

Subchapter A. Examination and Financial Analysis
28 TAC §7.67

1. INTRODUCTION. The Texas Department of Insurance (Department) proposes new §7.67, concerning requirements for the filing of the 2010 annual statements, the 2011 quarterly statements, other reporting forms, and electronic data filings with the Department and the National Association of Insurance Commissioners (NAIC). The requirements are applicable to insurance companies, health maintenance organizations (HMOs), nonprofit legal service corporations, the Texas Health Insurance Risk Pool, the Texas FAIR Plan Association, and the Texas Windstorm Insurance Association (TWIA). These insurance companies, HMOs, and other regulated entities are referred to collectively as “carriers” in this proposal.

The carriers will file the annual and quarterly statements and other reporting forms with the Department and/or the NAIC as directed in the proposed rules. The reporting forms include the (i) 2010 annual statement blanks; (ii) 2011 quarterly statement blanks; (iii) Schedule SIS; (iv) management discussion and analysis; (v) supplemental compensation exhibit; (vi) overhead assessment exemption form for insurance company examination expenses; (vii) analysis of surplus; (viii) separate accounts; (ix) supplemental information for county mutual insurance companies and HMOs; (x) release of contributions; (xi) reserve summary; (xii) inventory of insurance in force; and (xiii) summary of insurance in force. The carriers will use these forms to report their year-end 2010 and the first three quarters of the 2011 calendar year financial condition and business operations and activities. The information provided by

the completion of the forms is necessary to allow the Department to monitor the solvency, business activities, and statutory compliance of the carriers. The proposed new section adopts by reference the NAIC 2010 annual statement blanks, the NAIC 2011 quarterly statement blanks, related instructions, and other reporting forms and instructions for reporting the financial condition, business operations and activities of the carriers. The proposed new section also requires the carriers to file such annual and quarterly statements and other reporting forms with the Department and/or the NAIC as directed. Specifically, proposed new §7.67(e)(1)(M) clarifies the requirements for property and casualty carriers to file the management discussion and analysis on or before April 1, 2011.

Also, proposed new §7.67(e)(1)(N) and (O) and (e)(4) clarify and modify the filings requirements for the Texas FAIR Plan Association and the TWIA. Proposed new §7.67(e)(1)(N) and (e)(4) add requirements for the TWIA to (i) submit annual and quarterly financial statements to the Department that are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed or modified by the Governmental Accounting Standards Board (GASB) or its successors; (ii) submit annual and quarterly financial statements and various supplementals electronically to the NAIC prepared in accordance with statutory accounting principles (SAP); (iii) provide an actuarial opinion to the Department and electronically to the NAIC on or before March 1, 2011, on the reasonableness of its reserves; and (iv) submit to the Department annually, on or before March 15, 2011, an Actuarial Opinion Summary prepared in accordance with §7.9 of this subchapter (relating to Examination of

Actuarial Opinion for Property and Casualty Insurers). These new requirements are necessary to (i) enhance the Department's ability to exercise regulatory oversight of the TWIA as required by the Insurance Code Chapter 2210; (ii) better assure the availability of TWIA insurance coverage for all eligible persons and properties; and (iii) enhance the TWIA's and the Department's ability to comply with the annual financial report requirements administered by the Texas Comptroller of Public Accounts (Comptroller), relating to the TWIA being deemed a component unit of a statewide reporting entity.

In accordance with the Government Code §2101.011(d) and GASB Nos. 14 and 39, the TWIA has been deemed to be a component unit of a statewide reporting entity for purposes of the annual financial report requirements beginning year-end December 31, 2010. The Comptroller, pursuant to §2101.011(d), has informed the Department that pursuant to the Government Code and the GASB the TWIA is required to provide financial statements for calendar year 2010 prepared in accordance with GAAP as prescribed or modified by the GASB or its successor. Based upon information provided by the Comptroller, the Department anticipates the Comptroller to need the TWIA's GAAP-based annual financial statements for the year ending December 31, 2010, for inclusion in the comprehensive annual financial report for the state of Texas for the fiscal year ending August 31, 2011, as prescribed under the Government Code §403.013.

The requirement for quarterly financial statements to the Department that are prepared in accordance with GAAP as prescribed or modified by the GASB or its

successors will provide the Commissioner and the Department with additional tools to fulfill their responsibilities under the Insurance Code Chapter 2210. Under the Insurance Code §2210.008 and §2210.152(2)(G) the Commissioner may adopt rules that are reasonable and necessary to implement the Insurance Code §2210. The TWIA's board of directors is responsible and accountable to the Commissioner under the Insurance Code §2210.102. The quarterly 2011 GAAP statements will assist the Department in reviewing, analyzing, examining, and evaluating the economic condition and operations of the TWIA throughout the entire calendar year period on a GAAP basis. These additional annual and quarterly reporting requirements would be in addition to the existing requirements to submit annual and quarterly financial statements to the Department prepared in accordance with SAP.

The Actuarial Opinion Summary is necessary to facilitate the examination of the actuarial opinion submitted with the TWIA's annual statement. Also, proposed new §7.67(e)(4) adds new electronic filing requirements for the Texas FAIR Plan Association and the TWIA, which are in addition to the paper copy filings of these documents required under proposed new §7.67(e)(1)(N). Under proposed new §7.67(e)(4), the Texas FAIR Plan Association and the TWIA are required to file their respective 2010 Property and Casualty Annual Statements, 2011 Property and Quarterly Statements, and all annual and quarterly supplemental electronic filings together with the related PDF filings (except for electronic Supplemental Compensation Exhibit) with the NAIC in electronic and PDF format in accordance with the NAIC data specifications. The due date for filing the 2010 Property and Casualty Annual Statement is on or before March

1, 2011, for both the Texas FAIR Plan Association and the TWIA, consistent with the filing date for other carriers. The due dates for filing the 2011 Property and Casualty Quarterly Statements are on or before May 15, August 15, and November 15, 2011, respectively, for both the Texas FAIR Plan Association and the TWIA.

