

Subchapter A. Examination and Financial Analysis

28 TAC §7.67

1. INTRODUCTION. The Texas Department of Insurance proposes new §7.67 concerning 2004 annual and quarterly statement blanks, other reporting forms, electronic data filings with the National Association of Insurance Commissioners (NAIC) and instructions to be used by insurers and certain other entities regulated by the Texas Department of Insurance when reporting their financial condition and business operations and activities during the 2004 calendar year. The information provided by the completion of the forms is necessary to allow the department to monitor the solvency, business activities and statutory compliance of the insurers and other entities regulated by the department. The section defines terms relevant to the statement blanks and reporting forms; provides the dates by which certain reports are to be filed; and adopts by reference the NAIC 2004 annual and quarterly statement blanks, other reporting forms and instructions for reporting the financial condition and business operations and activities; and requires insurance companies and certain other regulated entities to file such annual and quarterly statements and other reporting forms with the department and/or the NAIC as directed. Subsection (a) explains the purpose of the section and adopts by reference the forms described in the section. Subsection (b) defines terms used in the section. Subsection (c) describes the hierarchy of laws in the event of a conflict between the Insurance Code, this section and other regulations. Subsections (d) - (l) describe the forms, instructions and filing requirements for the various types of insurers and other regulated entities. In subsection (e), the NAIC Property and Casualty instructions for the actuarial opinion have been revised so that

17 sections are now in 9 sections and 2 exhibits. Guidance for the new instructions may be found in an American Academy of Actuaries publication titled "Property and Casualty Practice Note - 2004" on their website at <http://www.actuary.org>. Subsection (m) provides that the department may request financial reports other than those specified in this section. The forms and instructions are available for inspection in the office of the Financial Analysis and Examinations Activity of the Texas Department of Insurance, William P. Hobby Jr. State Office Building, 333 Guadalupe, Building 3, Third Floor, Austin, Texas. The NAIC forms and instructions may also be reviewed at <http://www.naic.org>. The proposed section will replace the existing §7.67 proposed for repeal elsewhere in this issue of the *Texas Register*.

2. FISCAL NOTE. Betty Patterson, Senior Associate Commissioner, Financial Program, has determined that, for the first five years the proposed section will be in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the section. There will be no effect on local employment or the local economy as a result of the proposal.

3. PUBLIC BENEFIT/COST NOTE. Ms. Patterson has also determined that, for each year of the first five years the section is in effect, the public benefits anticipated as a result of enforcing this section are the ability of the department to provide financial information to the public and other regulatory bodies as requested, and to monitor the financial condition of insurers and other regulated entities licensed in Texas to better assure financial solvency. The probable economic cost to persons required to comply

with the section depends on several factors. Generally insurers and other regulated entities are required by statute to provide the department with annual reports on their operations. Insurance Code §802.055 provides that an insurance company shall pay all costs of preparing and furnishing to the NAIC the information required under Insurance Code §802.052, including any related filing fees. The fees associated with each company to file electronically with the NAIC database can range from \$1,000 to \$3,000 per company depending on the amount of premiums written, with a limit for insurer groups of \$195,000. To that extent, the cost of preparing and filing the annual statement is attributable to the statute and not this section. Additionally, the reports and forms generally request information that is already captured or created by the insurer or other regulated entity as necessary to its business operations, therefore the only cost involved is the transfer of that information from the company's records to the report or form. The range of cost of software to prepare the financial statements is approximately \$350 to \$600. The cost of software may be greater or less depending on the amount charged by the vendor and any extra services that are agreed to between the company and the vendor. Such estimated cost may be lower based upon factors such as the type of company (e.g. life, accident and health, or property and casualty); the size of the company (e.g. large or small); and the type of business written by a company. The department assumes that micro, small and large businesses will utilize employees who are familiar with the records of the insurer or health maintenance organization and accounting practices in general. Such individuals are compensated from \$17 to \$30 per hour based on the department's experience. On the basis of cost per hour of labor, there is no expected difference in cost of compliance between micro, small and larger

businesses affected by this section. The department finds it neither legal nor feasible to reduce the effect of the proposed section on micro or small insurers or other regulated entities subject to the section since the information required by the forms is necessary to effectively regulate and monitor the activities of insurers and other regulated entities licensed in Texas, regardless of their size.

