct salaries and expenses, foreign companies undergoing examination would be assessed 33 percent of the gross salary of each examiner for each month or partial month, a slight increase over the 32 percent assessed in 2001.

*Publication: 26TexReg9361, November 16, 2001
Earliest possible adoption: December 16, 2001
Further information 512 463-6327*

Maintenance Taxes and Fees

■ The Department proposes amendments to 28 TAC §1.414 to establish 2002 maintenance taxes and fees. The new maintenance tax and fee rates would be assessed on gross premiums for 2001.

The proposed new rates, with 2001 rates shown in brackets, are:

- .060 [.057] of 1 percent for motor vehicle insurance.
- .210 [.186] of 1 percent for casualty insurance and fidelity, guaranty and surety bonds.
- .401 [.352] of 1 percent for fire insurance and allied lines, including inland marine
- .069 [.060] of 1 percent for workers' compensation insurance
- .111 [.086] of 1 percent for title insurance
- .040 [.040] of 1 percent for life, health and accident insurance
- \$.37 [\$.37] per enrollee for single service HMOs
- \$1.10 [\$1.11] per enrollee for multi-service HMOs
- \$.37 [\$.37] per enrollee for limited service HMOs.
- .330 [.237] of 1 percent of the correctly reported gross amount of administrative or service fees for third party administrators
- .03 [.02] of 1 percent for corporations issuing prepaid legal service contracts.

*Publication: 26TexReg9360, November 16, 2001
Earliest possible adoption: December 16, 2001
Further information 512 463-6327*

Premium Finance Assessment

■ TDI proposes an amendment to 28 TAC § 25.88 setting the general administrative expense assessment of premium finance companies for 2002. The assessment will be .00135 [.01684] of 1 percent of a company's total loan dollar volume for 2001, with a minimum assessment of \$250.

*Publication: 26TexReg9363, November 16, 2001
Earliest possible adoption: December 16, 2001
Further information: 512 463-6327 ★*

Disciplinary Actions

Editor's Note: Copies of individual orders may be obtained by calling TDI's Public Information Office, 512 463-6425.

AGENTS & AGENCIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Bick, Kellie Hampton	Arlington	Escrow Officer's License Revoked	Misappropriation or Conversion	01-0996	10/16/01
	Fannin County Title Co.	Bonham	\$5,000 Fine	Escrow Account Violations	01-0992	10/16/01
	Gibbs, Jana Lynn	Big Spring	Escrow Officer's License Denied	Material Misstatement in License Application; Misappropriation	01-1006	10/18/01
	Jalayer, Houtan	Houston	\$500 Fine and Cancellation of Qualified Inspector's Appointment	Failure to Provide Substantiating Information for Inspection Certificate	01-1004	10/18/01
	Morales, Glori	Houston	\$1,500 Fine and Probated Suspension of Agent's Licenses	Unauthorized Insurance by Two Employees; Incorrect Use of Powers of Attorney	01-1005	10/18/01
	Segura, Henry E.	Houston	\$1,000 Fine and Probated Suspension of Qualified Inspector's Appointment	Failure to Provide Substantiating Information for Inspection Certificate	01-0954	10/3/01
	Veltmann, Clyde Rusk	Center Point	Probated Suspension of Adjuster's License	Felony Conviction	01-0952	10/3/01
	Wegner, Tommy S.	Big Spring	Solicitor's License Revoked	Felony Conviction	01-0898	9/19/01
URAs	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Crawford & Company	Atlanta, GA	\$20,000 Fine	Utilization Review Violations	01-0963	10/5/01
COMPANIES	NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
	Allstate Indemnity Co.	Northbrook, IL	\$500 Fine and Restitution	Failure to Make Required Workers' Compensation Maintenance Tax Surcharge Refunds	01-0994	10/16/01
	Allstate Insurance Co.	Northbrook, IL	\$10,000 Fine and Restitution	Failure to Make Required Workers' Compensation Maintenance Tax Surcharge Refunds	01-0995	10/16/01
	Assurance Company of America	Schaumburg, IL	\$3,000 Fine	Late Filing of Auto Experience Rating Data	01-0953	10/3/01
	General Reinsurance Corp.	Stamford, CT	\$5,000 Fine	Consent Order; Alleged Failure to Make Required Workers' Compensation Maintenance Tax Surcharge Refunds	01-1010	10/24/01
	Westchester Fire Insurance Co.	Philadelphia, PA	\$20,000 Fine	Failure to Make Required Refunds of Workers' Compensation Maintenance Tax Surcharge	01-0856	9/10/01