The proposed new section also defines terms relevant to the statement blanks and reporting forms and provides the dates by which certain reports are to be filed. Proposed subsection (a) explains the purpose and scope of the section and adopts by reference the forms described in the section. Proposed subsection (b) provides that the term "Texas Edition" refers to the blanks and forms promulgated by the Commissioner. Proposed subsection (c) specifies the hierarchy of laws in the event of a conflict between the Insurance Code, this new section, and other Department regulations and the NAIC instructions specified in the new section. Proposed subsections (d) - (l) describe the forms, instructions and filing requirements for the various types of insurers and other regulated entities. Proposed subsection (m) provides that the Department may request financial reports other than those specified in this section.

The forms and instructions are available for inspection in the office of the Financial Analysis Division of the Texas Department of Insurance, William P. Hobby Jr. State Office Building, 333 Guadalupe, Tower Number III, Third Floor, Austin, Texas. The NAIC forms and instructions may also be reviewed at www.naic.org. The new section will replace the existing §7.67, which is proposed for repeal and also published in this issue of the *Texas Register*. Existing §7.67 addresses the requirements for the filing of the 2004 quarterly statements and 2004 annual statements.

2. FISCAL NOTE. Danny Saenz, Senior Associate Commissioner, Financial Program, has determined that, for each year of the first five years the proposed section will be in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the section. There will be no effect on local employment or the local economy as a result of the proposal.

3. PUBLIC BENEFIT/COST NOTE. Mr. Saenz also has determined that for each year of the first five years the proposed section is in effect, the public benefits anticipated as a result of enforcing this section are the ability of the Department to provide financial information to the public and other regulatory bodies as requested, and to monitor the financial condition of insurance companies, HMOs, and other regulated entities licensed in Texas to better assure financial solvency.

Existing §7.66 of Title 28 of the Texas Administrative Code specifies the requirements for the filing of the 2009 annual statements, the 2010 quarterly statements, other reporting forms, and electronic data filings with the Department and the NAIC. Except for some new filing requirements for the TWIA and the Texas FAIR Plan Association, substantially the same requirements in existing §7.66 for the filing of annual statements, quarterly statements, other reporting forms, and electronic data filings with the Department and the NAIC are also included in this proposal. Therefore, the same types of costs that were estimated for compliance with the §7.66 requirements are also estimated for compliance with the requirements in this proposal, with the

addition of estimated costs for the new TWIA and the Texas FAIR Plan Association filing requirements. The Department does not anticipate any change in these estimated costs, except for an increase in the estimated costs for the TWIA and the Texas FAIR Plan Association to prepare and submit any new filings required under proposed new §7.67(e)(1)(N) and (O) and (e)(4), from those estimated for compliance with the §7.66 requirements. Therefore, except for the additional estimated costs to the TWIA and the Texas FAIR Plan Association, the estimated costs described in this proposal are consistent with the estimated compliance costs for the §7.66 requirements, which are re-stated in the Public Benefit/Cost Note and Economic Impact Statement and Regulatory Flexibility Analysis For Small and Micro Businesses sections of this proposal.

Also, although not strictly required by the Government Code §2006.002(c), the proposed section contains a number of accommodations that will mitigate the impact of proposed §7.67 for certain carriers that, because of their carrier type, are more likely to be small or micro business carriers. Specifically, proposed §7.67(d) provides stipulated premium companies with one additional month to file their annual statements and an additional month to make certain other related filings. Proposed §7.67(e) and (i) authorize a simplified financial statement form for farm mutual insurance companies that write less than \$6 million in premium. Proposed §7.67(e) and (i) also do not require farm mutual insurance companies that write less than \$6 million in premium to (i) pay NAIC filings fees, (ii) acquire software to prepare financial statement filings with the NAIC, or (iii) file quarterly financial statements with the Department. Proposed §7.67(j)

authorizes a simplified annual financial statement form for statewide mutual assessment associations, local mutual aid associations, mutual burial associations, and exempt associations; and does not require these types of carriers to (i) acquire software to prepare financial statement filings with the NAIC; or (ii) file quarterly financial statements with the Department. Under proposed §7.67(k), nonprofit legal service corporations are not required to pay NAIC filings fees or to acquire software to prepare financial statement filings with the NAIC. Under proposed §7.67(l), Mexican casualty insurance companies are not required to pay NAIC filing fees or acquire software to prepare financial statement filings with the NAIC.

The probable economic cost to persons required to comply with the proposed section depends on several factors including the size, type and complexity of the carrier. Each carrier subject to proposed §7.67 is required by statute to provide the Department with various annual reports on its operations. The Insurance Code §802.055 provides that an insurance company shall pay all costs of preparing and furnishing to the NAIC the information required under the Insurance Code §802.052, including any related filing fees. The reports and forms required by this proposal generally request information that is already captured or created by the carrier as necessary to its business operations. Therefore, the additional cost involved generally relates to the transfer of that information from the carrier's records to the required report or form. It is anticipated that a carrier, regardless of size, will utilize employees who are familiar with the records of the carrier and accounting practices in general. Based on information obtained by the

Department, such individuals are estimated to be compensated from \$17 to \$50 per hour.

The Department anticipates that larger business carriers, because of the larger size and relatively more complex operations, will take more time to transfer the required information from their records to the financial forms and reports to be adopted by this proposal. The Department also anticipates that large business carriers will likely compensate staff at the higher end of the salary range. Therefore, based on the Department's experience, the overall labor costs for large business carriers to transfer the required information from their records to the required financial forms and reports will generally be more than the overall labor costs for small or micro business carriers. The overall costs to transfer the information from a carrier's records also may vary based upon factors such as the type of carrier (e.g., life, accident and health, or property and casualty), the nature of the risks insured, and the type of software used by the carrier.

