

Room E

Pursuant to a public notice posted on February 15, 1979 at 1:30 p.m., the Insurance Committee convened in a public hearing and was called to order by the Chair, Representative Bob Simpson.

The roll was answered as follows:

Present: Browder, Cartwright, Temple, Green, Hartung, Lyon, Crawford, Webber, Simpson (9)

Absent: Smith, Cofer (2)

A quorum was present

H.B. 214

The Chair laid out H.B. 214 and recognized the Committee Counsel Kay Doughty to explain the Bill.

The Chair recognized the House Sponsor of the Bill, Rep. Jim Clark to open testimony .

The Chair recognized Mr. James H. Clipson, Jr., a Rice farmer and Chairman of the Texas Commission on Alcoholism from Eagle Lake, Texas to speak for H.B. 214. Mr. Clipson represented The Texas Commission on Alcoholism.

The Chair recognized Mr. Dick Stanford, a Public Administrator from Austin, Texas to speak for H.B. 214. Mr. Stanford represented the Worker Assistance Program of Texas.

The Chair recognized Dr. Ernest Gregory M.D., a General Surgeon from San Antonio, Texas to speak for H.B. 214. Dr. Gregory represented the Texas Medical Association.

The Chair recognized Mr. Robert G. Meehan, the Founder of Palmer Drug Abuse Program from Missouri City, Texas. Mr. Meehan represented the Palmer Drug Abuse Program. Mr. Meehan spoke for H.B. 214.

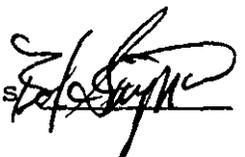
The Chair recognized Rep. Crawford as being present.

The Chair recongized Mr. Larry Mathis, Executive Director, Alcoholism Council of Texas, Inc. to speak for H.B. 214. Mr. Mathis represented the Alcoholism Council of Texas, Inc.

The Chair recognized Mr. Ralph McBride, A Hospital Administrator from Center Point Texas, to speak for H.B. 214. Mr. McBride represented the Starlite Village Hospital, Inc. of Center Point, Texas.

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Chairmans Initials



The Chair recognized Dr. George S. Glass, M.D., a Doctor of Clinical Psychiatry and Associate Professor for the Department of Psychiatry at the University of Texas, to speak for H.B. 214. Dr. Glass represented himself.

The Chair recognized Mr. Will Davis, an Attorney from Austin, to speak against H.B. 214. Mr. Davis represented The Texas Legal Reserve Officials Association.

The Chair recognized Mr. W.L. Wallace, Vice President of First Continental Life and Accident Insurance Company, to speak Against H.B. 214. Mr. Wallace represented the Texas Legal Reserve Officials Association.

The Chair recognized Mr. Ralph G. Campbell Jr., President of Central Security Life Insurance Company, to speak against H.B. 214. Mr. Campbell represented Texas Legal Reserve Officials Association.

The Chair recognized Mr. Jeff Autrey, a Lawyer from Austin, to speak against H.B. 214. Mr. Autrey represented the Texas Life Insurance Association.

The Chair recognized Rep. Clark to close testimony on H.B. 214.

Mr. Browder moved to refer H.B. 214 to the Life & Health Subcommittee on Insurance. There being no objections, the motion passed.

H.B. 291

The Chair laid out H.B. 291, and recognized the Committee Counsel, Kay Doughty to explain the Bill.

The Chair recognized the House Sponsor, Rep. Anita Hill to open testimony.

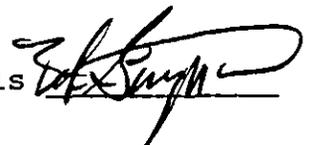
The Chair recognized Dr. Ron Garrett, Dr. of Chiropractic, to speak for H.B. 291. Dr. Garrett represented the Texas Chiropractic Association.

The Chair recognized Mr. Will Davis, an Attorney from Austin, to speak against H.B. 291. Mr. Davis represented the Texas Legal Reserve Officials Association.

The Chair recognized Mr. Ace Pickens, an Attorney from Austin, to speak against H.B. 291. Mr. Pickens represented the Texas Medical Association.

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Chairmans Initials



The Chair recognized Rep. Anita Hill to close testimony on H.B. 291.

The Chair moved to refer H.B. 291 to the Life & Health Subcommittee on Insurance. There being no objection, the motion passed.

H.B. 860

The Chair laid out H.B. 860 and recognized the Committee Counsel, Kay Doughty to explain the Bill.

The Chair recognized Rep. Browder to open testimony on the Bill.

The Chair recognized Mr. Mark Hanna, an Attorney from Austin, to speak for H.B. 860. Mr. Hanna represented the Texas Dental Association.