4. REQUEST FOR PUBLIC COMMENT. To be considered, written comments on the proposal must be submitted no later than 5:00 p.m. on January 24, 2005, to Gene C. Jarmon, General Counsel and Chief Clerk, Mail Code 113-2A, Texas Department of Insurance, P. O. Box 149104, Austin, Texas 78714-9104. An additional copy of the comments should be submitted simultaneously to Betty Patterson, Senior Associate Commissioner, Financial Program, Mail Code 305-2A, Texas Department of Insurance, P. O. Box 149099, Austin, Texas 78714-9099. A request for a public hearing on the proposal should be submitted separately to the Office of the Chief Clerk.

5. STATUTORY AUTHORITY. The new section is proposed under the Insurance Code §§802.001 - 802.003 and 802.051 - 802.056, which authorize the commissioner to make changes in the forms of the annual statements required of insurance companies of any kind, as shall seem best adapted to elicit a true exhibit of their condition and methods of transacting business, and require certain insurers to make filings with the National Association of Insurance Commissioners; Articles 3.77, 9.22, 9.47, 21.49, 21.54, and §§841.255, 842.003, 842.201, 842.202, 843.151, 843.155, 861.254, 861.255, 862.001, 862.003, 882.001, 882.003, 883.002, 883.204, 884.256, 885.401,

885.403 - 885.406, 887.009, 887.060, 887.401 - 887.407, 911.001, 911.304, 912.002, 912.201 - 912.203, 912.301, 941.252, 942.201, 961.002, 961.003, 961.052, 961.202, 982.004, 982.251 - 982.254, 982.004, 982.101, 982.103, 984.101 - 984.103, 984.153, 984.201, and 984.202 which require the filing of financial reports and other information by insurers and other regulated entities, and specify particular rulemaking authority of the commissioner relating to those insurers and other regulated entities; §§982.001, 982.002, 982.004, 982.052, 982.102 - 982.104, 982.106, 982.108, 982.110 - 982.112, 982.201 - 982.204, 982.251 - 982.255, and 982.302 - 982.306 which provide the conditions under which foreign insurers are permitted to do business in this state and require foreign insurers to comply with the provisions of the Insurance Code; §§844.001 - 844.005, 844.051 - 844.054, and 844.101 which authorize the commissioner to adopt rules to implement the regulation of nonprofit health corporations holding a certificate of authority under Insurance Code, Title 2, Chapter 844; Article 21.39 which requires insurers to establish adequate reserves and provides for the adoption of each current formula for establishing reserves applicable to each line of insurance; §32.041 which requires the department to furnish the statement blanks and other reporting forms necessary for companies to comply with the filing requirements; and §36.001 which provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the Texas Department of Insurance under the Insurance Code and other laws of this state.

6. CROSS REFERENCE TO STATUTE. The following articles and sections of the Insurance Code will be affected by this proposed section: Articles 3.77, 9.22, 9.47,

21.39 and 21.54, §§32.041, 802.001 - 802.003, 802.051 - 802.056, 841.255, 842.003, 842.201, 842.202, 843.151, 843.155, 844.001 - 844.005, 844.051 - 844.054, 844.101, 861.254, 861.255, 862.001, 862.003, 882.001, 882.003, 883.002, 883.204, 884.256, 885.401, 885.403 - 885.406, 886.107, 887.009, 887.060, 887.401 - 887.407, 911.001, 911.304, 912.002, 912.201 - 912.203, 912.301, 941.252, 942.201, 961.002, 961.003, 961.052, 961.202, 982.001, 982.002, 982.004, 982.052, 982.101, 982.102, 982.103, 982.104, 982.106, 982.108, 982.110 - 982.112, 982.251 - 982.255, 982.302 - 982.306, 984.153, 984.201 and 984.202.

7. TEXT.

§7.67. Requirements for Filing the 2004 NAIC Quarterly and 2004 NAIC Annual Statements, Other Reporting Forms, and Electronic Data Filings with the NAIC.