Beginning with the year-end 2010 financial reporting requirements, the TWIA is required by the proposed section to submit to the Department annual and quarterly financial statements prepared in accordance with GAAP, in addition to the prior requirements to submit financial statements prepared in accordance with SAP. The requirement for the TWIA to prepare and submit financial statements prepared in accordance with GAAP is necessary for the TWIA and the Department to comply with financial reporting requirements in the Government Code Chapter 2101, Subchapter, B, relating to a component unit of a statewide reporting entity, which are administered by

the Comptroller. The Department anticipates that the TWIA will use existing staff to comply with these requirements, in which case no additional costs to the TWIA are required as a result of this proposal.

If the TWIA determines that it must hire additional staff resources to comply with the Government Code §2101.011(d) and this proposed section, the cost of compliance will relate to the cost of that additional staff's salary and related benefits times the amount of hours necessary to prepare the required GAAP financial statements. The Department anticipates that the number of hours necessary to produce the GAAP financial statements, and thus the TWIA's costs of compliance, will vary significantly depending upon a number of factors, including: (i) the adequacy and accuracy of the TWIA's books and records; (ii) the level of automation of the TWIA's financial reporting systems; (iii) the sufficiency of the TWIA's system of internal control over financial reporting, including whether any unremediated material weaknesses exist; (iv) the number and qualifications of the TWIA's accounting personnel; and (v) whether the financial statements cover a period that includes one or more catastrophic loss events for the TWIA. Based upon these factors, the Department anticipates that the time and cost for the TWIA to prepare a set of GAAP financial statements could vary from 16 to 80 hours. Moreover, the Department anticipates that the TWIA could hire an accountant to prepare these GAAP financial statements at the mean salary rate of \$31.63 per hour, as set forth for similar accountant positions in the May 2009 State Occupational Employment and Wage Estimates for Texas published by the U.S. Department of Labor at http://www.bls.gov/oes/current/oes_tx.htm.

The Department believes that the TWIA has the information necessary to estimate its own compliance costs. Further, the Government Code §2101.011(d) requires the reporting of the financial information for any entity that the Comptroller determines is a component unit of a statewide reporting entity in accordance with GAAP as prescribed or modified by the GASB or its successor. Since the TWIA has been deemed a component unit of a statewide reporting entity under §2101.011(d), any costs to the TWIA for preparing and filing the annual GAAP financial statements with the Department, results from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal.

Most carriers are required under proposed §7.67 to file actuarial opinions on the reasonableness of their reserves with the company's annual statement, and to obtain a corresponding Actuarial Opinion Summary prepared in accordance with §7.9 of this subchapter. Beginning with the 2010 Property and Casualty Annual Statement, the TWIA is similarly required, under proposed new §7.67(e)(1)(N), to obtain an actuarial opinion on its reserves and a corresponding Actuarial Opinion Summary. In order to obtain the actuarial opinion and Actuarial Opinion Summary in accordance with the proposed section, the TWIA, like other carriers, will need to obtain the services of an actuary who will perform the necessary analysis and prepare the necessary work papers to support expressing an opinion on the reasonableness of the reserves held by the TWIA. The corresponding cost for the TWIA to obtain this actuarial opinion will vary depending on a number of factors, including whether a current employee of the TWIA or an outside consulting firm is utilized to prepare the required actuarial opinion and

Actuarial Opinion Summary, the adequacy and accuracy of the books and records maintained by the TWIA, the complexity of the actuarial techniques that are necessary to perform this analysis, the level of legal proceedings related to unresolved claims, and recent storm activity. The Department anticipates that the TWIA will elect to use the services of an existing staff actuary, in which case no additional costs to the TWIA are required as a result of this proposal. If the TWIA elects to use the services of an outside consulting actuary, it will incur actuarial costs to prepare the actuarial opinion and the Actuarial Opinion Summary. The proposed section requires the appointed actuary to prepare an actuarial opinion in accordance with the 2010 Annual Statement Instructions, Property and Casualty. The proposed section also requires the appointed actuary to prepare the Actuarial Opinion Summary in accordance with §7.9. Based upon the factors listed above, the Department anticipates that the time for a consulting actuary to prepare an actuarial opinion and Actuarial Opinion Summary could vary from 50 - 75 hours. The Department further anticipates that the TWIA could hire an outside consulting actuary to prepare an actuarial opinion and Actuarial Opinion Summary at the mean salary rate of \$50.33 per hour, as set forth for similar accountant positions in the May 2009 State Occupational Employment and Wage Estimates for Texas published by the U.S. Department of Labor at http://www.bls.gov/oes/current/oes_tx.htm. While the TWIA may elect, at its discretion, to incur additional costs, the TWIA controls that decision and the Department believes that such additional costs are not required by the proposed section.

Most carriers are required under proposed §7.67 to file electronic copies of the company's annual statement and quarterly statements with the NAIC. Beginning with the 2010 Property and Casualty Annual Statement and the 2011 Property and Casualty Quarterly Statements, the TWIA and the Texas FAIR Plan Association are required, under proposed §7.67(e)(4), to prepare and file electronic filings with the NAIC, in addition to preparing and filing paper copies of these carriers' annual statements and quarterly statements. The TWIA and the Texas FAIR Plan Association must complete and file the NAIC electronic filings in accordance with the NAIC's annual statement and quarterly statement instructions for property and casualty, and the NAIC data specifications and instructions and shall include PDF format filing. In order to prepare and file the financial statements with the NAIC in accordance with the proposed section, the Department anticipates that the TWIA and the Texas FAIR Plan Association, like other carriers, will need to purchase software. The cost of software used to prepare the financial statements is approximately \$2,280 for a single carrier. The cost of software may be greater or less depending on the amount charged by the vendor and any extra services that are agreed to between the carrier and the vendor.

