

No. **2023-8196**

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

Date: 9/14/2023

Subject Considered:

RentWerx, LLC
21222 Gathering Oak, Suite 103
San Antonio, Texas 78260-3101

Consent Order
SOAH Docket No. 454-23-14127
TDI Enforcement File No. 23298

General remarks and official action taken:

This is a consent order with RentWerx, LLC (RentWerx), a property management business. RentWerx does not hold and has never held any insurance license or other authorization to engage in the business of insurance in Texas. For at least four years, RentWerx solicited and sold insurance to Texas tenants and landlords, and held itself out as and engaged in the acts of an adjuster without licensure. RentWerx agrees to wind down the portion of its tenant offerings that constitute insurance, the entirety of its landlord offerings, and to cease and desist engaging in the business of insurance in Texas. RentWerx also agrees to pay an administrative penalty of \$195,000.

Waiver

RentWerx acknowledges that the Texas Insurance Code and other applicable law provide certain rights. RentWerx waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

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Findings of Fact

Background

1. RentWerx, is a Texas-domiciled limited liability company in the state of Texas which operates as a property management business with physical locations in both Austin and San Antonio, Texas.
2. RentWerx holds no insurance license or other authorization to engage in the business of insurance in Texas. RentWerx is not exempt or excepted from licensure or authorization to engage in the business of insurance.
3. Sometime before September 2019, RentWerx began engaging in the business of insurance in Texas without authorization by marketing, selling, and administering two kinds of insurance programs or packages: one for Texas tenants and one for Texas landlords.

Unauthorized Business of Insurance with Tenants

4. RentWerx offers and underwrites a product it refers to as a "Resident Benefits Package" to the tenants renting properties it manages (the Residents Package). The Residents Package includes both insurance and non-insurance products. The insurance portion of the Resident Package includes liability, contents, and bodily injury insurance coverages for the tenants, and those coverages are identified throughout this order as the insurance portion of the Residents Package.
5. RentWerx's website, www.rentwerx.com, is active, fully operational, and viewable by citizens of Texas. The website markets the insurance portion of the Residents Package, disseminating coverage and rate information to Texas tenants including coverage limits, deductibles, and premiums.
6. For the insurance portion of the Residents Package, RentWerx required that tenants include additional funds with their rent payment. Some of the funds initially represented premiums for a group renters insurance policy underwritten on the

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surplus lines market by Lloyd's of London (Lloyd's),¹ and issued through Millennial Specialty Insurance, LLC, f/k/a Arcana Insurance Services, LP.

7. Between at least January 21, 2019, and July 7, 2022, RentWerx was the master policyholder for the group renters insurance policy, which provided some coverage to RentWerx's tenants on a group basis.
8. As of May 2021, there were approximately 702 tenants insured under RentWerx's master policy with Lloyd's.
9. In April 2022, RentWerx confirmed that it collected \$59 per month from each tenant enrolled in the Resident Benefits Package. Of that \$59 amount, RentWerx represented at that time it forwarded \$16.13 of that premium to Millennial, but RentWerx retained the remainder, or \$42.87.
10. On July 7, 2022, RentWerx canceled the policy with Lloyd's, but RentWerx did not stop marketing and collecting premiums for the insurance portion of the Residents Package.
11. In July 2022, RentWerx purchased what was purported to be a contractual liability insurance policy (CLIP) from a registered, foreign risk retention group, YRIG Risk Retention Group, Inc. The term of that policy was effective October 1, 2021, to September 30, 2022, and it has been renewed.
12. Under the CLIP, Renters Insurance Solutions, LLC,² is the policyholder and RentWerx is an additional named insured. RentWerx represents the CLIP provides coverage for contractual obligations to tenants and that tenants are not insureds and do not have any coverage.
13. However, related to both the CLIP and the fees it charges tenants, RentWerx uses a lease addendum. In it, RentWerx represents to tenants that it insures each tenant for the fee it charges and collects from each tenant and then pools with the fees of

¹ Although this policy is no longer in force, group renter's insurance is prohibited in Texas. In the absence of a statute specifically authorizing the writing of group property and casualty insurance, such insurance is prohibited in Texas. *See e.g.* Chapter 2171 of the Texas Insurance Code, and Texas Attorney General Letter Opinion No. MS-161 (1954).