The Chair recognized Rep. Browder to close testimony on H.B. 860.

The Chair moved that H.B. 860 be referred to the Life & Health Subcommittee on Insurance. There being no objection, the motion passed.

H.B. 823

The Chair laid out H.B. 823, and recognized the Committee Counsel, Kay Doughty to explain the Bill.

The Chair recognized Representative Close to open testimony on H.B. 823.

The Chair recognized Mr. R.B. Ashworth, Manager of Business Practices and Enforcement Division for the State Board of Insurance, to speak on H.B. 823. Mr. Ashworth represented the State Board of Insurance.

The Chair recognized Mr. W.G. Hassard, Sr. Vice President of Southern County Mutual Insurance Company, to speak against H.B. 823. Mr. Hassard represented the Southern County Mutual Insurance Company.

The Chair recognized Representative Close to close testimony on H.B. 823.

The Chair moved to refer H.B. 823 to the Property and Casualty Subcommittee. There being no objections, the motion passed.

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Chairmans Initials



H.B. 477

The Chair laid out H.B. 477, and recognized the Committee Counsel, Kay Doughty to explain the Bill.

The Chair recognized Rep. Head to open testimony on H.B. 477.

The Chair recognized Mr. Wilborn Fisher, Insurance Tech. III for the State Board of Insurance, to speak on H.B. 477. Mr. Fisher represented the State Board of Insurance.

The Chair recognized Mr. Will Davis, an Attorney from Austin, to speak against H.B. 477. Mr. Davis represented the Ranger/Pan American Insurance Company, Independent County Mutual Fire Company, and Foremost County Mutual Insurance Company.

The Chair recognized Mr. W.C. Hassard, Sr. Vice President of Southern County Mutual Insurance Company, to speak against H.B. 477. Mr. Hassard represented Southern County Mutual Insurance Company.

Representative Hartung took the Chair.

The Chair recognized Mr. Steven Hacker, an Associate Executive of Professional Insurance Agents of Texas, to speak against H.B. 477. Mr. Hacker represented the Professional Insurance Agents of Texas.

Representative Simpson took the Chair.

The Chair recognized Rep. Head to close testimony on H.B. 477.

The Chair moved to refer H.B. 477 to the Property and Casualty Subcommittee on Insurance. There being no objections, the motion passed.

S.C.R. 21, H.B. 280, 344

The Chair laid out S.C.R. 21, H.B. 280 and H.B. 344 and recognized the Committee Counsel, Kay Doughty to explain them.

The Chair recognized Rep. Gonzales to open testimony on H.B. 280 and 344.

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Chairmans Initials



The Chair recognized Rep. Salinas to open testimony on S.C.R. 21

The Chair recognized Mr. Lyndon Olson Jr., Chairman of the State Board of Insurance, to speak for S.C.R. 21, on H.B. 280, and on H.B. 344. Mr. Olson represented himself.

The Chair recognized Ms. Margaret Ann Miller, a Commercial Real Estate Agent from Arlington, Texas. Ms. Miller represented herself and all handicapped individuals. Ms. Miller spoke for H.B. 344 and 280.

The Chair recognized Mr. Carl P. Roberts, a Professional in the field of Deafness, to speak for H.B. 280. Mr. Roberts represented The Texas Deaf Community and Coalition of Texas Organizations Serving the Deaf.

The Chair recognized Mr. Samuel Bier, Legislative Chairman for the Department of Texas, Disabled American Veterans, to speak for H.B. 280 and 344. Mr. Bier represented the Department of Texas Disabled American Veterans.

The Chair recognized Mr. Howard Hann, Vice President, Underwriting, to speak against H.B. 280, H.B. 344. Mr. Hann represented the Association of Texas Fire and Casualty Companies.

The Chair recognized Mr. Richard Geiger, a Lawyer from Austin, TX, to speak against S.C.R. 21. Mr. Geiger represented the Association of Fire and Casualty Companies of Texas.

The Chair recognized Rep. Gonzales to close testimony on S.C.R. 21, H.B. 280, and 344

The Chair moved to refer S.C.R. and H.B. 280, 344 to the Property and Casualty Subcommittee on Insurance. There being no objections, the motion passed.

H.B. 392 and 334

The Chair laid out H.B. 392 and 334

The Chair recognized Rep. Hill to explain H.B. 392.

The Chair recognized Rep. Green to explain H.B. 344.

The Chair recognized Cathy Bonner, Legislative Consultant, to speak for H.B. 392 and 334. Ms. Bonner represented the Texas Women's Political Caucus.

The Chair recognized Ms. Becky Beaver, an Attorney and President of the Womens Equite Action League, to speak for H.B. 392 and 344. Ms. Beaver represent the Women's Equity Action League.