(a) Scope. This section provides insurers and other regulated entities with the requirements for the 2004 quarterly statements, 2004 annual statement, other reporting forms, and electronic data filings with the National Association of Insurance Commissioners (NAIC) necessary to report information concerning the financial condition and business operations and activities of insurers. This section applies to all insurers and other regulated entities authorized to do the business of insurance in this state and includes, but is not limited to, life insurers; accident insurers; life and accident insurers; life and health insurers; accident and health insurers; life, accident and health insurers; mutual life insurers; stipulated premium insurers; group hospital service corporations; fire insurers; fire and marine insurers; U.S. Branch of an alien insurer; Mexican casualty insurers; general casualty insurers; fire and casualty insurers; mutual

insurers other than life; statewide mutual assessment companies; local mutual aid associations; mutual burial associations; exempt associations; county mutual insurers; Lloyd's plans; reciprocal and inter-insurance exchanges; domestic risk retention groups; domestic joint underwriting associations; title insurers; fraternal benefit societies; farm mutual insurers; health maintenance organizations; nonprofit health corporations; nonprofit legal services corporations; the Texas Health Insurance Risk Pool; the Texas Mutual Insurance Company; the Texas Windstorm Insurance Association; and the Texas FAIR Plan Association. The commissioner adopts by reference, the 2004 NAIC quarterly statement blanks, the 2004 NAIC annual statement blanks, the related instruction manuals, and other supplemental reporting forms specified in this section. The forms are available from the Texas Department of Insurance, Financial Analysis and Examinations Activity, Mail Code 303-1A, P. O. Box 149104, Austin, Texas 78714-9104. The NAIC annual and quarterly statement blanks and other NAIC supplemental reporting forms can be produced as part of the software available from vendors. Insurers and other regulated entities shall properly report to the department and the NAIC by completing the appropriate annual and quarterly statement blanks, prepared with laser quality print (hand written copies must be prepared legibly using black ink), other reporting forms, and electronic data filings with the NAIC following the applicable specifications.

(b) Definitions. In this section "Texas Edition" refers to the blanks and forms promulgated by the commissioner.

(c) Conflicts with other laws. In the event of a conflict between the Insurance Code, any currently existing departmental rule, form, instructions, or any specific

requirement of this section and the NAIC instructions listed in this section, then and in that event, the Insurance Code, the department's promulgated rule, form, instruction, or the specific requirement of subsections of this section shall take precedence and in all respects control.

(d) Filing requirements for life, accident and health insurers. Each life, life and accident, life and health, accident, accident and health, mutual life, or life, accident and health insurance company, stipulated premium insurance company, group hospital service corporation and the Texas Health Insurance Risk Pool shall complete and file the blanks, forms, or electronic data filings as directed in this subsection. This subsection does not apply to entities licensed as health maintenance organizations under Insurance Code Chapter 843. Insurers described in this subsection and engaged in business authorized under Insurance Code Chapter 843 may have additional reporting requirements under subsection (h) of this section. Insurers described under this subsection that wrote direct health premiums for the calendar year ending December 31, 2004 may elect to file on the NAIC Health statement blank for the three quarters of 2004 and the calendar year 2004 if the insurer wrote 100% of "health premiums" as the lines of business defined in the 2004 NAIC Health Annual Statement Instructions. If a reporting entity qualifies under this subsection to use the health annual statement, it must continue to use that annual statement for a minimum of three years or obtain written approval from the department to change to another type of annual statement. Insurers filing the 2004 NAIC Life, Accident and Health blank and the related NAIC supplemental forms and reports identified in these subsections shall complete filings in accordance with the 2004 NAIC Annual Statement Instructions, Life, Accident and Health. Life insurers meeting the test set forth in this subsection to file the 2004 NAIC Health blank and the related NAIC supplemental forms and reports identified in these subsections shall complete filings in accordance with the 2004 NAIC Health

Annual Statement Instructions. The electronic filings of these forms or reports with the NAIC shall be in accordance with the NAIC data specifications and instructions for electronic filing and shall include PDF format filing. The filings for insurers described in this subsection are:

(1) Domestic insurer reports and forms in paper copy to be filed with the department and the NAIC as follows:

(A) 2004 NAIC Life, Accident and Health Annual Statement, including the printed investment schedule detail, due on or before March 1, 2005 (stipulated premium insurance companies, April 1, 2005);

(B) 2004 NAIC Life, Accident and Health Annual Statement of the Separate Accounts for the 2004 calendar year (required of companies maintaining separate accounts), due on or before March 1, 2005;

(C) 2004 NAIC Life, Accident and Health Quarterly Statements, due on or before May 15, August 15, and November 15, 2004. However, a Texas stipulated premium insurance company, unless specifically requested to do so by the department, is not required to file quarterly statements with the department or the NAIC if it meets all three of the following conditions:

(i) it is authorized to write only life insurance on its certificate of authority;

(ii) it collected premiums in the prior calendar year of less than \$1 million; and

(iii) it had a profit from operations in the prior two calendar years.

