

**TEXAS DEPARTMENT OF INSURANCE  
EXEMPT FILING NOTIFICATION COMMISSIONER'S ORDER NO. 06-0273  
PURSUANT TO THE INSURANCE CODE  
CHAPTER 5, SUBCHAPTER L, ARTICLE 5.96**

**ADOPTION OF AMENDMENTS TO THE *TEXAS BASIC MANUAL OF RULES, CLASSIFICATIONS AND EXPERIENCE RATING PLAN FOR WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE* TO SET FORTH THE RULES AND PROVIDE THE ENDORSEMENT TO BE USED FOR POLICYHOLDERS WHO ELECT TO PROVIDE WORKERS' COMPENSATION HEALTH CARE SERVICES TO INJURED EMPLOYEES THROUGH A CERTIFIED WORKERS' COMPENSATION HEALTH CARE NETWORK**

The Commissioner of Insurance adopted amendments proposed by the staff of the Workers' Compensation Classifications, Premium Calculation and Research Division of the Property and Casualty Insurance program at the Texas Department of Insurance (Department) to the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance* (the Manual). The adopted amendments facilitate implementation of House Bill 7 (HB 7), enacted by the 79<sup>th</sup> Texas Legislature, Regular Session, 2005. HB 7, in pertinent part, authorized the establishment of workers' compensation health care networks for the provision of workers' compensation medical benefits; and provided the statutory framework for the establishment of standards for the certification, administration, evaluation, and enforcement of the delivery of health care services to injured employees by workers' compensation health care networks. The purpose of the adopted amendments to the Manual is to set forth the rules regarding a network premium credit and provide the endorsement to be used for policyholders who elect to

provide workers' compensation health care services to injured employees through a certified workers' compensation health care network.

The Commissioner adopted the amendments as proposed in the staff's petition filed on February 8, 2006. Notice of the proposal (Ref. No.W-0206-01-I) was published in the February 17, 2006 issue of the *Texas Register* (31 TexReg 1053). No hearing was requested on this matter. The Department received no comments concerning the proposed amendments.

The adoption amends the Manual as follows:

1. Amends Rule VI, relating to Rates and Premium Determination, by adding a new Section K, entitled Certified Workers' Compensation Health Care Network. The new section states that the department anticipates that certified workers' compensation health care networks will help reduce the cost of workers' compensation claims in Texas and that cost savings, both anticipated and actual, should be passed on to policyholders participating in the networks in the form of a premium credit. The amount of the premium reduction, if applicable, is to be shown on the Information Page of the policy and is to be determined by applying the network credit factor to the estimated modified/schedule rating premium. The premium reduction can be prorated based on when during the policy period the policyholder makes the election to participate or makes the election to terminate participation in a certified network. The premium reduction can be forfeited if the

carrier determines that the policyholder has failed to provide employees notice of network requirements that are mandated in new subsection K(2)(a) or the employee acknowledgement form referenced in new subsection K(2)(b) of the rule. Before a policyholder's premium reduction can be forfeited by the insurance carrier, a letter giving 30 days notice of possible premium reduction forfeiture must be sent by the insurance carrier to the policyholder explaining why the premium credit is being forfeited. If the policyholder corrects the reason(s) for the potential forfeiture of the premium credit within the 30 days, the premium reduction will not be forfeited.

2. Amends Appendix A, relating to Procedures. Specifically, the adoption amends subsection A(6), relating to Policy Issuance, by adding to the list of items that must be included on the Information Page of the policy, the network credit factor, if any is applicable. This amendment also necessitates a re-ordering and re-numbering of the items listed in subsection A (6).

3. Requires a new endorsement, entitled the Texas Health Care Network Endorsement WC 42 04 08, to be attached to all workers' compensation policies when the policyholder elects to provide workers' compensation health care services to injured employees through a certified workers' compensation health care network. The language of the endorsement advises the policyholder that there may be a premium reduction because of the policyholder's election to provide workers' compensation health care services to injured employees

through a certified workers' compensation health care network, and explains the information that the carrier must provide to policyholders pursuant to new Section K of Rule VI.

The adopted amendments are more particularly set forth in the applicable portions of the Manual that are attached hereto and made a part hereof for all purposes.

The Commissioner of Insurance has jurisdiction over this matter pursuant to the Insurance Code Articles 5.56 and 5.96.

The amendments as adopted by the Commissioner are on file in the Chief Clerk's Office of the Texas Department of Insurance under Reference No.W-0206-01-I and are incorporated by reference into Commissioner's Order No. **06-0273**.

This notification is made pursuant to the Insurance Code Article 5.96, which exempts it from the requirements of the Government Code Chapter 2001 (Administrative Procedure Act).

This agency hereby certifies that the amendments as adopted have been reviewed by legal counsel and found to be a valid exercise of the agency's authority.

Issued in Austin, Texas on \_\_\_\_\_, 2006.

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Gene C. Jarmon  
General Counsel and Chief Clerk  
Texas Department of Insurance

**IT IS THEREFORE THE ORDER** of the Commissioner of Insurance that amendments to the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance* as described herein and set forth in the exhibit attached to this Order and incorporated into this Order by reference, be adopted 15 days after notice of adoption is published in the *Texas Register*.

TEXAS DEPARTMENT OF INSURANCE

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MIKE GEESLIN  
COMMISSIONER OF INSURANCE

RECOMMENDED BY:

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Nancy Moore, Deputy Commissioner  
Workers' Compensation Classification,  
Premium Calculation & Research Division

ATTEST

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Gene Jarmon  
General Counsel and Chief Clerk  
Texas Department of Insurance

Commissioner's Order No. \_\_\_\_\_