The Chair recognized Mr. Lyle Hammner, retired, to speak for H.B. 392 and 344. Mr. Hamner recognized the Retired Federal Employees of Texas.

The Chair recognized Mr. Jim Cannon, Legislative Representative for MIGHT, to speak for H.B. 392 and 344. Mr. Cannon represented "MIGHT" Mobility Impaired Grappling Hurdle together.

The Chair recognized Mr. Howard Hann, Vice President, Underwriting, to speak against H.B. 392 and 344. Mr. Hann represented the Association of Texas Fire and Casualty Companies.

The Chair recognized Mr. Forrest Roan, an Attorney in Austin, to speak against H.B. 392 and 344. Mr. Roan represented the American Insurance Association.

The Chair recognized Rep. Hill to close testimony on H.B. 392

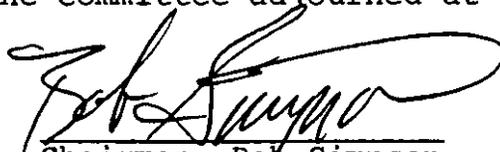
The Chair recognized Rep. Green to close testimony on H.B. 344

The Chair moved to refer H.B. 392 and 344 to the Property and Casualty subcommittee on Insurance. There being no objection, the motion passed.

The chair moved that the Committee on Insurance adjourn, subject to call to the Chair.

There being mo objection, the Committee adjourned at 10:10.

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Chairman, Bob Simpson

ERNEST J. GREGORY, JR., M.D., F.A.C.S.
GENERAL SURGERY
204 OAK HILLS MEDICAL BLDG.
7711 LOUIS PASTEUR DR.
SAN ANTONIO, TEXAS 78229

Testimony on Bill 214

It is a privilege to share with this committee the opinion of the Special Committee on Drug Abuse and Alcoholism of the TMA with regard to the need for third party coverage for the disease alcoholism.

There is a changing attitude in the country toward alcoholism and the alcoholic. It is now generally recognized by the medical profession that alcoholism is an illness characterized by significant impairment that is directly associated with persistent and excessive use of alcohol. Impairment may involve physiological, psychological or social dysfunction.

The State of Texas has more than one half million alcoholics along with four times that many adversely affected by the abuse of alcohol. Only cancer and cardiovascular disease affect more people.

Since alcoholism is a disease of denial, it is difficult for the individual to admit he or she has a problem. The present policy of admitting alcoholics to hospitals with other diagnoses in order to obtain third party payment is reinforcing denial and delaying treatment of the underlying problem. An opportunity to admit to the hospital with the diagnosis of alcoholism afford the physician an opportunity to treat the cause rather than the complications only and eventually should result in less hospitalization.

Any coverage for alcoholism should provide for outpatient treatment. It is less costly to identify alcoholism early and treat it as such on an ambulatory basis than to wait until the medical sequellae become manifest and require inpatient hospital care under diagnosis of pathology.

Since only 5% of alcoholics are skid-row inhabitants, the other 95% are all around us; executives, professional people, housewives, teenagers, etc., most having some form of health insurance. Adding alcoholism coverage will allow greater flexibility in treatment and hopefully salvage lives at an earlier stage by admitting them directly either to community hospitals or to recognized alcoholic treatment programs. There is no panacea for this complex problem, but we feel that H. B. 214 offers a responsible step in the right direction.

I am enclosing a copy of a "Joint Statement of Principles Concerning Alcoholism" by American Bar Association and American Medical Association which states as premise No. 1 "Alcoholism should be regarded as an illness in medical and hospital care insurance contracts, and be subject to benefits comparable to those which apply to other chronic illnesses."

Joint Statement of Principles Concerning Alcoholism
American Bar Association - American Medical Association

The American Bar Association and the American Medical Association, recognizing that alcoholism is a major health problem and is an illness due to multiple causes often beyond the control of the individual, now affirm that alcoholics are entitled to the same rights and privileges in law and the same opportunity for medical treatment which are accorded to persons with other illnesses or diseases, and make the following declarations consistent with this affirmation.

1. Alcoholism should be regarded as an illness in medical and hospital care insurance contracts, and be subject to benefits comparable to those which apply to other chronic illnesses.
2. General hospitals, both public and private, should accept on a non-discriminatory basis, for both inpatient and out-patient care, patients diagnosed as alcoholics. This principle was approved by the AMA House of Delegates in 1956 and reaffirmed in 1966.
3. Schools of medicine and hospital training programs should develop courses of instruction in the prevention, causes, diagnosis and treatment of alcoholics.
4. State governments should adopt new comprehensive legislation covering the problems of alcoholism. In recognition of recent federal court decisions, such legislation should find that alcoholism is a chronic illness. It should provide for adequate diagnostic, treatment and rehabilitation services for alcoholics and for civil committment for treatment rather than prosecution. It also should provide for civil committment in those cases where the defendent is acquitted of an accusation of a crime on the ground of alcoholism. It also should provide that public intoxication in itself is not a crime.
5. State and local bar and medical associations should appoint committees on alcoholism where such committees do not now exist. These committees should meet jointly on a regular basis to consider problems of alcoholism in their geographic areas and recommend appropriate action to the proper authorities of the American Medical Association and the American Bar Association.