(D) 2004 Health Annual Statement, including the printed investment schedule detail, due on or before March 1, 2005 if the company qualifies as described in this subsection;

(E) 2004 Health Quarterly Statements, due on or before May 15, August 15, and November 15, 2004 if the company qualifies as described in this subsection;

(F) all the paper copies of the NAIC Annual and Quarterly Supplements (Note: the Schedule SIS and the Supplemental Compensation Exhibit are filed only with the department) prepared and filed on dates described in the NAIC blanks and instructions;

(G) Management's Discussion and Analysis, due on or before April 1, 2005; and

(H) Statement of Actuarial Opinion due on or before March 1, 2005. The Actuarial Opinion shall be prepared in accordance with paragraph (5) of this subsection.

(2) Domestic insurer reports and forms to be filed in paper copy only with the department:

(A) Schedule SIS, Stockholder Information Supplement due on or before March 1, 2005. This filing is also required if filing a Health Annual Statement, as applicable;

(B) Supplemental Compensation Exhibit, due on or before March 1, 2005 (stipulated premium companies, April 1, 2005). This filing is also required if filing a Health Annual Statement, as applicable;

(C) The Texas Health Insurance Risk Pool shall file the 2004 NAIC Life, Accident and Health Annual and 2004 NAIC Quarterly Statements as follows:

(i) 2004 NAIC Life, Accident and Health Annual Statement, with only pages 1 - 5, and Schedule E, Part 1, Part 2, and Part 3 to be completed and filed on or before March 1, 2005; and

(ii) 2004 NAIC Life, Accident and Health Quarterly Statement, with only pages 1 - 5, and Schedule E, Part 1-Cash to be completed and filed on or before May 15, August 15, and November 15, 2004.

(iii) The Texas Health Insurance Risk Pool is not required to file any reports, diskettes, or electronic data filings with the NAIC.

(D) Texas Overhead Assessment Form (Texas Edition), due on or before March 1, 2005 (stipulated premium insurance companies, April 1, 2005);

(E) Analysis of Surplus (Texas Edition) for life, accident and health insurers to be filed on or before March 1, 2005 (stipulated premium insurance companies, April 1, 2005).

(3) Foreign companies filing electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(4) Electronic filings with the NAIC by domestic and foreign insurers:

(A) NAIC Annual Statement electronic filing and PDF filing, due on or before March 1, 2005 (stipulated premium insurance companies, April 1, 2005);

(B) NAIC Separate accounts electronic filing and PDF filing, due on or before March 1, 2005;

(C) NAIC Quarterly statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2004. A Texas stipulated premium

insurance company, unless specifically requested to do so by the department, is not required to file quarterly electronic data filings with the NAIC if it meets all three of the following conditions:

(i) it is authorized to write only life insurance on its certificate of authority;

(ii) it collected premiums in the prior calendar year of less than \$1 million; and

(iii) it had a profit from operations in the prior two calendar years;

(D) All NAIC annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are only filed with the department in paper copy) due on the dates specified in the forms and instructions;

(5) Actuarial opinion required by paragraph (1)(H) of this subsection shall be prepared in accordance with the following:

(A) Unless exempted, the statement of actuarial opinion, attached to either the 2004 NAIC Life, Accident and Health Annual Statement or the 2004 NAIC Health Annual Statement, should follow the applicable provisions of §§3.1601 - 3.1611 of this title (relating to Actuarial Opinion and Memorandum Regulation).

(B) For those companies exempted from §§3.1601 - 3.1611 of this title, instructions 1-12, established by the NAIC, must be followed.