The fees associated with each carrier to file electronically with the NAIC database are estimated to range from \$247, for carriers with the smallest premium volume, to \$69,428, for carriers with the largest premium volume with a limit for insurer groups of \$208,284. Based upon the 2009 premium volume report by the TWIA, the Department estimates this carrier would pay a NAIC filing fee of approximately \$7,723. Based upon the 2009 premium volume report by the Texas FAIR Plan Association, the

Department estimates this carrier would pay a NAIC filing fee of approximately \$3,600. The Insurance Code §802.055 requires an insurance company to pay all costs of preparing and furnishing to the NAIC the information required under the Insurance Code §802.052. Therefore, any costs to an insurance company for preparing and filing the annual statement with the NAIC, including software and filing fee costs, results from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal.

The Department anticipates that the cost of compliance as detailed in this Public Benefit/Cost Note will be relatively more significant for carriers licensed in Texas for less than one year. This is due to the additional time required for carrier staff to become familiar with the requirements of this proposal, initial software acquisitions costs, and the need to implement systems to capture the information required to be reflected in the financial statements filed with the Department and the NAIC. Because the Department for many years has routinely required the preparation and filing of substantially similar financial statements, which are also required by this proposal, most of these costs for carriers licensed for one year or more have already been incurred.

4. ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL AND MICRO BUSINESSES. In accordance with the Government Code §2006.002(c), the Department has determined that proposed new §7.67 will not have an adverse economic effect on small or micro businesses. As previously stated in the Public Benefit/Cost Note part of this proposal, except for some new filing requirements

for the TWIA and the Texas FAIR Plan Association, substantially all of the requirements in existing §7.66, that apply to the most recent annual and quarterly statement filings, are also proposed in this proposal for the filing of the 2010 annual statements, the 2011 quarterly statements, other reporting forms, and electronic data filings with the Department and the NAIC. Therefore, with the exception of the new filing requirements for the TWIA and the Texas FAIR Plan Association, the same types of costs that were identified for compliance by small and micro business carriers for the filings under §7.66 are also identified for small and micro business carriers for compliance with the requirements in this proposal.

Further, the Department does not anticipate any change in the estimated costs for this proposal from those estimated for compliance with the §7.66 filing requirements, except for the estimated cost to the TWIA and the Texas FAIR Plan Association to prepare and file any new paper copy filings with the Commissioner and/or electronic copies of their financial statements with the NAIC under proposed new §7.67(e)(1)(N) and (O) and (e)(4). The Department also does not anticipate any difference in the economic impact on small and micro business carriers from that determined for compliance with the §7.66 filing requirements. Therefore, the Department's economic impact statement and regulatory flexibility analysis for compliance by small and micro businesses with the requirements in this proposal is consistent with the economic impact statement and regulatory flexibility analysis for §7.66.

The Department has determined that this proposal, like the proposal for existing §7.66, contains several requirements that must be analyzed in order to determine costs

to small and micro business carriers required to comply with this proposal. First, proposed §7.67(a) and (d) - (l) require that each carrier provide the Department with financial reports and related information. Second, proposed §7.67(a) and (d) - (h) require that each carrier make concurrent filings of their financial statement with the NAIC that results in related filing fees. Third, proposed §7.67(a) and (d) - (h) essentially require that each carrier purchase software to prepare its financial statements and make the related filings with the NAIC. Each carrier is required by statute to provide the Department with various annual reports on its operations. As noted in the Public Benefit/Cost Note portion of this proposal, the Insurance Code §802.055 provides that an insurance company shall pay all costs of preparing and furnishing to the NAIC the information required under the Insurance Code §802.052, including any related filing fees. Therefore, any costs to an insurance company for preparing and filing the annual statement with the NAIC, including costs of software and filing fees, results from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal.

Proposed §7.67(a), (d), (e) - (l); Preparation of Financial Statements. As required by the Government Code §2006.002(c), the Department has determined that approximately 75 to 150 of the carriers specified in proposed §7.67(a) are small or micro business carriers that will be required to comply with the requirements in proposed §7.67(d) and (e) - (l) to prepare financial statements that reflect the carriers' condition and to file these statements with the Department and the NAIC. These small or micro business carriers will incur routine costs associated with completing the

financial statements.

Also, as required by the Government Code §2006.002(c), the Department has determined that these routine costs will not have an adverse economic effect on the approximately 75 to 150 small or micro business carriers. These routine costs of compliance will vary between large business carriers and small or micro business carriers based upon the carrier's type and size and other factors, including the (i) character of the carrier's assets; (ii) kinds and nature of the risks insured; (iii) type of software used by the carrier to complete its annual statement; and (iv) employee compensation expenses. The Department's cost analysis and resulting estimated routine costs for carriers in the Public Benefit/Cost Note portion of this proposal are equally applicable to small and micro business carriers. As indicated in the Public Benefit/Cost Note analysis, these routine costs will likely be less for small or micro business carriers, primarily because small or micro business carriers will incur less overall labor costs in transferring information from their records to the required financial forms and reports. This results from their smaller size and relatively less complex operations, which will generally require less time to transfer the information from their records to the financial forms and reports required in this proposal. Small or micro business carriers may also incur relatively lower labor costs on a per hour basis because small or micro business carriers will often compensate staff at the lower end of the salary range.

Under the Government Code §2006.002(c), before adopting a rule that may have an adverse economic effect on small or micro businesses, an agency is required to

prepare in addition to an economic impact statement a regulatory flexibility analysis that includes the agency's consideration of alternative methods of achieving the purpose of the proposed rule. Because the Department has determined that the routine costs to comply with this proposal, i.e., preparing the financial forms and reports, will not have an adverse economic effect on small or micro business carriers, the Department is not required to consider alternative methods of achieving the purpose of these requirements in the proposed rule.