Testimony of:
Dick Stanford, Executive Director
Workers Assistance Program of Texas
Re: HB 214 (Alcoholism Coverage in Health Insurance)
To the Committee on Insurance,
The House of Representatives of the
State of Texas
Austin, Texas
February 20, 1979

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

MY NAME IS DICK STANFORD. I AM EXECUTIVE DIRECTOR OF THE WORKERS ASSISTANCE PROGRAM OF TEXAS, WHICH I WILL REFER TO AS THE "WAP/T" IN MY TESTIMONY. I WISH TO EXPRESS A POSITION FOR HB 214, AND THE REASONS WHY.

THE WAP/T EXISTS TO IMPLEMENT WORKERS ASSISTANCE PROGRAMS. SUCH PROGRAMS ARE ALSO CALLED EMPLOYEE ASSISTANCE PROGRAMS, OCCUPATIONAL ALCOHOLISM PROGRAMS, OR OCCUPATIONAL PROGRAMS. THESE PROGRAMS ARE FORMALIZED MEANS FOR WORKERS/EMPLOYEES WHOSE JOB PERFORMANCE IS IMPAIRED BY PERSONAL PROBLEMS TO OBTAIN HELP FOR SOLVING THOSE PROBLEMS. THE RESULT IS IMPROVED JOB PERFORMANCE.

THOSE PERSONAL PROBLEMS CAN BE FINANCIAL, LEGAL, FAMILY, OR DRUG ABUSE. BUT, THE MAJORITY OF THESE PROBLEMS ARE ALCOHOL RELATED OR ALCOHOLISM. THE WAP/T IS NOT A TEMPERANCE GROUP. IT IS, INSTEAD, AN EFFECTIVE MEANS OF EARLY IDENTIFICATION OF, AND TREATMENT FOR, THE DISEASE OF ALCOHOLISM.

A FEW PERTINENT FACTS ASSIST IN UNDERSTANDING THE DISEASE OF ALCOHOLISM:

***THE AMERICAN MEDICAL ASSOCIATION, IN THE 1950s, OFFICIALLY RECOGNIZED ALCOHOLISM AS A DISEASE.

***THE FINANCIAL COST OF ALCOHOLISM, JUST IN LOST PRODUCTION OF GOODS AND SERVICES, IS MEASURED IN BILLIONS OF DOLLARS NATIONALLY AND 100s OF MILLIONS OF DOLLARS IN TEXAS.

***THE HUMAN LOSS AND SUFFERING CAUSED BY ALCOHOLISM AFFECTS OVER 2.1 MILLION PERSONS IN TEXAS.

***OCCUPATIONAL ALCOHOLISM PROGRAMS ARE COST EFFECTIVE, AS EVIDENCED BY THEIR ADOPTION ACROSS THE COUNTRY BY ALMOST 3,000 PRIVATE AND PUBLIC ORGANIZATIONS. THE GREAT MAJORITY OF THESE PROGRAMS HAVE BEEN IMPLEMENTED SINCE 1970.

***ALCOHOLICS HAVE A LIFE EXPECTANCY 12 YEARS SHORTER THAN THE NATIONAL AVERAGE, AND 50 PER CENT OF THESE DIE BEFORE THE AGE OF 51.

***THE STIGMA ASSOCIATED WITH THE DISEASE OF ALCOHOLISM, ALTHOUGH REDUCING, IS STILL GREAT. FOR EXAMPLE: A PERSON WITH CANCER IS NOT DIRECTED TO A COUNSELOR TO ASCERTAIN WHY HE OR SHE HAS CANCER, BUT AN ALCOHOLIC MIGHT BE.

***IN MANY CASES, DEFACTO INSURANCE COVERAGE OF ALCOHOLISM EXISTS, BUT DE JURE COVERAGE DOES NOT. THIS IS BECAUSE ALCOHOLICS FREQUENTLY RECEIVE HOSPITAL TREATMENT FOR GASTRITIS, NERVOUSNESS, OR OTHER POSSIBLE "SYMPTOMS" OF ALCOHOLISM WHEN THE ACTUAL TREATMENT RECEIVED IS FOR ALCOHOLISM ITSELF.

