

PETITIONER	§	BEFORE THE
STAFF OF THE TEXAS	§	COMMISSIONER OF
DEPARTMENT OF INSURANCE	§	INSURANCE

**PETITION TO MAKE CHANGES TO THE TEXAS STATISTICAL PLAN FOR RESIDENTIAL RISKS TO ADDRESS
DEPOPULATION OF TWIA AND TO ADD REPORTING CODES MADE AVAILABLE BY THE
STATISTICAL AGENT SINCE THE PLAN WAS LAST REVISED IN 2002**

I. INTRODUCTION

The staff of the Texas Department of Insurance files this petition to make 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. Rule 24 in the Plan should be amended to conform to current electronic practices for data transmission and submission by revising Sections 24(E), (F), and (G) of the rule relating to submitting data using cartridges and diskettes. The Plan's Rule 25 should be deleted as obsolete to eliminate requirements for companies to submit data using diskettes. Nonsubstantive changes should also be made to correct typographical and grammatical errors in the Plan. 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. It is also necessary to add instructions for reporting codes that the statistical agent made available since the last revision of the Plan. A proposed amended Plan is attached to this petition and incorporated by reference as if fully set forth.

II. STATUTORY AUTHORITY

Staff is authorized to file this petition and the commissioner is authorized to act on the petition under Insurance Code Article 5.96 and §§38.202, 38.204(a), 38.205, 38.207, and 36.001:

- 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 TDI under the Insurance Code and other laws of this state.

III. PROPOSAL FOR CONSIDERATION AND ADOPTION

1. REPORTING UNDER ASSUMPTION REINSURANCE

Staff proposes to change the Plan so it requires entities to report premium and loss transactions on residential risks that are taken out of TWIA through assumption reinsurance (AR). This requirement would only apply to AR policies where the policyholder **does not** opt out before June 1 of the applicable year.

- TWIA would be responsible for reporting data to the Texas Insurance Checking Office (TICO) for all premium and loss transactions with transaction dates before June 1, the date the voluntary take-out insurer assumes the policy.
- The voluntary take-out insurer would be responsible for reporting data to TICO for all premium and loss transactions on the policy with transaction dates on or after June 1, the date the voluntary take-out insurer assumes the policy.

2. NEW STATISTICAL CODES FOR WIND-ONLY POLICIES

Along with the reporting requirements outlined above, staff proposes adding the following 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 risks out of TWIA through the AR program:

- **13 - Dwelling Policies - TWIA Wind-Only.** This code would apply to all policies issued by TWIA, including policies originally issued by TWIA but later assumed by a voluntary take-out insurer through assumption reinsurance as authorized under Insurance Code §2210.702.
- **14 - Dwelling Policies - Voluntary Wind-Only (AR).** This code would apply to the renewal of an assumption reinsurance policy that the voluntary take-out insurer is required to renew under Insurance Code §2210.703(a).
- **15 - Dwelling Policies - Voluntary Wind-Only (Other).** This code would apply to all other wind-only policies issued by voluntary insurers, including:
 - (1) wind-only policies for risks formerly insured by TWIA that the voluntary take-out insurer acquired through the voluntary take-out program as described in TAC §5.4306;
 - (2) the fourth and subsequent renewal of wind-only policies originally acquired from TWIA through assumption reinsurance; and
 - (3) all other wind-only policies written in the voluntary market.

Staff also proposes adding the following 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.

- **07 - Policy Cancellation Due to Assumption Reinsurance (TWIA Only).** Only TWIA would be required to report this code. TWIA would report this code on policies transferred midterm to a voluntary take-out insurer under assumption reinsurance. The effective date of this transaction is the date all liabilities for the policy transfer to the voluntary take-out insurer *under an assumption reinsurance agreement*. TWIA would be required to report as "return premium" the amount of unearned premium transferred to the voluntary take-out insurer.
- **08 - Assumption of TWIA Wind-Only Policy.** Only voluntary take-out insurers that assume a TWIA policy midterm under an assumption reinsurance agreement would report this code. The effective date of this transaction is the date all liabilities for the policy transfer to the assuming voluntary take-out insurer *under an assumption reinsurance agreement*. Voluntary take-out insurers would be required to report the amount of unearned premium on the policy

transferred from TWIA. The effective date and the premium amount would have to match the corresponding effective dates and return premium reported by TWIA.