² Renters Insurance Solutions, LLC appears to operate from South Carolina, but TDI's records show it holds no license to engage in the business of insurance in Texas.

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other tenants. In exchange for the fee, RentWerx promises to indemnify tenants for specified losses and to provide contents, liability, and bodily injury insurance coverages.

14. When a tenant experiences a loss and seeks indemnification under the insurance portion of the Residents Package, RentWerx adjusts the loss, sometimes requiring the tenant to pay a deductible.
15. When RentWerx obtained the CLIP, RentWerx increased the premiums for the insurance portion of the Residents Package. RentWerx continued to charge tenants \$59 per month for the entire Residents Package and applied \$18 of that amount to what it represents as a \$100,000 Resident Protection Benefit, \$20,000 Resident Contents Benefit, and \$10,000 Resident Bodily Injury Benefit.
16. RentWerx has acted and continues to act as an unauthorized insurer: collecting money that constitutes insurance premiums from each tenant; pooling those funds with money collected from other tenants; promising to indemnify the tenants when the tenant incurs what RentWerx deems to be a covered loss under the insurance portion of the Residents Package; and, adjusting what it deems to be a covered loss.

Unauthorized Business of Insurance with Landlords

17. Starting sometime before September 2019, RentWerx began marketing, selling, and administering four "programs" (collectively "Landlord Programs") to Texas landlords that own the properties it manages.
18. The Landlord Programs consist of the following:
 - a. Damage Assurance Program provides coverage for damages to a landlord's home caused by a tenant. RentWerx describes this program as covering damage which is not covered by the landlord's homeowners policy, effectively acting as excess coverage.
 - b. Rent Protection Program provides coverage for loss of rental income. If it is necessary to evict a tenant, RentWerx will indemnify the landlord for 30 days' worth of rental income, effectively acting as loss-of-use coverage.

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- c. Animal Protection Program provides coverage for animal related damage to a landlord's home which is not covered by the landlord's homeowners policy. RentWerx will indemnify the landlord for up to \$5,000 in damages, per incident, effectively acting as excess coverage.
 - d. Eviction Assurance Program provides coverage for costs associated with any necessary eviction of tenants. RentWerx will indemnify the landlord for certain, specified costs associated with the eviction process. In certain instances, RentWerx informs landlords that they must file a damage claim under their homeowners policy, sometimes effectively acting as excess coverage.
19. The Landlord Programs are insurance because they are contracts for indemnity covering specified losses.
 20. RentWerx charges landlords anywhere from \$10-25 per month for their selected Landlord Programs, which constitutes insurance premiums.
 21. As of May 2021, there were approximately 800 landlords enrolled in the Landlord Programs.
 22. To enroll, the landlord agrees to allow RentWerx to recoup any losses from the tenant. As a result, RentWerx is acting as an insurer by subrogating insurance claims made by the landlord.
 23. Under the Damage Assurance and Animal Protection Programs, RentWerx represents it assesses what damaged property needs to be repaired or replaced and is therefore also holding itself out as and acting as an adjuster without holding an adjuster's license.
 24. RentWerx has acted and continues to act as an unauthorized insurer offering, advertising, and selling to Texas landlords insurance it has mislabeled as a "program."

Mitigating Circumstances

25. RentWerx represents that it did not intentionally, knowingly, or recklessly violate TEX. INS. CODE § 101.102.

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Conclusions of Law

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 101.001, 101.051, 101.101–101.103, 101.151–101.156, 801.052–801.053, 4001.002, 4005.101, 4005.102, 4101.001, and 4101.051; and TEX. GOV'T CODE §§ 2001.051–2001.178.
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. RentWerx has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, 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. RentWerx is not excepted or exempt from licensure or authorization under the Texas Insurance Code.
5. RentWerx has engaged in acts constituting the business of insurance as those acts are defined in TEX. INS. CODE §§ 101.051, 801.001(2), and 4101.001(a)(1), without holding a license or authorization to engage in those acts.
6. RentWerx violated TEX. INS. CODE § 101.102(a), by engaging in acts constituting the business of insurance without a license or other authorization.