***MANY CONSERVATIVE OBSERVERS BELIEVE THAT IF ALCOHOLISM DIAGNOSES WERE STATED WHEREVER ALCOHOLISM EXISTS, ALCOHOLISM WOULD RANK AS THE COUNTRY'S NUMBER ONE HEALTH PROBLEM.

*** 95 PER CENT OF ALL ALCOHOLICS IN NO WAY RESEMBLE THE SKID-ROW-BUM IMAGE.

***A BARRIER TO TREATMENT FOR ALCOHOLISM IS THE INABILITY OF THE DISEASED PERSON TO PAY FOR TREATMENT. A HEART ATTACK VICTIM IMMEDIATELY GOES INTO TREATMENT BECAUSE OF THE SERIOUSNESS OF THE DISEASE, AIDED BY MEDICAL INSURANCE COVERAGE OF MOST OF THE TREATMENT COSTS. ALCOHOLISM, ALTHOUGH JUST AS SERIOUS, IS SO INSIDIOUS THAT ITS VICTIM IS RELUCTANT TO ACCEPT TREATMENT, MANY TIMES USING THE INABILITY TO PAY THE COST OF TREATMENT AS A REASON NOT TO BE TREATED.

WITH THESE FACTS, IT IS CONCURRENTLY DIFFICULT AND EASY TO SEE WHY ALCOHOLISM IS NOT VIEWED IN HEALTH INSURANCE POLICIES LIKE ANY OTHER DISEASE. WHAT IS BEING REQUESTED, HERE, IS THE RECOGNITION OF ALCOHOLISM IN HEALTH INSURANCE COVERAGE EXACTLY LIKE THAT FOR OTHER DISEASES.

THE WAP/T IS FINDING THAT A BARRIER TO ALCOHOLISM TREATMENT IS THAT SUCH TREATMENT IS EXCLUDED FROM MANY HEALTH OR MEDICAL INSURANCE POLICIES. THE RESULT OF REMOVING THIS BARRIER TO TREATMENT CAN ONLY BE BENEFICIAL TO OUR STATE'S ECONOMY, AND TO THE PERSONAL LIVES OF POSSIBLY HUNDREDS OF THOUSANDS OF TEXANS.

ACCORDINGLY, WE WOULD RESPECTFULLY REQUEST YOUR FAVORABLE CONSIDERATION OF HOUSE BILL 214.

THANK YOU.

STATEMENT OF JEFF AUTREY

ON BEHALF OF THE
TEXAS LIFE INSURANCE ASSOCIATION
RE: HB 214 - PERTAINING TO THE INCLUSION OF
ALCOHOLISM COVERAGE IN AN INSURANCE CONTRACT

THIS BILL REQUIRES ALL INDIVIDUAL AND GROUP POLICIES OF ACCIDENT AND SICKNESS INSURANCE TO CONTAIN CERTAIN PROVISIONS INCLUDING COVERAGE FOR THE SICKNESS OF ALCOHOLISM.

THIS MEANS THAT THE PEOPLE OF TEXAS WILL BE REQUIRED TO BE INSURED FOR THE TREATMENT OF ALCOHOLISM WHETHER THEY WANT IT OR NOT AND WHETHER OR NOT THEY EVEN CONSUME ALCOHOL. THIS, IN TURN, MEANS THAT SUCH A MANDATED COVERAGE, JUST AS IN THE CASE OF COVERAGE MANDATED BY THE LEGISLATURE IN 1973 FOR MENTAL ILLNESS AND AFTERBORN CHILDREN, AND BEING PUSHED THIS SESSION FOR SERVICES OF CHIROPRACTORS, OPTOMETRISTS, PSYCHOLOGISTS AND DENTISTS, WILL CAUSE INSURANCE RATES TO RISE BECAUSE THE PEOPLE ARE PAYING FOR BENEFITS THEY MAY NOT WANT OR NEED. APPARENTLY ONGOING OUTPATIENT CLINIC TREATMENT IS INCLUDED, RATHER THAN LIMITING COVERAGE TO SERIOUS ILLNESS REQUIRING HOSPITAL CONFINEMENT. UNDER THIS BROAD WORDING ANYTHING THAT COULD BE CALLED "TREATMENT", WOULD BE COVERED.

THIS IS A MATTER OF SUBSTANTIAL CONCERN TO THE PRIVATE INSURANCE SECTOR. THIS BILL MEANS, FOR EXAMPLE, THAT EVERY POLICY PROVIDING ACCIDENT INSURANCE ONLY WOULD BE REQUIRED TO PROVIDE FOR THE COVERAGE OF ALCOHOLISM. SUCH A "SICKNESS" COVERAGE IS COMPLETELY UNRELATED TO THE PURPOSE OF SUCH AN ACCIDENT POLICY. THE SAME WOULD BE TRUE OF ALL POLICIES COVERING DISABILITY INCOME, DISMEMBERMENT, ACCIDENTAL DEATH, CANCER AND OTHER SPECIFIED DISEASES.

