

ADVISORY NO. 391

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TOPIC: PROPOSED POLICY ENDORSEMENT REGARDING NETWORKS

All underwriters should be aware of new policy requirements for policyholders participating in a carrier's Workers' Compensation Health Care Network. TDI has posted proposed changes to the TDI TEXAS WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE MANUAL in the February 17, 2006 Texas Register. The formal TDI rule may be found at <http://www.tdi.state.tx.us/rules/2006/exrules2006.html> .

While we recommend a thorough review of the actual proposed rule, the new rule requires all carriers to endorse the policies of all employers participating in the carrier's network with the Texas Health Care Network Endorsement (WC 42 04 08). The endorsement must be provided to the policyholder electing to participate in the certified workers' compensation health care network. The carrier is separately required to file with TDI, the percentage premium credit, if any, for participation in the network.

If selection of a network results in a premium reduction on an existing policy, that premium reduction must be prorated based upon the date of the election to participate in the network. For existing policyholders participating in the network, carriers must send the endorsement to the policy, and if a premium credit applies, must amend the policy to reflect the prorated portion of the premium credit.

The amended rule has not yet been adopted. The proposed rule must be posted for thirty days. After that, TDI may adopt the rule. The adoption of the rule will be posted in the Texas Register and will become effective 15 days after notice in the Texas Register.

The earliest possible effective date for the rule change should be the first or second week of April. If you believe that your network will be certified prior to the effective date of the adoption of the Endorsement WC 42 04 08, the carrier may file the published proposed endorsement at TDI for approval pursuant to Article 5.57 of the Texas Insurance Code. Carriers should understand that when the TDI adopted rule becomes effective, the adopted endorsement must be used. It is unlikely that the adopted endorsement will differ from the proposed endorsement.

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