(C) Any stipulated premium company subject to §§3.1601 - 3.1611 of this title which does not insure or assume risk on contracts with death benefits, cash

value, or accumulation values on any one life in excess of \$15,000, except as permitted by Insurance Code §884.304, is exempt from submission of a statement of actuarial opinion in accordance with §3.1608 of this title (relating to Statement of Actuarial Opinion Based on an Asset Adequacy Analysis), but must submit an actuarial opinion pursuant to §3.1607 of this title (relating to Statement of Actuarial Opinion Not Including an Asset Adequacy Analysis).

(D) Any company required by §3.4505(b)(3)(I) of this title (relating to General Calculation Requirements for Basic Reserves and Premium Deficiency Reserves) to opine on the application of X factors, shall attach this opinion to the 2004 NAIC Life, Accident and Health Annual Statement or the 2004 NAIC Health Annual Statement, as applicable.

(6) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(7) A foreign insurer that is classified as a commercially domiciled insurer under Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for life, accident and health insurers with the department.

(e) Requirements for property and casualty insurers. Each fire, fire and marine, general casualty, fire and casualty, or U.S. Branch of an alien insurer, county mutual insurance company, mutual insurance company other than life, Lloyd's plan, reciprocal or inter-insurance exchange, domestic risk retention group, life insurance company that is licensed to write workers' compensation, any farm mutual insurance company that filed an NAIC property and casualty annual statement for the 2003 calendar year or had

gross written premiums in 2004 in excess of \$5,000,000, any Mexican non-life insurer licensed under any article of the Insurance Code other than, or in addition to, Insurance Code Chapter 984, domestic joint underwriting association, the Texas Mutual Insurance Company, the Texas Windstorm Insurance Association, and the Texas FAIR Plan Association shall complete and file the following blanks, forms, and diskettes or electronic data filings as described in this subsection. The forms and reports identified in this subsection shall be completed in accordance with the 2004 NAIC Annual Statement Instructions, Property and Casualty. The electronic filings with the NAIC shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing, as applicable. The filings for insurers described in this subsection are:

(1) Domestic insurer reports and forms in paper copy to be filed with the department and the NAIC as follows:

(A) 2004 NAIC Property and Casualty Annual Statement, due on or before March 1, 2005;

(B) 2004 NAIC Property and Casualty Quarterly Statements, due on or before May 15, August 15, and November 15, 2004;

(C) 2004 NAIC Combined Property/Casualty Annual Statement, to be filed on or before May 1, 2005. This statement is required only for those affiliated insurers that wrote more than \$35 million in direct premiums as a group in calendar year 2004, as disclosed in Schedule T of the Annual Statement(s);

(D) all the paper copies of the NAIC Annual and Quarterly Supplements prepared and filed on dates described in the NAIC blanks and

instructions. Schedule SIS and the Supplemental Compensation Exhibit are filed only with the department; and

(E) the actuarial opinion submitted shall be prepared in accordance the 2004 NAIC Annual Statement instructions.

(2) Domestic insurer reports and forms to be filed in paper copy only with the department:

(A) Schedule SIS and the Stockholder Information Supplement, due on or before March 1, 2005;

(B) Supplemental Compensation Exhibit, due on or before March 1, 2005;

(C) Texas Overhead Assessment Form (Texas Edition), due on or before March 1, 2005;

(D) Supplement for County Mutuals (Texas Edition) (required of Texas county mutual companies only), due with the 2004 annual statement on or before March 1, 2005;

(E) Texas Supplemental A for County Mutuals (Texas Edition) (required of Texas county mutual companies only), due with the annual statement on or before March 1, 2005; and

(F) Analysis of Surplus (Texas Edition) for property and casualty insurers except Texas county mutual companies, to be filed on or before March 1, 2005.

(G) The Texas Windstorm Insurance Association shall complete and file the following:

(i) 2004 NAIC Property and Casualty Annual Statement, to be filed on or before March 1, 2005;

(ii) 2004 NAIC Property and Casualty Quarterly Statement, to be filed on or before May 15, August 15, and November 15, 2004; and

(iii) Management's Discussion and Analysis, to be filed on or before April 1, 2005.

(iv) The Texas Windstorm Insurance Association is not required to file any reports with the NAIC.

