

**How to Form and License a Texas Lloyds**

The Company Licensing and Registration Office incorporates and licenses insurance companies. This one-stop shop process allows us to incorporate Texas insurance companies in a thorough and efficient manner. This office strives to process all our files within 60 days from date actually received. In order to meet this goal, we request that all applicants promptly respond to our requests.

The office charters, licenses and processes various other related transactions for Lloyds. Lloyds are insurance companies regulated by the Texas Insurance Code Ch. 941. A Lloyds company consists of an arrangement (Articles of Agreement and Power of Attorney) between an attorney- in-fact (Corporate entity or person) and at least 10 underwriters (individual, partnership, or association of individuals) to provide property and casualty insurance.

Despite a difference in the structure between a Lloyds and an insurance corporation, Articles of Agreement are similar to Articles of Incorporation and Lloyds are required to maintain the $2 million statutory minimum as aggregate of guaranty fund and unencumbered surplus (contributions from the underwriters); very similar to the insurance corporate structure that constitutes capital and surplus. Pursuant to Ch. 941, the Guaranty Fund of the Lloyds is held under a joint control agreement, in a Texas bank, with the Commissioner of Insurance.

**CERTIFICATE OF AUTHORITY AND APPLICATION PROCESS**

An attorney-in-fact may not write insurance in this state or for residents of this state or covering property located in this state unless the attorney-in-fact holds a certificate of authority issued under this chapter. Submit a cover letter with the filing summarizing information about the proposed application, what type of insurance it plans to offer in Texas, and the justification for omitting any of the below filing requirements.

**STEP 1.** TDI Form FIN300, [**Name Application**](http://www.tdi.texas.gov/forms/fincolicense/fin300nameapp.pdf) - Complete Name Application form. The proposed name must not be so similar to that of any other licensed insurance company as to be likely to mislead the public. The proposed name must also include the word Lloyd's. Filing fee is **$100.00**.

After staff has reviewed the Name Application form, the name will be published in the Texas Register. On the twentieth day after publication, the name will become eligible for use if there has been no objection filed. The name reservation must be renewed for a fee of $25.00 unless incorporation documents are received within 120 days of the eligible date. If the name reservation is renewed, an additional 120 days is given to submit documents before the name eligibility expires.

**STEP 2.** TDI Form FIN368, [**Form A-211**](http://www.tdi.texas.gov/forms/fincolicense/fin369llyda211.pdf), Articles of Agreement and Power of Attorney - File one original of the Form A-211 with $1,500.00 filing fee payable to the Texas Department of Insurance. Form A-211 must contain the following information:

1) The name of the attorney-in-fact must be shown, and the Form A-211 must be signed by the attorney-in-fact, swearing to the truth and correctness of the facts contained therein before a notary public. If a corporate attorney-in-fact, Articles of Incorporation must be submitted, certified by the Texas Secretary of State. It MUST be a Texas corporation.

2) State the full name of the company and the location (city and state) of the company's principal office.

3) State the names and addresses of the all of the underwriters.

4) State the kind or kinds of insurance business the company proposes to transact. A Lloyds may write all types of insurance except life and title insurance.

5) Attach a copy of each policy form or contract proposed for use as Exhibit "A" to Form A-211.

6) There must be at least $2,000,000 contributed by the underwriters to the guaranty fund and surplus.

7) The assets must be in the form of cash or a certificate of deposit (refer to Attorney General's Opinion WW-1331, dated May 18, 1962, regarding acceptability of certificates of deposit).

8) Fully executed Articles of Agreement, signed by all underwriters, must be provided as Exhibit "B" to the Form A-211. There must be at least ten (10) underwriters.

9) A Power of Attorney, signed by all underwriters, and stating that the underwriters authorize the attorney-in-fact to effect contracts of insurance on their behalf and do all the things necessary to conduct the business of an insurance company, must also be attached as Exhibit "B" to Form A-211.

10) Attach a financial statement for the company showing in detail the assets and liabilities accumulated and incurred and the income and disbursements received and made by the attorneys for the underwriters.

11) Attach a supplemental affidavit, signed before a notary public by the attorney-in-fact, stating that the facts set out in the Articles of Agreement are true and correct and that the amount contributed to the guaranty fund and free surplus is the bona fide property of the company.