3. INSTRUCTIONS FOR NEW REPORTING CODES ADDED BY THE STATISTICAL AGENT SINCE THE LAST UPDATE TO THE PLAN

Staff also proposes adding instructions for reporting codes that the statistical agent made available since the last revision of the Plan, as reflected in the attached proposed amended Plan which is incorporated by reference as if fully set forth. Staff also proposes addition of statistical codes for the split Public Protection Classifications (PPC) recently introduced by the Insurance Services Office (ISO).

4. AMENDMENTS TO RULES 24 AND 25 TO CONFORM TO CURRENT ELECTRONIC FORM AND DATA TRANSMISSION AND SUBMISSION PRACTICES AND TO CORRECT TYPOGRAPHICAL AND GRAMMATICAL ERRORS

Staff proposes amendment to Rule 24 in the Plan to conform to current electronic practices for data transmission and submission by deleting the requirement to submit data using cartridges and diskettes. Rule 25 should be deleted as obsolete to eliminate the requirement for companies to submit data using diskettes. Nonsubstantive changes should be made to correct typographical and grammatical errors in the Plan.

IV. BACKGROUND

TDI's Plan does not have a separate reporting code for wind-only policies written by the voluntary market. Before TWIA created its voluntary insurance portal and before the enactment of SB 900, 84th Legislature, Regular Session (2015), TWIA was the only insurer that issued wind-only policies. TWIA reported its policies under the statistical plan using the line-of-business code for the companion ex-wind policy. As a result, TDI could identify wind-only policies and match them with the companion policy's line of business to calculate statistics on a full-coverage basis.

With the creation of TWIA's voluntary insurance portal, voluntary insurers have begun to write wind-only policies. Under the statistical plan's current reporting requirements, insurers report wind-only policies as dwelling extended coverage. 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.

In addition, with the enactment of SB 900, voluntary insurers will be able to take policies out of TWIA through assumption reinsurance. This will occur midterm for these policies. Staff believes the Plan should provide instructions for when each entity (TWIA and the voluntary take-out insurer) is responsible for reporting Plan data to TICO for assumed policies.

Finally, staff proposes adding instructions for reporting codes that TICO made available since TDI last revised 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 is also proposing to add statistical codes for the split PPC recently introduced by ISO.

V. 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, voluntary insurers will be able to take policies out of TWIA through assumption reinsurance. This will occur midterm for these policies. Staff believes the Plan should provide instructions for when each entity (TWIA and the voluntary take-out insurer) is responsible for reporting statistical-plan data to the 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 PPC recently introduced by ISO.

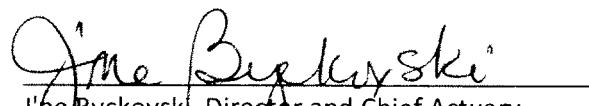
Finally, staff proposes amendments to Rule 24 and deletion of Rule 25 to conform to current electronic practices for forms and data transmission and submission. Nonsubstantive changes correct typographical and grammatical errors in the Plan. The amendments to Rules 24 and the deletion of Rule 25 are 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.

VI. REQUESTED ACTION

Staff recommends that commissioner approve staff's requests to:

1. Change the Plan to require entities to report premium and loss transactions on residential risks that are taken out of TWIA through assumption reinsurance (AR) as outlined in Section III(1) above and reflected in the attached proposed amended Plan.
2. Add 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 risks out of TWIA through the AR program as outlined in Section III(2) above and reflected in the attached proposed amended Plan.
3. Add 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) above and reflected in the attached proposed amended Plan.
4. Add reporting codes that the statistical agent made available since the last revision of the Plan as reflected in Attachment A. Staff further requests TDI to approve the addition of statistical codes for PPC recently introduced by ISO as reflected in the attached proposed amended Plan.
5. Amend 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.
6. Delete Rule 25 as obsolete to eliminate requirements for companies to submit data using diskettes.
7. Make nonsubstantive changes to correct typographical and grammatical errors in the Plan.

Respectfully submitted,


Jane Byckovski
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November 8, 2016

Date