THIS BILL WOULD MANDATE BENEFITS WHEN A DRUNK IS MERELY DRYING OUT OR DETOXIFYING -- NOT JUST WHEN HE IS RECEIVING MEDICAL ATTENTION FOR PHYSICAL IMPAIRMENT OR DISABILITY WHICH MAY BE CAUSED

BY ALCOHOLISM. WE BELIEVE THAT SUCH TREATMENT WOULD BE EXPENSIVE AND GREATLY ADD TO THE COST OF POLICIES, NOT ONLY BECAUSE IN HUMAN EXPERIENCE ALCOHOLICS OFTEN REQUIRE REPEATED DETOXIFICATION, BUT ALSO BECAUSE OF THE EXTENT OF THE TREATMENT WHICH WOULD BE COVERED DUE TO THE VAGUENESS OF WHAT THE BILL WOULD REQUIRE UNDER THE LANGUAGE "COVERAGE FOR THE SICKNESS OF ALCOHOLISM."

THIS BILL WOULD PREVENT PURCHASERS OF GROUP INSURANCE, SUCH AS EMPLOYERS, AND INDIVIDUALS FROM NEGOTIATING FOR COVERAGE THEY DESIRE OR NEED AT A PRICE THEY ARE WILLING TO PAY. THIS BILL WOULD, IF PASSED, MEAN THAT THE STATE HAS DETERMINED FOR THEM WHAT TYPE OF BENEFITS ARE TO BE BOUGHT BY THE PUBLIC.

MANY POLICIES IN THIS STATE ARE ISSUED ON A NON-CANCELLABLE, GUARANTEED RENEWABLE BASIS. THIS IN EFFECT MEANS THAT THE INSURED CAN RENEW THE POLICY AT HIS OPTION AT THE END OF THE TERM OF THE POLICY WITHOUT ANY INCREASE IN PREMIUMS. THIS BILL DOES NOT INDICATE HOW POLICIES OF THAT TYPE SHOULD BE TREATED AND WHETHER OR NOT THE INSURER IS ENTITLED TO ADDITIONAL PREMIUM FOR THE ADDITIONAL BENEFITS.

SOME INSURERS DO WRITE POLICIES COVERING ALCOHOLISM. THEY HAVE FOUND THAT, IN ORDER TO KEEP PREMIUM COSTS DOWN AND WITHIN THE REACH OF MOST INSURED, THE COVERAGE MUST BE SUBJECT TO REASONABLE TIME AND DOLLAR LIMITATIONS TO PREVENT ABUSES OF COVERAGE AND OVER-UTILIZATION. IN THE MAJOR MEDICAL AREA ESPECIALLY, WHICH HAS VERY HIGH MAXIMUM AMOUNTS, IT IS ESSENTIAL THAT SUCH BENEFITS BE SUBJECT TO LOWER MAXIMUMS THAN ARE PROVIDED FOR OTHER CONDITIONS. HIGHER CO-INSURANCE AMOUNTS MUST ALSO APPLY TO THIS COVERAGE. THESE COST-SAVING PRACTICES WOULD NOT BE ALLOWED BY THIS BILL.

ART. 3.70-3 OF THE INSURANCE CODE CONTAINS PROVISIONS

WHICH ARE ALLOWED TO APPEAR IN ACCIDENT AND SICKNESS POLICIES IF
WORDED IN THE MANNER REQUIRED BY THAT ARTICLE. SECTION 2 OF HB 214
AMENDS ART. 3.70-3, PARAGRAPH B(9), BY STRIKING THE WORDS "INTOXI-
CANTS AND" AND "INTOXICANTS OR". WE DO NOT BELIEVE THAT THIS IS
AN APPROPRIATE AMENDMENT BECAUSE THE SECTION BEING AMENDED HAS
NOTHING AT ALL TO DO WITH THE MEDICAL TREATMENT OF ALCOHOLISM.
RATHER, PARAGRAPH B(9) NOW CONTEMPLATES AN EXCLUSION FROM COVERAGE
FOR A COLLATERAL INJURY OR SICKNESS WHICH MIGHT OCCUR AS A RESULT
OF AN INSURED BEING INTOXICATED OR UNDER THE INFLUENCE OF ANY
NARCOTIC, EXCEPT THOSE ADMINISTERED ON THE ADVICE OF A PHYSICIAN.
THE PROVISION DOES NOT SINGLE OUT ALCOHOLICS PER SE, ONLY THE STATE
OF BEING INTOXICATED AT A PARTICULAR TIME. OBVIOUSLY, NOT ALL PER-
SONS WHO BECOME INTOXICATED ARE ALCOHOLICS. THE AMENDMENT WOULD
INCREASE AND BROADEN THE LIABILITY OF AN INSURER FOR AN INCIDENT
WHICH INVOLVES AN INTOXICATED INSURED, AGAIN REQUIRING AN INCREASE
IN THE COST OF THE COVERAGE.