Order

It is ordered that RentWerx, LLC, must immediately cease and desist from:

1. engaging in any acts that constitute the business of insurance under TEX. INS. CODE §§ 101.051, 801.001(2), and 4101.001(a)(1), or that require any insurance license or authorization;
2. offering, advertising, selling to, or collecting any consideration from tenants for the insurance portion of the Residents Package or any other benefit or coverage considered and found to be insurance under the Texas Insurance Code or the terms of this order; and,

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3. offering, advertising, and selling to, or collecting any consideration from landlords for any of the Landlord Programs, or any other coverage considered and found to be insurance under the Texas Insurance Code or the terms of this order.

It is further ordered that RentWerx, LLC, will comply with the following run-off plan for all unauthorized insurance sold to both landlords and tenants:

1. On or before 10 days from the date of this order (the "Notice Date"), RentWerx must send all landlords and tenants a uniform notice of cancellation of the Landlord Programs and the insurance portion of the Residents Package.
2. All Landlord Programs and the insurance portion of the Residents Package must be cancelled no later than 63 days from the Notice Date, allowing at least 60 days' notice to the landlords and tenants, plus three additional days for delivery by mail.
3. A letter of explanation of this run-off plan must be sent together with the uniform notices of cancellation. The letter of explanation must be in the form shown in Exhibit A.
4. For any claims incurred under the Landlord Programs and the insurance portion of the Residents Package, RentWerx must engage the services of licensed and authorized persons or entities to handle and adjust any such claims for which RentWerx remains liable.
5. Not later than 80 days after the entry of this order, RentWerx must send the department a report in the form of a sortable electronic spreadsheet, containing the following information:
 - a. the landlord's or tenant's full name, address, and telephone number;
 - b. whether the person/entity purchased the Landlord Program or the Residents Package;
 - c. the effective date of their purchase;
 - d. the date notice of cancellation was mailed; and,
 - e. the date of cancellation.
6. All submissions required under the terms of this order must be sent by email to: EnforcementReports@tdi.texas.gov.

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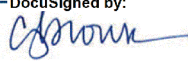
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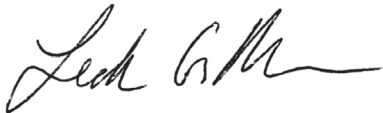
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It is further ordered that RentWerx, LLC pay an administrative penalty of \$195,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which the department will send after entry of this order.

DocuSigned by:

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Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Fraud and Enforcement Division



Anna Kalapach, Staff Attorney
Enforcement

Affidavit

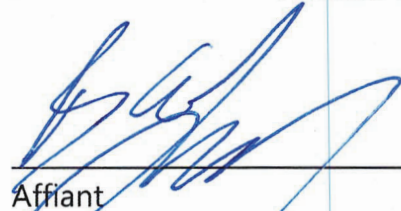
STATE OF Texas §
§
COUNTY OF Bexar §

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

"My name is Brad Larsen. 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 owner and am the authorized representative of RentWerx, LLC. I am duly authorized by said organization to execute this statement.

RentWerx, LLC, has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."




Affiant

SWORN TO AND SUBSCRIBED before me on 31 August, 2023.

(NOTARY SEAL)





Signature of Notary Public
Melanie Thomas

Printed Name of Notary Public

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Exhibit A

The Texas Department of Insurance (TDI) determined that RentWerx, LLC, is engaging in the business of insurance in Texas without authorization by marketing, selling, and administering two kinds of insurance programs or packages in Texas: one for tenants, and one for landlords.

As a result, RentWerx will no longer offer any insurance to tenants and landlords, and any coverage you presently have through RentWerx will be canceled effective _____, 2023, at ___:___ a.m./p.m.:

1. For tenants, RentWerx will no longer offer any liability, contents, or bodily injury insurance coverage, which were sold to tenants under RentWerx's Resident Benefits Package. As a result of this cancellation, your monthly payments for the Resident Benefits Package will decrease.
2. For landlords, RentWerx will no longer offer the:
 - a. Damage Assurance Program;
 - b. Rent Protection Program;
 - c. Animal Protection Program; and
 - d. Eviction Assurance Program.

The Commissioner of Insurance has ordered RentWerx to stop collecting any money from you for the above-described insurance products.

If you wish to obtain replacement coverage, you should immediately consult a licensed insurance agent or an insurance company. To find a licensed agent or insurance company visit TDI's website at www.tdi.texas.gov or call TDI's Consumer Helpline at 800-252-3439.