

**Subchapter B. INSURANCE HOLDING COMPANY SYSTEMS**  
**28 TEX. ADMIN. CODE §§7.211 - 7.213**

**1. INTRODUCTION.** The Texas Department of Insurance proposes the repeal of 28 TAC §§7.211 - 7.213, concerning Form C, disclaimer of control or affiliation filed with TDI; Form D, notice of declaration of extraordinary dividend; and Form E, statement regarding the exemption from approval of the acquisition of control of a domestic insurer, respectively. The repeal of these sections is necessary to implement statutory changes from Senate Bills 1283 and 1284 (79th Leg., 2005), 1542 (80th Leg., 2007), and 1431 (82nd Leg., 2011); adopt rules consistent with the National Association of Insurance Commissioners (NAIC) model regulation forms, as applicable; and delete obsolete forms.

TDI proposes the repeal of §7.211, Form C, concerning disclaimer filings. The disclaimer content is relocated in narrative format to proposed §7.203(m) to be consistent with NAIC disclaimer language, and is published in this issue of the *Texas Register*. The repeal is necessary to adopt NAIC model Form C, summary of material changes to a registration statement, and implement statutory changes from Insurance Code §823.055. TDI proposes the repeal of §7.212, Form D, concerning notice of declaration of extraordinary dividend, and relocates the information to proposed §7.213, Form E, notice of ordinary and extraordinary dividends and distributions. The repeal is necessary to adopt NAIC model Form D, prior notice of a transaction, and implement statutory changes from Insurance Code §§823.101, 823.102, and 823.103. TDI

proposes the repeal of §7.213, Form E, concerning the exemption from approval of the acquisition of control of a domestic insurer, because the exemption form is obsolete. The exemption remains pursuant to Insurance Code §823.164. Proposed §7.213, Form E, includes notice of ordinary and extraordinary dividends and other distributions, which incorporates ordinary dividends from the HC Dividend form on the TDI website and extraordinary dividends from Form D. In conjunction with this proposed repeal, TDI is proposing new §§7.211 - 7.213, also published in this issue of the *Texas Register*.

**2. FISCAL NOTE.** Danny Saenz, deputy commissioner of the Financial Regulation Division, has determined that during each year of the first five years that the proposed repeal is in effect, there will be no fiscal impact on state or local government as a result of enforcing or administering the sections. There will be no measurable effect on local employment or the local economy as a result of the proposal.

**3. PUBLIC BENEFIT/COST NOTE.** Mr. Saenz has also determined that for each year of the first five years the repeal of the sections is in effect, the public benefit anticipated as a result of administration and enforcement of the repealed sections will be to adopt rules consistent with NAIC model regulation forms, as applicable, and eliminate obsolete regulation forms. There is no anticipated economic cost to persons who are required to comply with the proposed repeal. There is no anticipated difference in cost of compliance between small and large businesses.

#### **4. ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS**

**FOR SMALL AND MICRO BUSINESSES.** In accord with the Government Code §2006.002(c), the department has determined that this proposed repeal will not have an adverse economic effect on small or micro business carriers because it eliminates obsolete regulation forms and adopts rules consistent with NAIC model regulation forms, as applicable. In accord with the Government Code §2006.002(c), the department is not required to prepare an economic impact statement or regulatory flexibility analysis.

**5. TAKINGS IMPACT ASSESSMENT.** The department has determined that no private real property interests are affected by this proposal and that this proposal does not restrict or limit an owner's right to property that would otherwise exist in the absence of government action and, so, does not constitute a taking or require a takings impact assessment under the Government Code §2007.043.

**6. REQUEST FOR PUBLIC COMMENT.** If you wish to comment on the proposal, or to request a public hearing, you must do so in writing no later than 5:00 p.m. on January 28, 2013. A hearing request must be on a separate page from any written comments. TDI requires two copies of your comments or hearing request. Send one copy to the Office of the Chief Clerk, Mail Code 113-2A, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104. Send the other copy to Angel Garrett, Assistant

Chief Analyst, Financial Analysis, Mail Code 303-1A, Texas Department of Insurance,  
P.O. Box 149104, Austin, Texas 78714-9104.

The commissioner will consider the adoption of the proposed repeal in a public hearing under Docket No. 2750 scheduled for January 24, 2013, at 9:30 a.m. in Room 100 of the William P. Hobby Jr. State Office Building, 333 Guadalupe Street, Austin, Texas. Written and oral comments presented at the hearing will be considered. The notice to consider the adoption of the proposed amendments and new sections is published in this edition of the *Texas Register*.

**7. STATUTORY AUTHORITY.** Repeal of §§7.211 - 7.213 is proposed pursuant to the Insurance Code §§823.012 (a), 823.055 (c), 823.059 (c), 823.101 (b-1), 823.103 (a)(4), 823.154 (a)(3), 36.001, and 36.004. Article 823.012 (a) provides that the commissioner may, after notice and opportunity for all interested persons to be heard, adopt rules and issue orders to implement this chapter, including the conducting of business and proceedings under this chapter. Section 823.055 (c) provides that an insurer required to file an annual registration statement shall also furnish a summary of material changes from the prior year's annual registration statement as specified by the commissioner by rule. Section 823.059 (c) provides that the commissioner, by rule or order, may exempt an insurer, information, or a transaction from the application of this subchapter. Section 823.101 (b-1) provides that an agreement, including an agreement for cost-sharing, services, or management, must include all provisions required by rule of the commissioner. Section 823.103 (a)(4) applies only to any material transaction

between a domestic insurer and any person in the insurer's holding company system that is specified by rule and that the commissioner determines may adversely affect the interests of the insurer's policyholders or of the public, including an amendment or modification of an agreement previously filed under this section. Section 823.154 (a)(3) provides that if the person is initiating a divestiture of control, the divesting person shall file with the commissioner a notice of divestiture on a form adopted by the NAIC or adopted by the commissioner by rule. Section 843.051 (g) provides that the commissioner may adopt rules as necessary to implement this subsection in a way that reflects the nature of health maintenance organizations, health care plans, or evidences of coverage. Section 36.001 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. Section 36.004 provides that except as provided by Section 36.005, the department may not require an insurer to comply with a rule, regulation, directive, or standard adopted by the NAIC, including a rule, regulation, directive, or standard relating to policy reserves, unless application of the rule, regulation, directive, or standard is expressly authorized by statute and approved by the commissioner.

**8. CROSS REFERENCE TO STATUTE.** The proposed repeal affects regulation pursuant to the following statutes:

Rule

Statute

§7.211

Insurance Code §§823.010, 823.055;

§7.212 Insurance Code §§403.001, 403.051, 403.052,  
403.053, 823.008, 823.012, 823.053, 823.101,  
823.102, 823.103, 823.107

§7.213 Insurance Code §§403.001, 403.051, 403.052,  
403.053, 823.008, 823.012, 823.053, 823.107,  
823.164

**9. TEXT.**

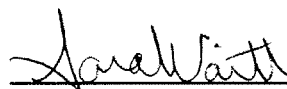
**§7.211. Form C.**

**§7.212. Form D.**

**§7.213. Form E.**

**10. CERTIFICATION.** This agency certifies that legal counsel has reviewed the proposed repeal and found it to be within the agency's legal authority to adopt.

Issued at Austin, Texas, on December 17, 2012.



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Sara Waitt  
General Counsel  
Texas Department of Insurance