**STEP 3.** Supplemental Affidavit Concerning Control must be submitted. This affidavit should be signed and sworn to before a notary public as being true and correct by the attorney-in-fact and include disclosure of the items below. If one of the items below does not apply to the situation, a positive statement ("NOT APPLICABLE") to that effect should be included in the affidavit. The required elements are:

1) Identify and give the background of all underwriters who will contribute 10% or more to the guaranty fund and free surplus of the proposed insurance company (these persons are hereinafter referred to as "applicants").

2) If the applicant is not an individual, the affidavit must state the kind of business entity and the nature of its business operations for the past five years or for such lesser period as it has been in existence.

3) The affidavit must state the following with respect to all underwriters who will contribute 10% or more to the guaranty fund and free surplus of the proposed insurance company:

a. name and business address;

b. present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

c. material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on. If any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith;

d. whether or not such person has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years. If so, provide the date, nature of conviction, name and location of court, and penalty imposed or other dispositions of the case.

**STEP 4.** Statement Concerning Affiliates must be submitted. This statement must contain:

1) The names of the affiliates of all applicants.

2) Submit a chart or listing clearly identifying the interrelationships between individual applicant(s) and all persons who are directors, officers or owners of 10% or more of the outstanding voting securities of a business entity applicant, and all affiliates.

3) The affidavit must indicate the percentage of voting securities of each affiliate which is controlled by that applicant or by any director, officer or owner of 10% or more of the outstanding voting securities of a business entity applicant.

4) State the basis of control if any affiliate is controlled other than by the ownership or control of voting securities.

5) State the type of organization (e.g., corporation, trust, partnership) and state or other jurisdiction of domicile of each affiliate specified in the chart or listing.

6) If court proceedings looking toward a reorganization or liquidation are pending with respect to any such affiliate, the affidavit must state which affiliate, and set forth the title of the court, nature of proceedings and the date when commenced.

**STEP 5.** Description of the Source of Funds must be submitted. This must contain a description of the source of funds used to contribute the 10% or more of the guaranty fund and surplus of the proposed insurance company. If any part of the funds is borrowed, furnish a description of the loan transaction, including the names of the parties thereto, the relationship if any between the borrower and lender, the amounts borrowed, the security for the loan and copies of all agreements, promissory notes and security arrangements relating thereto.

**STEP 6.** BUSINESS PLAN must be submitted. An affidavit must be submitted containing the following elements:

1. The future plans of the company.

2. Any plans or proposals which the applicant may have to sell the company, or merge it with another company.

3. Disclose any financial or employment guarantees proposed for present and/or contemplated management.

4. Briefly describe how the management intends to develop the company and in what lines of business the company plans to engage.

5. Describe any plans to convert the assets of the company from cash to other investments.

**In addition to the affidavit, a complete business plan** must be filed in accordance with the attached outline as well as three-year budget projections.

**STEP 7.** Securities **-** Give a full description of any contracts, arrangements or understandings with respect to any voting rights in the insurance company which any applicant, or his affiliates, is involved, including but not limited to transfer of any of such voting rights, any joint ventures, loan or option arrangements, guarantees on loans, guarantees against loss or guarantees of profits, or divisions of losses or profits. Also identify the names and addresses of such persons with whom such contracts, arrangements or understandings have been entered into.

**STEP 8.** Financial Statements and Exhibits for the preceding five years must be filed on behalf of all applicants (underwriters contributing 10% or more to the guaranty fund and free surplus of the proposed insurance company) and for all affiliates. If the applicant is an individual, the statements must be signed and sworn to before a notary public as correctly reflecting his/her financial condition. If the applicant is a corporation or business entity, the statements must be certified by an independent certified public accountant. If the required financial statements are not reasonably available, an affidavit must be submitted that reflects that undue effort and expense would be involved in the obtaining thereof. The Texas Department of Insurance retains the right to decide as to the ultimate necessity for and adequacy of financial statements.

**STEP 9.** Bank Officer's Affidavit must be submitted which states that the funds on deposit are the bona fide and unencumbered property of the proposed insurance company and that the bank is not aware of any claims, liens or encumbrances on the funds. This affidavit must contain the notarized signature of the officer of the bank where the funds are on deposit. Proof of deposit must also be submitted (e.g., copy of the deposit slip or of the Certificate of Deposit).