(H) The Texas FAIR Plan Association shall complete and file the following:

(i) 2004 NAIC Property and Casualty Annual Statement, to be filed on or before March 1, 2005;

(ii) 2004 NAIC Property and Casualty Quarterly Statement, to be filed on or before May 15, August 15, and November 15, 2004;

(iii) Actuarial Opinion due on March 1, 2005; and

(iii) Management's Discussion and Analysis, to be filed on or before April 1, 2005.

(iv) The Texas FAIR Plan Association is not required to file any reports with the NAIC.

(3) Foreign property and casualty insurers filing only electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(4) Electronic filings by domestic and foreign insurers to be filed with the

NAIC:

(A) NAIC Annual Statement electronic filing and PDF filing, due on or before March 1, 2005;

(B) NAIC Quarterly statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2004;

(C) All NAIC annual and quarterly supplemental electronic filings together with the related PDF filings (except for electronic Schedule SIS and Supplemental Compensation Exhibit) due on the dates specified in the forms and instructions;

(D) Electronic combined insurance exhibit, due on or before May 1, 2005;

(E) Combined Annual Statement electronic filing and PDF filing due on or before May 1, 2005;

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that files an application with the department for approval of a policyholder dividend shall file an Analysis of Surplus (Texas Edition) for property and casualty insurers with the application.

(7) A foreign insurer that is classified as a commercially domiciled insurer under Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for property and casualty insurers with the department

(f) Requirements for fraternal benefit societies. Each fraternal benefit society shall complete and file the following blanks, forms, and electronic data filings for the 2004 calendar year and the three quarters for the 2004 calendar year. The forms and reports identified in this subsection shall be completed in accordance with the 2004 NAIC Annual Statement Instructions, Fraternal. The electronic data filings with the NAIC shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing. The filings for insurers described in this subsection are:

(1) Domestic insurer reports and forms in paper copy to be filed with the department and the NAIC as follows:

(A) 2004 NAIC Fraternal Annual Statement, including the printed investment schedule detail, due on or before March 1, 2005;

(B) 2004 NAIC Fraternal Annual Statement of the Separate Accounts (required of companies maintaining separate accounts), due on or before March 1, 2005;

(C) 2004 Fraternal Quarterly financial statement, due on or before May 15, August 15, and November 15, 2004;

(D) all the paper copies of the NAIC Annual and Quarterly Supplements prepared and filed on dates described in the NAIC blanks and instructions. The Schedule SIS and the Supplemental Compensation Exhibit are filed only with the department.

(2) Domestic insurer paper copy reports and forms to be filed only with the department:

(A) Supplemental Compensation Exhibit, due on or before March

1, 2005;

(B) Texas Overhead Assessment Form (Texas Edition), due on or before March 1, 2005; and

(C) Analysis of Surplus (Texas Edition) for fraternal benefit societies to be filed on or before March 1, 2005.

(3) Foreign fraternal insurers filing only electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(4) Electronic filings by domestic and foreign insurers to be filed with the NAIC:

(A) NAIC Annual Statement electronic filing and PDF filing, to be filed on or before March 1, 2005;

(B) NAIC Separate Accounts electronic filing and PDF filing due on or before March 1, 2005;

(C) NAIC Quarterly statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2004;

(D) all NAIC annual and quarterly supplemental electronic filings together with the related PDF filings (except for the Supplemental Compensation Exhibit) due on the dates specified in the forms;

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that is classified as a commercially domiciled insurer

under Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for fraternal benefit societies with the department.

(g) Requirements for title insurers. Each title insurance company shall complete and file the following blanks and forms for the 2004 calendar year and the three quarters of the 2004 calendar year. The reports and forms identified in this subsection shall be completed in accordance with the 2004 NAIC Annual Statement Instructions, Title. The electronic version of the filings with the NAIC identified in this subsection shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing. The filings for insurers described in this subsection are:

(1) Domestic insurer reports and forms in paper copy to be filed with the department and the NAIC as follows:

(A) 2004 NAIC Title annual statement, including printed investment schedule details, due on or before March 1, 2005;

(B) 2004 Title quarterly statement, due on or before May 15, August 15, and November 15, 2004;

(C) all the paper copies of the NAIC Annual and Quarterly Supplements prepared and filed on dates described in the NAIC blanks and instructions. The Schedule SIS and the Supplemental Compensation Exhibit are filed only with the department. The Supplemental Schedule of Business Written by Agency is not required.

