

No. **2023-7834**

**Official Order
of the
Texas Commissioner of Insurance**

Date: 03/06/2023

Subject Considered:

Houston Casualty Company
U.S. Specialty Insurance Company
13403 Northwest Fwy
Houston, Texas 77040-6006

Consent Order
TDI Enforcement File Nos. 27978 & 27979

General remarks and official action taken:

This is a consent order with Houston Casualty Company (HCC) and U.S. Specialty Insurance Company (USSIC) (together, the HCC Companies). The Texas Department of Insurance (TDI) alleges that the HCC Companies have failed to comply with Texas Insurance Code Chapter 823. The HCC Companies have agreed to pay an administrative penalty of \$150,000 for these violations.

Waiver

The HCC Companies acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The HCC Companies waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this order. Pursuant to TEX. INS. CODE § 82.055(b), the HCC Companies agree to this consent order with the express reservation that they do not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute. The HCC Companies agree to the entry of this order to avoid the time, trouble, and expense of resolving the dispute through further administrative proceedings.

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Findings of Fact

1. HCC, organization identification number 846, is designated as an eligible domestic surplus lines insurer and holds a TDI-issued domestic surplus lines insurer certificate.
2. USSIC, organization identification number 3709, is a domestic fire and casualty insurance company and holds a TDI-issued certificate of authority.
3. In 2015, the HCC Companies were acquired (the Acquisition) by Tokio Marine Holdings, Inc. (Tokio Marine), organization identification number 119633, which is an insurance holding company organized under the laws of Japan and registered with TDI. This Acquisition was approved under Commissioner's Order No. 4131, dated September 25, 2015.
4. The HCC Companies represent that the Acquisition caused reinsurance transactions that were placed in the open market between previously unaffiliated parties to become affiliate transactions, which greatly increased the HCC Companies' filing obligations under Texas Insurance Code Chapter 823.
5. The HCC Companies represent that because of the increased complexity of the organizational structure following the Acquisition, the HCC Companies were unable to timely make required holding company filings, which caused certain filings to be either late or deficient.
6. The HCC Companies failed to file Form D notices of certain affiliated transactions for review and non-disapproval by the Commissioner as required by Texas law. The missing or deficient filings included Form D notices of certain affiliated transactions, as well as Form B and Form C filings.
7. As of the date of this order, the HCC Companies have filed Form D notices for all active affiliate agreements in compliance with Texas Insurance Code Chapter 823. The HCC Companies will use an agreed upon filing construct to ensure compliance with Texas Insurance Code Chapter 823.
8. Following this filing procedure, the HCC Companies have corrected their failures and deficiencies and are cooperating with TDI to achieve future compliance with Texas law. The companies have:

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- a. corrected applicable past filing violations identified by TDI;
- b. developed a comprehensive tracking system for all affiliate agreements, including managing general underwriter agreements, reinsurance, and intercompany agreements, as well as correspondence with TDI regarding these transactions;
- c. hired a replacement compliance officer to oversee and manage regulatory compliance and regulatory affairs; and
- d. increased internal controls and measures to track and implement compliance efforts.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051–82.055 and 84.021–84.044, and TEX. INS. CODE Chapters 801, 823, and 981.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. The HCC Companies have knowingly and voluntarily waived all procedural rights to which they might have been entitled regarding the entry of this Order, including the issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. The HCC Companies violated TEX. INS. CODE §§ 823.103(c)-(f).

Order


It is ordered that Houston Casualty Company and U.S. Specialty Insurance Company pay, jointly and severally, an administrative penalty of \$150,000. Following entry of this Order, TDI will remit an invoice to HCC Companies and the administrative penalty payment must be made within 30 days of the date of receipt of the invoice as instructed in the invoice.

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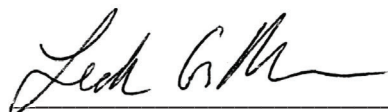
It is further ordered that Houston Casualty Company and U.S. Specialty Insurance Company submit to TDI its internal tracking system for all affiliate agreements not later than the 15th day after the entry of this Order and on a quarterly basis for a period of one year following the entry of this Order.

This consent order fully and finally resolves the issues addressed in this consent order. This consent order does not resolve any allegations or violations with respect to any other TDI complaints, proceedings, or other investigations not reflected in this order.

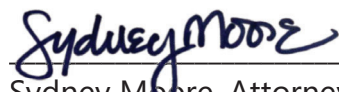
DocuSigned by:

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Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Enforcement and Fraud Division



Sydney Moore, Attorney
Enforcement

Affidavit

STATE OF Texas §
§
COUNTY OF Harris §

Before me, the undersigned authority, personally appeared Jennifer Guppy who being by me duly sworn, deposed as follows:

"My name is Jennifer Guppy. I am of sound mind, capable of making this statement, and have personal knowledge of these facts, which are true and correct.

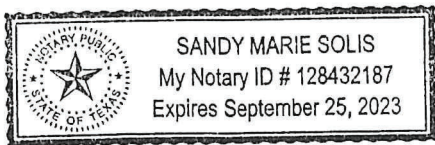
I hold the office of Vice President & Assistant Secretary and am the authorized representative of U.S. Specialty Insurance Company. I am duly authorized by U.S. Specialty Insurance Company to execute this statement.

U.S. Specialty Insurance Company knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the Texas Commissioner of Insurance."

Jennifer Guppy
Affiant

SWORN TO AND SUBSCRIBED before me on February 13, 2023.

(NOTARY SEAL)



Sandy M. Solis
Signature of Notary Public

Sandy M. Solis
Printed Name of Notary Public