Nevertheless and although not strictly required by the Government Code §2006.002(c), the proposal contains several provisions that will mitigate the impact of proposed §7.67 for certain carriers that, because of their carrier type, are more likely to be small or micro business carriers. Specifically, proposed §7.67(d) provides stipulated premium companies with one additional month to file their annual statements and related filings than the time required for large business carriers. Section 7.67(d) further exempts stipulated premium companies from the requirement that applies to most other life carriers to file quarterly financial statements with the Department, if certain conditions are met. Proposed §7.67(e) and (i) authorize a simplified financial statement form for farm mutual insurance companies that write less than \$6 million in premium. Unlike the requirements that apply to all other property and casualty carriers, proposed §7.67(e) and (i) do not require that farm mutual insurance companies that write less than \$6 million in premium to file quarterly financial statements with the Department. Proposed §7.67(j) authorizes a simplified financial statement form for statewide mutual assessment associations, local mutual aid associations, mutual burial associations, and

exempt associations. Unlike the requirements that apply to other life carriers, proposed §7.67(j) does not require that quarterly financial statements be filed with the Department by statewide mutual assessment associations, local mutual aid associations, mutual burial associations or exempt associations.

The Department anticipates that the cost of compliance as detailed in the Public Benefit/Cost Note will be relatively more significant for carriers licensed in Texas for less than one year. This is because of the additional time required for the carrier's staff to become familiar with the requirements of the proposal and the need to implement systems to capture the information required to be reflected in the financial statements filed with the Department and the NAIC. Because the Department for many years has routinely required the preparation and filing of substantially similar financial statements, which are also required by the proposal, most of these costs for carriers licensed for one year or more have already been incurred.

Proposed §7.67(a) and (d) - (h); NAIC Filing Fee. As required by the Government Code §2006.002(c), the Department has determined that approximately 50 to 100 of the carriers specified in proposed §7.67(a) are small or micro business carriers that will be required to comply with the requirements in proposed §7.67(d) - (h) to make concurrent financial statement filings with the NAIC. These small or micro business carriers will incur routine costs associated with related filing fees.

Also, as required by the Government Code §2006.002(c), the Department has determined that these routine costs will not have an adverse economic effect on the approximately 50 to 100 small or micro business carriers. The Department's cost

analysis and resulting estimated costs for carriers to make concurrent financial statement filings with the NAIC in the Public Benefit/Cost Note portion of this proposal are equally applicable to small or micro business carriers. As indicated in the Public Benefit/Cost Note analysis, these costs of compliance will vary between large business carriers and small or micro business carriers based upon the carrier's premium volume. These fees are on a sliding scale basis and will be less for small or micro business carriers that write smaller amounts of premium and greater for large carriers that write larger amounts of premium. These fees are estimated to range from \$247 for carriers with the smallest premium volume, to progressively greater amounts for carriers with the largest premium volume. As examples, a carrier with \$100,000 in premium will incur a filing fee of \$247; a carrier with \$6 million in premium will incur a filing fee of \$1,444; and a carrier with \$4 billion in premium will incur a filing fee of \$69,428. These fees range from .002 of the premium for carriers with the smallest premium volume up to .00002 of the premium for carriers with the highest premium volume. In each instance, the Department believes that costs correspond to a nominal and routine cost of business. Accordingly, these routine costs will be less for small or micro business carriers because of their relatively smaller premium base.

Under the Government Code §2006.002(c), before adopting a rule that may have an adverse economic effect on small or micro businesses, an agency is required to prepare in addition to an economic impact statement a regulatory flexibility analysis that includes the agency's consideration of alternative methods of achieving the purpose of the proposed rule. Because the Department has determined that the routine costs to

comply with this proposal, i.e., making concurrent filings with the NAIC, will not have an adverse economic effect on small or micro businesses, the Department is not required to consider alternative methods of achieving the purpose of these requirements in the proposed rule. Moreover, the Insurance Code §802.055 requires an insurance company to pay all costs of preparing and furnishing to the NAIC the information required under the Insurance Code §802.052, including any related filing fees. Accordingly, the cost to insurance companies of preparing and filing the annual statement with the NAIC results from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal.

Nevertheless and although not strictly required by the Government Code §2006.002(c), the proposed section contains a number of provisions that will mitigate the impact of proposed §7.67 for certain carriers that, because of their carrier type, are more likely to be small or micro business carriers. Specifically, proposed §7.67(e) and (i) do not require farm mutual insurance companies that write less than \$6 million in premium to pay these filing fees. Proposed §7.67(j) does not require statewide mutual assessment associations, local mutual aid associations, mutual burial associations, and exempt associations to pay these filing fees. Proposed §7.67(k) does not require nonprofit legal service corporations to pay these filing fees. Proposed §7.67(l) does not require Mexican casualty insurance companies to pay these filing fees.

Proposed §7.67(a) and (d) - (h); Software Expenses. As required by the Government Code §2006.002(c), the Department has determined that approximately 50 to 100 of the carriers specified in proposed §7.67(a) are small or micro business carriers

that will essentially be required by proposed §7.67(d) - (h) to purchase software to prepare their financial statements and make the related filings with the NAIC. These small or micro business carriers will incur routine costs associated with purchasing this software.

Also, as required by the Government Code §2006.002(c), the Department has determined that these routine costs will not have an adverse economic effect on the approximately 50 to 100 small or micro business carriers. The Department's cost analysis and resulting estimated costs for carriers to purchase this software contained in the Public Benefit/Cost Note portion of this proposal are equally applicable to small or micro business carriers. As indicated in the Public Benefit/Cost Note analysis, these costs of compliance may vary based upon a number of factors. The cost of software to prepare the financial statements is approximately \$2,280 for a single company. The cost of software may be greater or less depending on the amount charged by the vendor, the type of software needed and any extra services that are agreed to between the company and the vendor.

Under the Government Code §2006.002(c), before adopting a rule that may have an adverse economic effect on small or micro businesses, an agency is required to prepare in addition to an economic impact statement a regulatory flexibility analysis that includes the agency's consideration of alternative methods of achieving the purpose of the proposed rule. Because the Department has determined that the routine costs to comply with this proposal, i.e., the purchase of software, will not have an adverse economic effect on small or micro business carriers, the Department is not required to

consider alternative methods of achieving the purpose of these requirements in the proposed rule. Moreover, the Insurance Code §802.055 requires an insurance company to pay all costs of preparing and furnishing to the NAIC the information required under the Insurance Code §802.052, including any related filing fees. Accordingly, the cost to an insurance company of preparing and filing the annual statement with the NAIC results from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal. Furthermore, each carrier subject to this proposal is required by statute to provide the Department with various annual reports on its operations, and therefore, the related costs result from statutory requirements and not as a result of the adoption, enforcement, or administration of this proposal.