**STEP 10.** Submit TDI Form FIN307, [Attorney-in-Fact and Underwriters Page](http://www.tdi.texas.gov/forms/fincolicense/fin307aifundpg.pdf). Also, submit NAIC UCAA, Form 11 - [Biographical Affidavit](http://www.naic.org/documents/industry_ucaa_form11.pdf) for each of the underwriters and the attorney-in-fact. A biographical must contain original, notarized signatures. There are [fingerprint requirements for each biographical affidavit](http://www.tdi.texas.gov/forms/fincolicense/fin356biofplloy.pdf) that is submitted with the application, with the exception of underwriters.

**STEP 11.** Qualifying Examination must be requested by submitting a letter with this application, addressed to the Chief Examiner of the Texas Department of Insurance. The letter must include the request for the qualifying examination, the name, address and phone number of the person who possesses the books, records and files of the company. **These books and records must be located in the State of Texas**.

**STEP 12.** TDI Form FIN450, [**Joint Control Agreement**](http://www.tdi.texas.gov/forms/fincolicense/fin450jointcntl.pdf) must be submitted in triplicate subjecting the assets of the company to the extent of the minimum required under Texas Insurance Code, Chapter 941, to the joint control of the attorney-in-fact and the Commissioner of Insurance. It must be signed by the attorney-in-fact and include a receipt and acknowledgment of the joint control by an officer of the bank who is the custodian of such company assets.

**STEP 13.** A Deposit Report must be submitted in triplicate signed in appropriate places by the attorney-in-fact and include a receipt and acknowledgment of the joint control by an officer of the bank who is custodian of such company assets.

**SPECIFIC LINES**

**Loss Control**

If applicant was granted authority to write auto liability or liability other than auto, and will write any one of the products listed below, the applicant will have to submit a loss control plan subsequent to licensing approval, but prior to writing. Commercial automobile liability insurance

* Professional liability insurance for hospitals
* Professional liability insurance for insureds other than hospitals
* General liability insurance
* Medical liability insurance for insureds other than hospitals

For further information, contact the Loss Control Division at 512-676-6680.

**Worker’s Compensation**

If applicant is planning to write worker’s compensation insurance, contact TDI’s Division of Workers' Compensation at 1-800-252-7031 or visit the DWC [**website**](http://www.tdi.texas.gov/wc/safety/aps.html). Subsequent to licensing approval, but prior to writing worker’s compensation insurance, the applicant must file an Accident Prevention Plan to be reviewed by TDI-DWC.

**CONFIDENTIAL INFORMATION**

If an applicant considers any of section of the application to be confidential, please specifically state which part is considered proprietary and confidential. Most Company Licensing documents are open record; any determination that any of these documents are a closed record will have to be concluded at the Texas Attorney General’s Office. Once the application is received in Company Licensing and Registration, it is date stamped and assigned to a Company Licensing Insurance Specialist. The Specialist will review the application to determine if all required documentation is submitted. Within approximately 10 days, the Specialist will contact the applicant stating that either the filing is acceptable, and the Specialist will begin technical review of the submitted documents, or that the filing is deficient and will request that these documents be submitted within a specific timeframe.

**REVIEW PROCESS**

When technical review of the document begins, the Specialist will review the various forms, articles of agreement, and by-laws for compliance. The operational plan will be reviewed by a Company Licensing Financial Analyst. During the technical review there could be further questions or issues that the applicant will be required to address.

As previously stated, Company licensing and Registration strives to process all our files within 60 days from date actually received. In order to meet this goal, we request that all applicants promptly respond to our requests.

When the Financial Analyst has completed the review and recommends approval of the charter and license, the applicant will submit a request for an on-site exam by a TDI Financial Examiner. The request will state where the books and records of the proposed Lloyds Plan are held and at what bank the initial funds of the proposed corporation are held. At this junction in the process, a common concern is how to establish a bank account or financial structure for an entity that does not exist – a suggestion is to set up an account at a bank “in the name of the incorporators for the formation of new Lloyds”.

When the Financial Examiner has finished the on-site review, the examiner will draft a report with the findings. When the proposed Lloyds passes the on-site exam and verification of funds to start the insurance company, the Specialist will prepare an order approving the charter, then an order granting the new Lloyds the authority to bear risks in Texas.