(D) Management's Discussion and Analysis, due on or before April 1, 2005; and

(E) Statement of Actuarial Opinion due on or before March 1,

2005.

(2) Domestic insurer paper copy filings and reports to be filed only with the department:

(A) Supplemental Compensation Exhibit, due on or before March 1, 2005;

(B) Schedule SIS, Stockholder Information Supplement due on or before March 1, 2005;

(C) Texas Overhead Assessment Form (Texas Edition), due on or before March 1, 2005; and

(D) Analysis of Surplus (Texas Edition) for title companies, to be filed on or before March 1, 2005.

(3) Foreign companies filing electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(4) Electronic filings with the NAIC by domestic and foreign insurers:

(A) NAIC Annual Statement electronic filing and PDF filing, due on or before March 1, 2005;

(B) NAIC Title quarterly statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2004;

(C) All NAIC annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are only filed with the department in paper copy) due on the dates specified in the forms and instructions;

(D) Management Discussion and Analysis, due on or before April 1, 2005; and

(E) Statement of Actuarial Opinion due on or before March 1, 2005;

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that is classified as a commercially domiciled insurer under Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for title insurers.

(h) Requirements for health maintenance organizations. Each health maintenance organization licensed pursuant to Insurance Code Chapter 843 shall use the NAIC Health blanks to file the 2004 annual and 2004 quarterly information. Insurers that are subject to life insurance statutes and are permitted or allowed to do the business of health maintenance organizations shall file the Texas HMO supplement form as part of their annual and quarterly filings. The NAIC forms and reports required in this subsection shall be completed in accordance with the 2004 NAIC Annual and Quarterly Statement Instructions, Health. The Texas supplemental forms required in this subsection and provided by the department shall be completed in accordance with the instructions on the forms. The actuarial opinion shall include the additional requirements of the department set forth in paragraph (1)(D) of this subsection. The electronic data filings with the NAIC shall be in accordance with NAIC data specifications and instructions and shall include PDF format filing. The Texas specific

electronic filings regarding HMO data requested by the department shall be filed in accordance with the instructions provided by the department. The filings for insurers described in this subsection are as follows:

(1) Domestic and foreign insurer reports and forms in paper copy to be filed with the department and the NAIC:

(A) 2004 NAIC Health Annual Statement, including printed investment schedule detail, due on or before March 1, 2005;

(B) 2004 NAIC Health Quarterly Statements, due on or before May 15, August 15, and November 15, 2004. With each quarterly filing, include a completed copy of Schedule E – part 3 – Special Deposits, from the 2004 NAIC Health Annual Statement blank;

(C) Management's Discussion and Analysis, to be filed on or before April 1, 2005; and

(D) Statement of Actuarial Opinion due on or before March 1, 2005. In addition to the requirements set forth in the 2004 NAIC Annual Statement Instructions, Health, the department requires that the actuarial opinion include the following:

(i) The statement of actuarial opinion must include assurance that an actuarial report and underlying actuarial work papers supporting the actuarial opinion will be maintained at the company and available for examination for seven years. The foregoing must be available by May 1 of the year following the year-end for which the opinion was rendered or within two weeks after a request from the commissioner. The suggested wording used will depend on whether the actuary is

employed by the company or is a consulting actuary. The wording for an actuary employed by the company should be similar to the following: "An actuarial report and any underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion will be retained for a period of seven years in the administrative offices of the company and available for regulatory examination." The wording for a consulting actuary retained by the company should be similar to the following: "An actuarial report and any underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion have been provided to the company to be retained for a period of seven years in the administrative offices of the company and available for regulatory examination."

(ii) Under the scope paragraph requirements of section 5 of the instructions relating to the Actuarial Certification in the 2004 NAIC Annual Statement Instructions, Health, the department requires that the actuarial opinion specifically list the premium deficiency reserve as an item and disclose the amount of such reserve.