By: Head

STATEMENT BY RANGER/PAN AMERICAN
INSURANCE COMPANIES IN OPPOSITION

The Ranger/Pan American Insurance Companies are opposed to
H.B. 477 because:

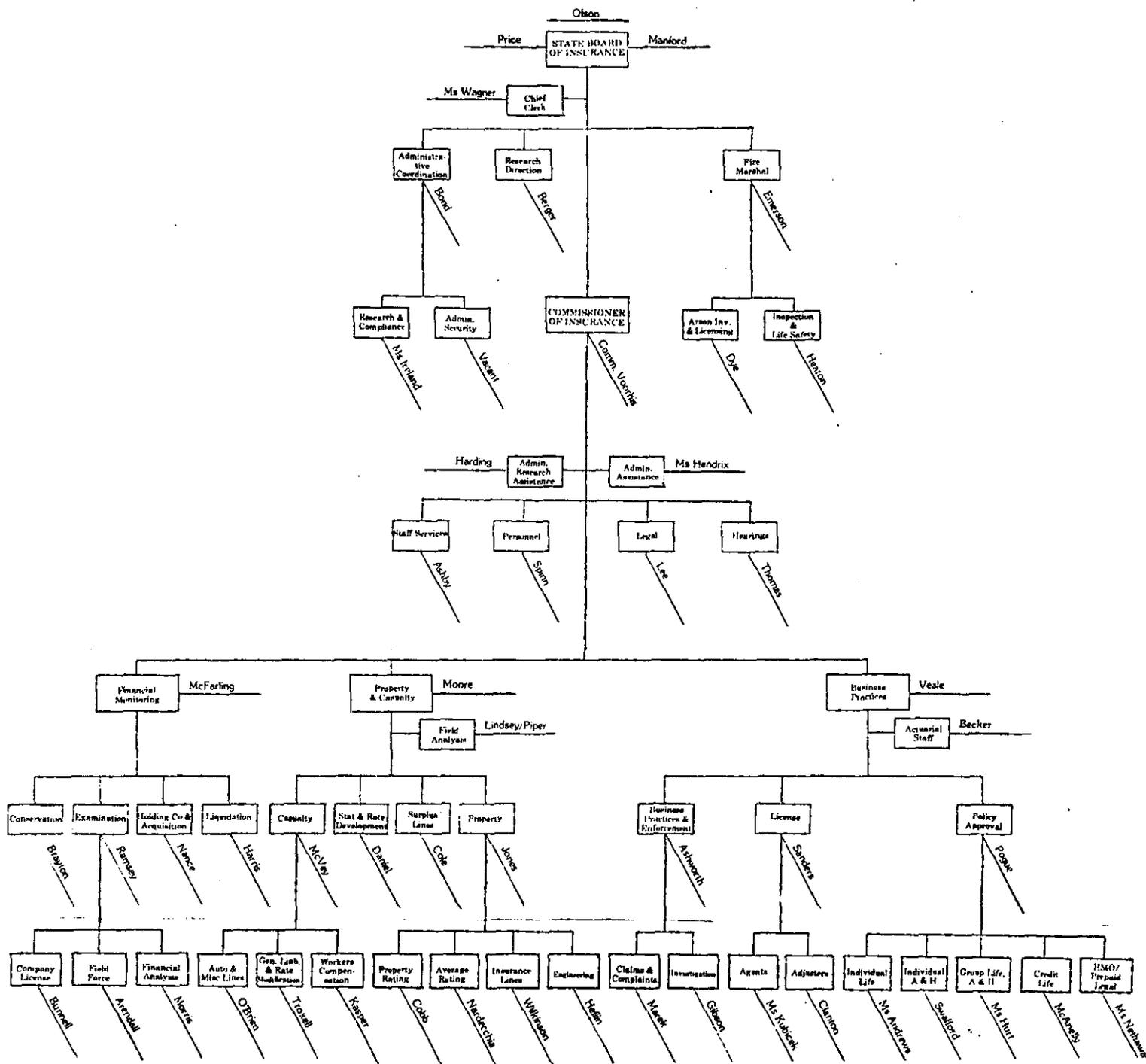
1. County Mutual insurance companies provide a necessary and vital function and service to the insurance buying public of Texas, and can only do so within the freedom of the marketplace to determine the rates of premiums that must be charged to the unique insureds serviced by the County Mutuals. These unique insureds include automobile policy holders who cannot otherwise buy automobile insurance at standard rates or premiums from the "rate regulating" companies because of their bad driving habits, by bad driving records, accident records or too many "insurable risks" such as males under the age of 26, etc.. Without the County Mutual insurance companies, these insureds would be relegated to minimum coverages in the automobile pool for liability insurance and they could not otherwise secure physical damage insurance unless they went into the "excess nonadmitted market" at exorbitant rates.
2. Many County Mutual insurance companies write so called "industrial" fire insurance protection for low income families on their houses and living and wearing apparel, and this "industrial" fire insurance is paid for on a weekly, biweekly or monthly basis. The agent walks a "debit" which is a route within a neighborhood, and collects the premium on a cash basis and thereby maintains the policy in force. Because the