Company Licensing Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
ABA Seguros S.A.	Casualty	Garza Garcia, N.L., Mexico
Employee Health Insurance Management, Inc.	TPA	Southfield, MI
Greenwood International Insurance Services Inc.	TPA	Hopkinton, MA
Family Health America, L.C.	TPA	Wichita, KS
Perot Systems Healthcare Services, LLC	TPA	Wilmington, DE
Pharmacy Benefit Management, L.L.C. (doing business under the assumed name of ScriptNet)	TPA	Las Vegas, NV
PHP Companies Inc. (doing business under the assumed name of Cariten TPA Services)	TPA	Knoxville, TN

continued on back page

Company Licensing

Applications Pending

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
The Savings Bank Life Insurance Company of Massachusetts	Life, Accident & Health	Woburn, MA
Sumitomo Marine & Fire Insurance Company of America	Fire & Casualty	New York, NY

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Texas Agricultural Cooperative Trust	MEWA	Austin, TX

For name change in Texas

FROM	TO	LINE	LOCATION
American General Annuity Insurance Co.	AIG Annuity Insurance Co.	Life, Accident & Health	Amarillo, TX
Great Lakes Life & Health Insurance Co.	Renaissance Life & Health Insurance Co.	Life, Accident & Health	Indianapolis, IN
GuideOne Casualty Insurance Co.	Equity Insurance Co.	Fire & Casualty	Waco, TX
Life Reassurance Corporation of America	Swiss Re Life & Health America Inc.	Life, Accident & Health	Stamford, CT
ZC Insurance Co.	Converium Insurance (North America) Inc.	Fire & Casualty	Fort Lee, NJ
Zurich Reinsurance (North America) Inc.	Converium Reinsurance (North America) Inc.	Fire & Casualty	Stamford, CT

Applications Approved

For admission to do business in Texas

COMPANY NAME	LINE	HOME OFFICE
AdvancePCS Health, L.P.	TPA	Wilmington, DE
American Surety and Casualty Co.	Fire & Casualty	Jacksonville, IL
Atlantic Specialty Insurance Co.	Fire & Casualty	New York, NY
Doral USA, LLC	TPA	Mequon, WI
EOSHealth, Inc.	TPA	Tempe, AZ
GuideOne Casualty Insurance Co.	Fire & Casualty	West Des Moines, IA
Healthcare Resources Group, LLC	TPA	South Bend, IN
Mutual Medical Plans Inc.	TPA	Peoria, IL
Planet Indemnity Co.	Fire & Casualty	Peoria, IL

For incorporation

COMPANY NAME	LINE	HOME OFFICE
Allied Claims Solutions, LLC	TPA	Dallas, TX

For name change in Texas

FROM	TO	LINE	LOCATION
Genam Benefits Insurance Co. (St. Louis, MO)	HCSC Insurance Services Co.	Life	Chicago, IL
Healthcare Underwriters Mutual Insurance Co. (Latham, NY)	Medical Liability Mutual Insurance Co.	Fire and/or Casualty	New York, NY
United Heritage Mutual Life Insurance Co. (Nampa, ID)	United Heritage Life Insurance Co.	Life	Meridian, ID



Texas Department of Insurance
P. O. Box 149104
Austin, Texas 78714-9104

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