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May 08 '06 13:02
Jun 20 '97 14:50

HARVEST INSURANCE AGENCY
as Agent (DEPT)

Identify areas of the strength and sizes of agencies that are having the most problems in both personal and commercial lines. "TAIA members from across the state serving on this task force will use the survey's findings to formulate a strategy for helping companies do a better job of helping TAIA members compete for business," Cox says. The task force also will receive a report from Insurance Commissioner ROBERT HUNTER on a meeting to be held 5/3/94 in Big Spring to evaluate rural market problems and a 3/31/94 hearing in Houston on the redlining problems in inner-city residents face. At the Houston hearing, Hunter released an analysis of insurer data that he said demonstrates that residents of minority neighborhoods have inadequate access to affordable homeowners insurance.

HEALTH ACT
AFFECTS
SMALL

House Bill 2055, the Small Employer Health Insurance Availability Act, has come into the marketplace with a whimper. According to several TAIA members, the law has brought few—if any—employers into the health insurance market. Pricing, which each carrier sets individually, may be one of the reasons. In a rate comparison conducted by TAIA, a 14-person electrical contractor company would pay more for health insurance under all 3 HB 2055 plans than it pays now. In another example, the best option for a carpet store with 15 employees was a standard plan with a 90% coinsurance requirement. Most members feel that the law's "guaranteed issue" provision, which requires insurance companies after 9/1/93 to provide health insurance to small employers without regard to claim experience, health status, or medical history, is the portion of the law that will be most beneficial to employers. Some employers that had plans in place 1/1/94, when HB 2055 took effect, have asked to come under the new law in order to add new employees without underwriting. While the law allows an employer to do that, it also allows insurers to accept or reject the entire group until 9/1/93. In addition, the rules don't clearly state whether a carrier must consider such a conversion request during the policy period or only at renewal time. TAIA members say having to explain the 3 insurance plans mandated by HB 2055 has created an additional administrative burden with little payoff since clients aren't interested in purchasing any of the plans. The agents are also concerned about the S&O exposure associated with offering 2 plans with such low limits—\$15,000 or \$100,000 annually. As always, document, document, document.

FROM ASLA

One of the most important benefits of belonging to TAIA is access to markets. Case in point: the FRO program through Austin Surplus Lines Agency, Inc. Every TAIA member has easy access to ASLA's stable market for farm and ranchowners, even for most hard-to-place, one-of-a-kind risks. See the enclosed flyer for more details, or call ASLA at 800/727-2752.

TDI
INVESTIGATES
PRUDENTIAL

Another insurer may have fallen victim to its own underwriting guidelines and practices. On the heels of its investigation into Allstate's alleged illegal practices (see 2/13/94 Special Report), lawyers with the Texas Department of Insurance have recommended a \$25,000-per-violation fine against Prudential for violating the blacklisting and tie-in rules and a law prohibiting discrimination based on national origin. TDI says Prudential agents reported the alleged violations. Agent PHIL MORRIS, of Richardson, told TAIA he first wrote the department 2 years ago requesting clarification of guidelines that appeared to violate rules and laws. Morris said he wrote again last September after the State Board of Insurance adopted the blacklisting and tie-in rules. He also wrote Prudential's management, saying he was "not going to violate the new rules," nor would he "conspire with the company to do so."

ALLEGED
ILLEGAL
DISCRIMINATION

According to TDI's report, Prudential uses risk desirability factors, referred to as the New Business Quality Average, to determine the acceptability and pricing of auto risks. Among other factors, the system considers the number of autos to be insured and other policies the customer purchases from Prudential. In addition, the TDI report says, Prudential's guidelines make auto insurance available only to drivers with a valid driver's license from the U.S. or Canada, which TDI says illegally discriminates on the basis of national origin. Prudential has 20 days to request a hearing on TDI's allegations, and company officials indicate they will do so. Meanwhile, the Allstate matter reportedly is close to a settlement. To learn more about agents' responsibilities when underwriting or quoting personal lines, sign up for ACSR Update classes in Longview, San Antonio, El Paso, or Dallas. The curriculum includes a 2-hour session titled, "How to Quote and Underwrite—Without Getting Busted." If you can't attend one of these sessions, TAIA has produced a videotape on the topic that will be available soon. Watch Texas Agent for more details or call the TAIA member services hotline.

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