Nevertheless and although not strictly required by the Government Code §2006.002(c), the proposed section contains several provisions that will mitigate the impact of proposed §7.67 for certain carriers that, because of their carrier type, are more likely to be small or micro business carriers. Specifically, proposed §7.67(d) exempts stipulated premium companies from the requirement that applies to most other life carriers to file quarterly interim financial statements with the Department, if certain conditions are met. This exemption will lessen the software needs of stipulated premium companies. Proposed §7.67(e) and (i) do not require that farm mutual insurance companies that write less than \$6 million in premium to acquire this software and thereby incur the related expense. Proposed §7.67(j) does not require statewide mutual assessment associations, local mutual aid associations, mutual burial

associations, and exempt associations to acquire this software and thereby incur the related expense. Proposed §7.67(k) does not require that nonprofit legal service corporations to acquire this software and incur the related expense. Proposed §7.67(i) does not require Mexican casualty insurance companies to acquire this software and incur the related expense.

Additionally, the Department anticipates that the cost of compliance as detailed in this Public Benefit/Cost Note part of the proposal will be relatively more significant for carriers licensed in Texas for less than one year because of initial software acquisitions costs. Because the Department for many years has routinely required the preparation and filing of substantially similar financial statements, which are also required by the proposal, most of these software costs for carriers licensed for one year or more have already been incurred.

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, therefore, does not constitute a taking or require a takings impact assessment under the Government Code §2007.043.

6. REQUEST FOR PUBLIC COMMENT. To be considered, written comments on the proposal must be submitted no later than 5:00 p.m. on March 4, 2011, to Gene C. Jarmon, General Counsel and Chief Clerk, Mail Code 113-2A, Texas Department of

Insurance, P. O. Box 149104, Austin, Texas 78714-9104. An additional copy of the comments should be submitted simultaneously to Danny Saenz, Senior Associate Commissioner, Financial Program, Mail Code 305-2A, Texas Department of Insurance, P. O. Box 149104, Austin, Texas 78714-9104. Any request for a public hearing on the proposal should be submitted separately to the Office of the Chief Clerk before the close of the public comment period. If a hearing is held, oral and written comments presented at the hearing will be considered.

7. STATUTORY AUTHORITY. The new section is proposed under the following provisions of the Insurance Code. Sections 802.001 - 802.003 and 802.051 - 802.056 authorize the Commissioner to make changes in the forms of the annual statements required of insurance companies of any kind, as shall seem best adapted to elicit a true exhibit of their condition and methods of transacting business, and require certain insurers to make filings with the National Association of Insurance Commissioners. Chapters 2201, 2210, and 2211 and §§841.255, 842.003, 842.201, 842.202, 843.151, 843.155, 861.254, 861.255, 862.001, 862.003, 882.001, 882.003, 883.002, 883.204, 884.256, 885.401, 885.403 - 885.406, 887.009, 887.060, 887.401 - 887.407, 911.001, 911.304, 912.002, 912.201 - 912.203, 912.301, 941.252, 942.201, 961.002, 961.003, 961.052, 961.202, 982.004, 982.251 - 982.254, 982.101, 982.103, 984.101 - 984.103, 984.153, 984.201, 984.202, 1301.009, 1506.057, 2210.008, 2210.101, 2210.102, 2210.152, 2551.001, and 2551.152 require the filing of financial reports and other information by insurers and other regulated entities and provide specific rulemaking or

regulatory authority to the Commissioner relating to those insurers and other regulated entities.

Sections 982.001, 982.002, 982.004, 982.052, 982.102 - 982.104, 982.106, 982.108, 982.110 - 982.112, 982.201 - 982.204, 982.251 - 982.255, and 982.302 - 982.306 provide the conditions under which foreign and alien insurers are permitted to do business in this state and require foreign and alien insurers to comply with the provisions of the Insurance Code. Sections 844.001-844.005, 844.051-844.054, and 844.101 specify statutory requirements relating to nonprofit health corporations and authorize the Commissioner to adopt rules to implement the regulation of nonprofit health corporations holding a certificate of authority under the Insurance Code, Title 2, Chapter 844.

Section 2210.008 authorizes the Commissioner to adopt rules in the manner prescribed in the Insurance Code, Chapter 36, Subchapter A, as reasonable and necessary to implement Chapter 2210. Section 2210.101 provides that the board of directors of the Texas Windstorm Insurance Association is responsible and accountable to the Commissioner. Section 2210.102 requires the Commissioner to appoint the board of directors of the Texas Windstorm Insurance Association. Section 2210.152 requires the plan of operation for the Texas Windstorm Insurance Association to provide for the efficient, economical, fair, and nondiscriminatory administration of the Association, and to include provisions as considered necessary by the Department to implement the purposes of Chapter 2210.

Section 2211.057 charges the Commissioner with the authority to supervise the Texas FAIR Plan Association and the inspection bureau. Section 2211.057(1) grants the Commissioner the power to examine the operations of the Texas FAIR Plan Association and the inspection bureau through free access to all books, records, files, papers, and documents related to the operation of the Texas FAIR Plan Association and the inspection bureau. Section 2210.057(4) grants the Commissioner the power to require reports from the Texas FAIR Plan Association concerning the risks the Texas FAIR Plan Association insurers under Chapter 2211 as the Commissioner considers necessary.

Section 421.001 requires insurers to establish adequate reserves and provides for the adoption of each current formula for establishing reserves applicable to each line of insurance. Section 32.041 requires the Department to furnish the statement blanks and other reporting forms necessary for companies to comply with the filing requirements. Section 36.001 provides that the Commissioner of Insurance 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.