premiums are paid on a weekly, biweekly or monthly basis in cash, and is collected in a very personal manner by the agent, it is necessary for the insurance to be tailored to the particular needs of the family, and rates of premium have never been subject to the State Board of Insurance regulation. The State Board of Insurance has for years had the ability to promulgate an industrial debit premium for such industrial fire insurance, but the Board has never done so because the big fire insurance company and the big fire insurance agencies will not and do not write such insurance and collect such premiums on such highly personalized basis. The only companies that are writing any volume of such industrial fire insurance are the County Mutual companies because they can do so on a basis that would properly compensate the agent for his efforts and properly insure the risk and the exposure.

3. The only companies available to the low income families to purchase insurance to protect their households are the County Mutuals at the unregulated rates. Such business is highly competitive and the rates are determined by the competitive marketplace.

STATE BOARD OF INSURANCE

ORGANIZATION CHART



TEXAS AUTOMOBILE LIABILITY AND PHYSICAL DAMAGE INSURANCE - 1978 RATE DEVELOPMENT

PRIVATE PASSENGER CLASSIFICATION DEFINITIONS EFFECTIVE September 1, 1972

Private passenger automobiles owned by an individual or by husband and wife resident of the same household including automobiles leased under a long term contract of not less than one year, and written on a specified car basis, shall be classified as follows:

- 1A There is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age, (3) no operator 65 years of age or over, and (4) the automobile is not used for business nor driven to or from work.
- 1B There is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age, (3) no operator 65 years of age or over, and (4) the automobile is not used for business but is driven to or from work.
- 2A-1 There are one or more male operators under 21 years of age and each such male operator is either (1) married or (2) not an owner or principal operator of the automobile.
- 2A-2 There are one or more male operators 21 or more years of age but less than 25 years of age and each such male operator is (1) married or (2) not an owner or principal operator of the automobile.
- 2C-1 There is an unmarried male operator under 21 years of age who is an owner or principal operator of the automobile.
- 2C-2 There is an unmarried male operator of the automobile 21 or more years of age but less than 25 years of age who is an owner or principal operator of the automobile.
- 2D There is no male operator under 25 years of age, but there is an unmarried female operator under 21 years of age, and the automobile is not used for business.
- 3 There is (1) no male operator under 25 years of age, (2) no operator 65 years of age or over, and (3) the automobile is used for business.
- 6A There is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age but there is (3) an operator 65 years of age or over and the automobile is not used for business nor is it driven to or from work.
- 6B There is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age but there is (3) an operator 65 years of age or over and the automobile is not used for business but is driven to or from work.
- 8 There is no male operator under 25 years of age, but there is an operator 65 years of age or over and the automobile is used for business.
- 1AF The automobile is a farm automobile and there is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age, (3) no operator 65 years of age or over.
- 2AF-1 The automobile is a farm automobile and there are one or more male operators under 21 years of age and each such male operator is either (1) married or (2) not an owner or principal operator of the automobile.
- 2AF-2 The automobile is a farm automobile and there are one or more male operators 21 or more years of age but less than 25 years of age and each such male operator is (1) married or (2) not an owner or principal operator of the automobile.
- 2CF-1 The automobile is a farm automobile and there is an unmarried male operator under 21 years of age who is an owner or principal operator of the automobile.
- 2CF-2 The automobile is a farm automobile and there is an unmarried male operator of the automobile 21 or more years of age but less than 25 years of age who is an owner or principal operator of the automobile.
- 2DF The automobile is a farm automobile and there is no male operator under 25 years of age, but there is an unmarried female operator under 21 years of age.
- 6AF The automobile is a farm automobile and there is (1) no male operator under 25 years of age, (2) no unmarried female operator under 21 years of age but there is (3) an operator 65 years of age or over.