SUPREME COURT OF TEXAS

Texas Department of Insurance v. American National Insurance Co.

410 S.W.3d 843 (Tex. 2013) · Decided May 18, 2012

SUMMARY

The Texas Supreme Court considered whether stop-loss insurance sold to self-funded employee health-benefit plans constituted direct health insurance or reinsurance. The court held that the Texas Insurance Code was ambiguous on the issue and upheld the Texas Department of Insurance's reasonable, longstanding interpretation treating the policies as direct insurance subject to regulation. The court reversed the court of appeals and rendered judgment for the Department.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Medina
JURISDICTION	Texas
DECIDED	May 18, 2012
DISPOSITION	reversed
PROCEDURAL POSTURE	After exhausting administrative remedies, American sued the Texas Department of Insurance for declaratory and injunctive relief, challenging the Department's determination that stop-loss policies sold to self-funded employee health-benefit plans constituted direct insurance subject to regulation. The trial court granted the Department's motion for summary judgment. The court of appeals reversed, concluding that the policies were reinsurance beyond the Department's regulatory authority. The Supreme Court of Texas reversed the court of appeals and rendered judgment for the Department.
STANDARD OF REVIEW	The court reviewed the statutory and regulatory issues in the summary-judgment proceeding. For an ambiguous statute, it deferred to the enforcing agency's interpretation when the interpretation was formally adopted, reasonable, and not plainly erroneous or inconsistent with the statutory language.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Texas; precedential.

PARTIES	Texas Department of Insurance v. American National Insurance Co., American National Life Insurance Company of Texas

TOPICS

insurance coverage · health law · administrative law · statutory interpretation · judicial review of agency action

PRACTICE AREAS

insurance regulation · health insurance · administrative law · statutory interpretation · ERISA

QUESTIONS PRESENTED

1. Whether stop-loss insurance sold to self-funded employee health-benefit plans is reinsurance or direct health insurance under the Texas Insurance Code.
2. Whether the Texas Insurance Code authorizes the Texas Department of Insurance to regulate those stop-loss policies, including by requiring applicable assessments, reporting, and policy-form approval.
3. Whether the Department's longstanding interpretation of the ambiguous Insurance Code provisions was entitled to deference.

HOLDINGS

1. Stop-loss insurance sold to a self-funded employee health-benefit plan is not reinsurance; it is direct insurance in the nature of health insurance.
2. The Department may regulate stop-loss policies sold to self-funded employee health-benefit plans as direct health insurance under the Texas Insurance Code.
3. The Department's longstanding interpretation was entitled to serious consideration and deference because it was formally promulgated, reasonable, and consistent with the ambiguous Insurance Code.

KEY QUOTATIONS

> *"We accordingly agree with the Department's construction and hold that stop-loss insurance sold to a self-funded employee health-benefit plan is not reinsurance, but rather direct insurance subject to regulation under the Insurance Code."* (at 855)

> *"The court of appeals' judgment is reversed, and judgment is rendered for the Department."* (at 855)

> *"The answer to the first question is clearly yes under ERISA's "insurance savings clause" and the Supreme Court's decision in Metropolitan. The answer to the second question is less clear, but the Department's longstanding interpretation of the statute is entitled to serious consideration."* (at 853)

FACTUAL BACKGROUND

American sold stop-loss insurance to self-funded employee health-benefit plans between January 1998 and December 2002. The plans assumed responsibility for employees' health-care expenses but purchased stop-loss coverage to limit exposure to catastrophic individual or aggregate losses. The Department determined that

American improperly recorded the premiums as assumed reinsurance, failed to pay assessments to the Texas Health Insurance Risk Pool, and failed to submit policy forms for approval or request an exemption. The Department treated the policies as direct health insurance subject to the Texas Insurance Code.

PROCEDURAL HISTORY

The Department discovered during an audit that American had sold stop-loss policies without paying required taxes, assessments, and complying with policy-form approval and reporting requirements. The Department formally found violations of the Texas Insurance Code. American sought judicial review and injunctive relief; both parties moved for summary judgment. The trial court ruled for the Department, the court of appeals ruled for American, and the Supreme Court of Texas reinstated the Department's position.

DISPOSITION

reversed

CASES CITED

- Nat’l Union Fire Ins. Co. of Pittsburgh, Pa. v. Ins. Co. of N. Am., 955 S.W.2d 120, 138 (Tex. App.—Houston [14th Dist.] 1997), aff'd sub nom. Keck, Mahin & Cate v. Nat’l Union Fire Ins. Co. of Pittsburgh, Pa., 20 S.W.3d 692 (Tex. 2000)
- Stark v. Geeslin, 213 S.W.3d 406, 410 n. 2 (Tex. App.—Austin 2006, no pet.)
- Great Atl. Life Ins. Co. v. Harris, 723 S.W.2d 329, 330 (Tex. App.—Austin 1987, writ dism'd)
- Dallas Fire Ins. Co. v. Tex. Contractors Sur. & Cas. Agency, 159 S.W.3d 895, 896 (Tex. 2004) (per curiam)
- Great Am. Ins. Co. v. N. Austin Mun. Util. Dist. No. 1, 908 S.W.2d 415, 423-424 (Tex. 1995)
- Brown v. Granatelli, 897 F.2d 1351, 1354-1357 (5th Cir. 1990)
- Metropolitan Life Insurance Co. v. Massachusetts, 471 U.S. 724, 736 n. 14, 740-741, 747 n. 25 (1985)
- FMC Corp. v. Holliday, 498 U.S. 52, 61 (1990)
- McIntyre v. Ramirez, 109 S.W.3d 741, 745 (Tex. 2003)
- First Am. Title Ins. Co. v. Combs, 258 S.W.3d 627, 631-632 (Tex. 2008)
- State v. Shumake, 199 S.W.3d 279, 284 (Tex. 2006)
- Tarrant Appraisal Dist. v. Moore, 845 S.W.2d 820, 823 (Tex. 1993)
- Stanford v. Butler, 181 S.W.2d 269, 273 (Tex. 1944)
- TGS-NOPEC Geophysical Co. v. Combs, 340 S.W.3d 432, 438 (Tex. 2011)
- R.R. Comm’n of Tex. v. Tex. Citizens for a Safe Future & Clean Water, 336 S.W.3d 619, 625 (Tex. 2011)
- Fiess v. State Farm Lloyds, 202 S.W.3d 744, 747-748 (Tex. 2006)
- Tex. Health Ins. Risk Pool v. Sigmundik, 315 S.W.3d 12, 13 n. 1 (Tex. 2010)
- City of Plano v. Pub. Util. Comm'n, 953 S.W.2d 416, 421 (Tex. App.—Austin 1997, no writ)
- Mid-Century Ins. Co. of Tex. v. Ademaj, 243 S.W.3d 618, 623 (Tex. 2007)
- Osterberg v. Peca, 12 S.W.3d 31, 51 (Tex. 2000)

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