



MEMORANDUM

DATE: September 24, 2018

TO: Norma Garcia, General Counsel, Texas Department of Insurance

FROM: Cindy Johnson, Manager, Legal & Compliance

RE: New TWIA Rating Rules – Request for Additional Information – Clarification

This information is provided to supplement our response to TDI's August 27, 2018 request for additional information regarding TWIA's 2018 Rate/Rule filing. Please find below additional clarification regarding 1) the intent of the redlined and clean versions of the manual submitted on September 4, 2018 and 2) additional detail regarding the changes relating to the rate for greenhouses.

1) The redlined and clean copy versions of the TWIA Rating Rules provided in TWIA's initial September 4, 2018 response to TDI's request for additional information supersede and replace the versions provided to TDI in our original submission of the 2018 Rate Filing provided on August 15, 2018.

2) Relating to Appendix A-3 (p. 63) Greenhouses – The redlined version of the Rating Rules shows that the Greenhouse column in the currently approved version of the TWIA Manual Rules displays "\$8.00" and we are proposing to replace the specific rate with the number "20." The number "20" is a reference to Table 20 found in Addendum C1, Page 1, of TWIA's 2018 Commercial Rate Filing (State Tracking Number S658011). TWIA's change to the Greenhouse reference on page 63 of the redlined Rating Rules was made for formatting reasons, to allow for better flexibility and version control in the use of the TWIA Rating Rules document. This change has no impact on the actual greenhouse rate. Replacing the actual greenhouse rate with a reference to the table the rate is located in allows TWIA to update and file each change in the greenhouse rate without having to revise and file a new version of the Rating Manual with each rate change. This change also enables to more clearly convey each proposed change in the greenhouse rate in Table 20.

Additionally, there is a gap between the greenhouse rate amount of \$8.00 shown in the TWIA Manual Rules approved by Commissioner's Order No. 12-0028 and the current greenhouse rate amount of \$8.82 shown in the Commercial Property Rate Level Review portion of this year's Commercial Rate Filing. In 2015, TWIA implemented a new policy administration system known as Policy Center. At that time TWIA discovered that the greenhouse rate had remained static and had not been updated with each rate filing. The greenhouse rate has since been adjusted appropriately with each TWIA Rate Filing. In 2015, TWIA



filed its 2015 Annual Rate Filing (tracking number S612455) increasing both residential and commercial rates by 5%. Accordingly, TWIA increased the previous Greenhouse rate of \$8.00 by 5% to \$8.40 consistent with the rate increase. TWIA did not change rates in 2016 (tracking number S628971). In 2017, after raising both residential and commercial rates by 5% (tracking number S644693), TWIA again increased the previous greenhouse rate by 5% to \$8.82 to be consistent with the 2017 rate increase. With this proposed rate change, the rate for greenhouses will increase by 10% to \$9.702 as indicated on Table 20.

Thank you for the opportunity to provide this additional information regarding the TWIA 2018 Rate Filing. We trust this additional information will add your consideration and understanding of our filing and we believe it provides a more complete response to the items of information requested by TDI by letter dated August 27, 2018.