8. CROSS REFERENCE TO STATUTE. The following statutes are affected by this proposal: The Insurance Code Chapters 2201, 2210, and 2211 and §§32.041, 421.001, 802.001 - 802.003, 802.051 - 802.056, 841.255, 842.003, 842.201, 842.202, 843.151, 843.155, 844.001 - 844.005, 844.051 - 844.054, 844.101, 861.254, 861.255, 862.001, 862.003, 882.001, 882.003, 883.002, 883.204, 884.256, 885.401, 885.403 - 885.406,

886.107, 887.009, 887.060, 887.401 - 887.407, 911.001, 911.304, 912.002, 912.201 - 912.203, 912.301, 941.252, 942.201, 961.002, 961.003, 961.052, 961.202, 982.001, 982.002, 982.004, 982.052, 982.101, 982.102, 982.103, 982.104, 982.106, 982.108, 982.110 - 982.112, 982.251 - 982.255, 982.302 - 982.306, 984.153, 984.201, 984.202, 1301.009, 1506.057, 2210.008, 2210.101, 2210.102, 2210.152, 2551.001, and 2551.152.

9. TEXT.

§7.67. Requirements for Filing the 2010 Annual Statements, the 2011 Quarterly Statements, Other Reporting Forms, and Electronic Data Filings with the Texas Department of Insurance and the NAIC.

(a) Scope. This section specifies the requirements for insurers and other regulated entities for filing the 2010 annual statement, the 2011 quarterly statements, other reporting forms, and electronic data filings with the department and the National Association of Insurance Commissioners (NAIC) necessary to report information concerning the financial condition and business operations and activities of insurers. This section applies to all insurers and certain other regulated entities authorized to do the business of insurance in this state and includes, but is not limited to, life insurers; accident insurers; life and accident insurers; life and health insurers; accident and health insurers; life, accident and health insurers; mutual life insurers; stipulated premium insurers; group hospital service corporations; fire insurers; fire and marine insurers; U.S. branches of alien insurers; Mexican casualty insurers; general casualty

insurers; fire and casualty insurers; mutual insurers other than life; statewide mutual assessment companies; local mutual aid associations; mutual burial associations; exempt associations; county mutual insurers; Lloyd's plans; reciprocal and inter-insurance exchanges; domestic risk retention groups; domestic joint underwriting associations; title insurers; fraternal benefit societies; farm mutual insurers; health maintenance organizations; nonprofit health corporations; nonprofit legal services corporations; the Texas Health Insurance Risk Pool; the Texas Mutual Insurance Company; the Texas Windstorm Insurance Association; and the Texas FAIR Plan Association. The commissioner adopts by reference the 2010 annual statement blanks, the 2011 quarterly statement blanks, and the related instruction manuals published by the NAIC, and other supplemental reporting forms specified in this section. The forms are available from the Texas Department of Insurance, Financial Analysis Division, Mail Code 303-1A, P. O. Box 149104, Austin, Texas 78714-9104. The NAIC annual and quarterly statement blanks and other NAIC supplemental reporting forms can be printed or filed electronically using annual statement software available from vendors. Insurers and other regulated entities shall properly report to the department and the NAIC by completing, in accordance with applicable instructions, the appropriate paper copy annual and quarterly statement blanks, other reporting forms, and electronic data filings.

(b) Definition. In this section "Texas Edition" refers to the blanks and forms promulgated by the commissioner.

(c) Conflicts with Other Laws. In the event of a conflict between the Insurance Code, any currently existing department rule, form, instructions, or any specific

requirement of this section and the NAIC instructions listed in this section, the Insurance Code, the department rule, form, instruction, or the specific requirements of this section shall take precedence and in all respects control.

(d) Filing Requirements for Life, Accident and Health Insurers. Each life; life and accident; life and health; accident; accident and health; mutual life; or life, accident and health insurance company; stipulated premium company; group hospital service corporation; and the Texas Health Insurance Risk Pool shall complete and file the blanks, forms, or electronic data filings as directed in this subsection. This subsection does not apply to entities licensed as health maintenance organizations under the Insurance Code Chapter 843. Insurers specified in this subsection and engaged in business authorized under the Insurance Code Chapter 843 may have additional reporting requirements under subsection (h) of this section. Insurers described under this subsection may elect to file on the 2010 Health Annual Statement for year-end 2010, and on the 2011 Health Quarterly Statement for the three quarters of 2011, if the insurer passes the Health Statement Test as outlined in the "2010 Annual Statement, Health Instructions." If a reporting entity qualifies under this subsection to use the 2010 Health Annual Statement, it must continue to use that annual statement for a minimum of three years or obtain written approval from the department to change to another type of annual statement. Insurers filing the 2010 Life, Accident and Health Annual Statement, the 2011 Life, Accident and Health Quarterly Statements, and the supplemental forms and reports identified in these subsections shall complete filings in accordance with the "2010 Annual Statement Instructions, Life, Accident and Health,"

and the "2011 Quarterly Statement Instructions, Life, Accident and Health," as applicable. Life insurers meeting the test set forth in this subsection to file the 2010 Health Annual Statement and the supplemental forms and reports identified in these subsections shall complete filings in accordance with the "2010 Annual Statement Instructions, Health," and the "2011 Quarterly Statement Instructions, Health," as applicable. The electronic filings of these forms or reports with the NAIC shall be in accordance with the NAIC data specifications and instructions for electronic filing and shall include PDF format filing. The filings for insurers described in this subsection are as follows:

(1) domestic insurer reports and forms in paper copy to be filed only with the department as follows:

(A) 2010 Life, Accident and Health Annual Statement, including the printed investment schedule detail, due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011);

(B) 2010 Life, Accident and Health Annual Statement of the Separate Accounts for the 2010 calendar year (required of companies maintaining separate accounts), due on or before March 1, 2011;