(2) Domestic insurer paper copy and Texas specific filings and reports to be filed with the department:

(A) Supplemental Compensation Exhibit, due on or before March 1, 2005;

(B) Texas HMO Supplement (Texas Edition), due on or before May 15, August 15, and November 15, 2004, and March 1, 2005;

(C) department formatted diskettes containing annual statement data (diskettes provided by the department), to be completed according to the instructions provided by the department, due on or before March 1, 2005;

(D) department formatted diskettes containing quarterly statement data (diskettes provided by the department), to be completed according to the instructions provided by the department, due on or before May 15, August 15, and November 15, 2004; and

(E) Texas Overhead Assessment Form (Texas Edition), due on or before March 1, 2005.

(3) Electronic filings with the NAIC by domestic and foreign insurers.

(A) NAIC Annual Statement electronic filing, and PDF filing, due on or before March 1, 2005;

(B) NAIC Quarterly statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2004;

(C) All NAIC annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are only filed with the department in paper copy) due on the dates specified in the forms and instructions;

(D) Statement of Actuarial Opinion, due on or before March 1, 2005;

(E) Management Discussion and Analysis due on or before April 1, 2005.

(i) Requirements for farm mutual insurers not subject to the provisions of subsection (e) of this section relating to filing requirements for property and casualty insurers shall file the following blanks and forms for the 2004 calendar year with the department only, on or before March 1, 2005:

(1) Annual statement (Texas Edition);

(2) Texas Overhead Assessment Form (Texas Edition); and

(3) Statement of Actuarial Opinion, unless otherwise exempted.

(j) Requirements for statewide mutual assessment associations, local mutual aid associations, mutual burial associations and exempt associations. Each statewide mutual assessment association, local mutual aid association, mutual burial association and exempt association shall complete and file the following blanks and forms for the 2004 calendar year with the department only, on or before April 1, 2005:

(1) Annual Statement (Texas Edition) (exempt companies are required to complete all pages except lines 22, 23, 24, 25, and 26 on page 3, the special instructions at the bottom of page 3, and pages 4 - 7);

(2) Texas Overhead Assessment Form (Texas Edition);

(3) Release of Contributions Form (Texas Edition);

(4) 3 1/2 % Chamberlain Reserve Table (Reserve Valuation) (Texas Edition);

(5) Reserve Summary (1956 Chamberlain Table 3 1/2 %) (Texas Edition);

(6) Inventory of Insurance in Force by Age of Issue or Reserving Year (Texas Edition); and

(7) Summary of Inventory of Insurance in Force by Age and Calculation of Net Premiums (Texas Edition).

(k) Requirements for Non-profit Legal Service Corporations. Each non-profit legal service corporation doing business as authorized by a certificate of authority issued under Chapter 961 shall complete and file the following blanks and forms for the

2004 calendar year with the department only. An actuarial opinion is not required. The following forms are to be filed on or before March 1, 2005:

(1) Annual Statement (Texas Edition); and

(2) Texas Overhead Assessment Form (Texas Edition).

(l) Requirements for Mexican casualty companies. Each Mexican casualty company doing business as authorized by a certificate of authority issued under the Insurance Code Chapter 984, shall complete and file the following blanks and forms for the 2004 calendar year with the department only. All submissions shall be printed or typed in English and all monetary values shall be clearly designated in United States dollars. The form identified in paragraph (1) of this subsection shall be completed in accordance with the 2004 NAIC Annual Statement Instructions, Property and Casualty, except as provided by this subsection. An actuarial opinion is not required. It is the express intent of this subsection that it shall not repeal or otherwise modify or amend any department rule or the Insurance Code. The following blanks or forms are to be filed on or before March 1, 2005:

(1) 2004 NAIC Property and Casualty Annual Statement; provided, however, only pages 1 - 4, and 110 (Schedule T) are required to be completed;

(2) a copy of the balance sheet and the statement of profit and loss from the Mexican financial statement (printed or typed in English);

(3) a copy of the official documents issued by the COMISION NACIONAL DE SEGUROS Y FIANZAS approving the 2004 Annual Statement; and

(4) a copy of the current license to operate in the Republic of Mexico.

(m) Other financial reports. Nothing in this section prohibits the department from requiring any insurer or other regulated entity from filing other financial reports with the department.

8. CERTIFICATION. This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

Issued in Austin, Texas on _____, 2004.

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