

2017-4907

**TEXAS DEPARTMENT OF INSURANCE
EXEMPT FILING NOTIFICATION UNDER TEXAS INSURANCE CODE
CHAPTER 5, SUBCHAPTER L, ARTICLE 5.96**

ADOPTION OF CHANGES TO TEXAS STATISTICAL PLAN FOR RESIDENTIAL RISKS

The commissioner of insurance adopts changes to the *Texas Statistical Plan for Residential Risks* (Plan) to address depopulation of the Texas Windstorm Insurance Association (TWIA) and to add reporting codes made available by the statistical agent since the Plan was last revised in 2002, as proposed by the December 2, 2016, Texas Department of Insurance staff petition (Reference No. P-1116-13-I), with no changes.

Hearing and Comments

TDI published notice of the petition in the December 2, 2016, issue of the *Texas Register* (41 TexReg 9633). TDI received no written comments or hearing requests by the January 2, 2017, deadline.

Justification

Depopulation of TWIA has made it necessary to add codes for wind-only policies and provide guidance to both insurers and TWIA on how to report data for policies taken out of TWIA through assumption reinsurance. Without separate coding, TDI is unable to identify voluntary wind-only policies and to calculate statistics, such as average homeowner premium, on a full-coverage basis. With the enactment of SB 900, 84th Legislature Regular Session (2015), voluntary insurers will be able to take policies out of TWIA through assumption reinsurance. This will occur midterm for these policies. The Plan provides instructions for when each entity (TWIA and the voluntary take-out insurer) is responsible for reporting statistical-plan data to the Texas Insurance Checking Office (TICO) for assumed policies.

It is also necessary to add instructions for reporting codes that the statistical agent made available since the last revision of the Plan. TICO made these codes available to provide for the reporting of new policy and deductible options offered by insurers that did not have existing statistical codes. Staff also proposes the addition of statistical codes for the split Public Protection Classifications (PPC) recently introduced by the Insurance Services Office (ISO).

Finally, the amendments to Rule 24 and the deletion of Rule 25 are necessary to update the plan to reflect current technology for data transmission. The typographical and grammatical corrections will improve readability and ensure that the Plan conforms to current TDI style and *Texas Register* drafting guidelines.

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Statutory Authority

Insurance Code Article 5.96 and §§38.202, 38.204(a), 38.205, 38.207, and 36.001 authorize the commissioner to take the requested action.

Article 5.96(a) authorizes the commissioner to promulgate, adopt, approve, or amend standard and uniform manual rules, rating plans, classification plans, statistical plans, and policy and endorsement forms for various lines of insurance, including fire and allied lines insurance.

Article 5.96(b) allows any interested person to initiate proceedings with respect to any matter specified in Article 5.96(a) by filing a written petition with the chief clerk.

Section 38.202 allows the commissioner to, for a line or subline of insurance, designate or contract with a qualified organization to serve as the statistical agent for the commissioner to gather data relevant for regulatory purposes.

Section 38.204(a) provides that a designated statistical agent must collect data from reporting insurers under a statistical plan adopted by the commissioner.

Section 38.205 requires insurers to provide all premium and loss cost data to the commissioner or the designated statistical agent as the commissioner or agent requires.

Section 38.207 authorizes the commissioner to adopt rules necessary to accomplish the purposes of Chapter 38, Subchapter E, relating to statistical data collection.

Section 36.001 provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the department under the Insurance Code and other laws of this state.

Official Action Taken

The commissioner adopts changes to the Plan to address depopulation of TWIA and to add reporting codes made available by the statistical agent since the Plan was last revised in 2002, as proposed, with no changes.

The commissioner orders:

- (1) That entities must report premium and loss transactions on residential risks that are taken out of TWIA through assumption reinsurance (AR) as outlined in Section III(1) of the Petition and reflected in the attached amended Plan.
- (2) The addition of new line of business codes for reporting wind-only policies for TWIA, insurers taking residential risks out of TWIA through the voluntary program, and insurers taking residential

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risks out of TWIA through the AR program as outlined in Section III(2) of the Petition and reflected in the attached amended Plan.

(3) The addition of new record types for premium transactions to address situations where a policy is transferred midterm from TWIA to a voluntary take-out insurer through assumption reinsurance as outlined in Section III(2) of the Petition and reflected in the attached amended Plan.

(4) The addition of reporting codes that the statistical agent made available since the last revision of the Plan as reflected in the attached amended Plan.

(5) The addition of statistical codes for PPC recently introduced by ISO as reflected in the attached amended Plan.

(6) The amendment of Rule 24 to conform to current electronic practices for transmission and submission by revising Sections 24(E), (F), and (G) of the rule relating to submitting data using cartridges and diskettes.

(7) The deletion of Rule 25 as obsolete to eliminate requirements for companies to submit data using diskettes.

(8) Nonsubstantive changes to correct typographical and grammatical errors in the Plan.

A copy of the full text of the staff Petition, proposed amended Plan, and related exhibits have been on file with the TDI chief clerk since December 2, 2016. The Petition, proposed amended Plan, and exhibits are incorporated by reference into this order.

The commissioner adopts the changes to the *Texas Statistical Plan for Residential Risks*, under Article 5.96 of the Texas Insurance Code. Article 5.96 exempts action taken under this article from the requirements of the Administrative Procedure Act (Government Code, Title 10, Chapter 2001), and authorizes TDI to promulgate, adopt, approve, or amend standard and uniform manual rules, rating plans, classification plans, statistical plans, and policy and endorsement forms for various lines of insurance, including fire and allied lines insurance.

TDI certifies that the adoption of changes to the *Texas Statistical Plan for Residential Risks*, has been reviewed by legal counsel and found to be a valid exercise of TDI's authority.

Issued in Austin, Texas, on January 18, 2017.



Norma Garcia, General Counsel
Texas Department of Insurance

The commissioner adopts the changes to the *Texas Statistical Plan for Residential Risks* to address depopulation of the Texas Windstorm Insurance Association and to add reporting codes made available by the statistical agent since the Plan was last revised in 2002, as proposed by the

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December 2, 2016, TDI staff petition (Reference No. P-1116-13-I), with effective reporting periods beginning on or after June 1, 2017. Reports required to be filed with TDI before that date are governed by the Plan in effect on the date the applicable report was required to be filed.



David C. Mattax
Commissioner of Insurance

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