(C) 2010 Life, Accident and Health Quarterly Statements, due on or before May 15, August 15, and November 15, 2011. A Texas stipulated premium company, unless specifically requested to do so by the department, is not required to file quarterly data filings with the NAIC if it meets all three of the following conditions:

(i) it is authorized to write only life insurance on its certificate

of authority:

(ii) it collected premiums in the prior calendar year of less than \$1 million; and

(iii) it had a profit from operations in the prior two calendar years;

(D) 2010 Health Annual Statement, including the printed investment schedule detail, due on or before March 1, 2011 if the company qualifies as described in this subsection;

(E) 2011 Health Quarterly Statements, due on or before May 15, August 15, and November 15, 2011 if the company qualifies as described in this subsection;

(F) all the paper copies of the annual and quarterly supplements prepared and filed on dates specified in the forms and instructions;

(G) Management's Discussion and Analysis, due on or before April 1, 2011;

(H) Statement of Actuarial Opinion, due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011). The actuarial opinion shall be prepared in accordance with paragraph (4) of this subsection;

(I) Schedule SIS, due on or before March 1, 2011. This filing is also required if filing a Health Annual Statement, as applicable;

(J) Supplemental Compensation Exhibit, due on or before March 1,

2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011). This filing is also required if filing a Health Annual Statement, as applicable;

(K) The Texas Health Insurance Risk Pool shall file the 2010 Health Annual Statement, and the 2011 Quarterly Statements as follows:

(i) 2010 Health Annual Statement with only pages 1 - 6, and Schedule E Part 1, Part 2, and Part 3 to be completed and filed on or before March 1, 2011;

(ii) 2011 Health Quarterly Statements, with only pages 1 - 6, Schedule E, Part 1 - Cash, and Part 2 – Cash Equivalents to be completed and filed on or before May 15, August 15, and November 15, 2011; and

(iii) The Texas Health Insurance Risk Pool is not required to file any reports, diskettes, or electronic data filings with the NAIC;

(L) Texas Overhead Assessment Exemption Form (Texas Edition), due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011). This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed; and

(M) Analysis of Surplus (Texas Edition) for life, accident and health insurers, due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011).

(2) Foreign companies filing only electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department

in lieu of filing the entire paper filing.

(3) Electronic filings with the NAIC by domestic and foreign insurers:

(A) 2010 Life, Accident and Health Annual Statement electronic filing and PDF filing, due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011);

(B) 2010 Life, Accident and Health Annual Statement of the Separate Accounts electronic filing and PDF filing, due on or before March 1, 2011;

(C) 2011 Life, Accident and Health Quarterly Statement electronic filings and PDF filings, due on or before May 15, August 15, and November 15, 2011. A Texas stipulated premium company, unless specifically requested to do so by the department, is not required to file quarterly electronic data filings with the NAIC if it meets all three of the following conditions:

(i) it is authorized to write only life insurance on its certificate of authority;

(ii) it collected premiums in the prior calendar year of less than \$1 million; and

(iii) it had a profit from operations in the prior two calendar years;

(D) all annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are filed by domestic insurers only with the department in paper copy) due on the dates specified in the forms and instructions; and

(E) Statement of Actuarial Opinion, due on or before March 1, 2011 (stipulated premium companies not subject to the Insurance Code §884.406, April 1, 2011). The actuarial opinion shall be prepared in accordance with paragraph (4) of this subsection.

(4) Statement of Actuarial Opinion required by paragraphs (1)(H) and (3)(E) of this subsection shall be prepared in accordance with the following:

(A) For companies filing the 2010 Life, Accident and Health Annual Statement, the Statement of Actuarial Opinion, attached to the 2010 Life, Accident and Health Annual Statement, must follow the applicable provisions of §§3.1601 - 3.1608 of this title (relating to Actuarial Opinion and Memorandum Regulation), except for companies exempted from the asset adequacy analysis pursuant to §3.1608 of this title. For those companies exempted from the asset adequacy analysis pursuant to §3.1608 of this title, the format provided by instructions 1 – 12 of the “2010 Annual Statement Instructions, Life, Accident and Health,” must be followed.

(B) For companies filing the 2010 Health Annual Statement, the Statement of Actuarial Opinion, attached to the 2010 Health Annual Statement, must follow the “2010 Annual Statement Instructions, Health.” In addition, for those companies not exempted from the asset adequacy analysis pursuant to §3.1608 of this title, the Statement of Actuarial Opinion must follow the applicable provisions of §§3.1601 - 3.1608 of this title that are not covered in the “2010 Annual Statement Instructions, Health,” including those provisions relating to asset adequacy analysis.

(C) Any company required by §3.4505(b)(3)(G) of this title (relating

to General Calculation Requirements for Basic Reserves and Premium Deficiency Reserves) to opine on the application of X factors, shall attach this opinion to the 2010 Life, Accident and Health Annual Statement or the 2010 Health Annual Statement, as applicable.

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that is classified as a commercially domiciled insurer under the Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for life, accident and health insurers with the department, on or before March 1, 2011.

(e) Requirements for Property and Casualty Insurers. Each fire; fire and marine; general casualty; fire and casualty; or U.S. branch of an alien insurer; county mutual insurance company; mutual insurance company other than life; Lloyd's plan; reciprocal or inter insurance exchange; domestic risk retention group; life insurance company that is licensed to write workers' compensation; any farm mutual insurance company that filed a property and casualty annual statement for the 2009 calendar year or had gross written premiums in 2010 in excess of \$6 million; domestic joint underwriting association; the Texas Mutual Insurance Company; the Texas Windstorm Insurance Association; and the Texas FAIR Plan Association shall complete and file the following blanks, forms, and diskettes or electronic data filings as described in this subsection. The forms and reports identified in this subsection shall be completed in accordance with the "2010 Annual Statement Instructions, Property and Casualty," and the "2011

Quarterly Statement Instructions, Property and Casualty," as applicable. The electronic filings with the NAIC shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing, as applicable. The filings for insurers described in this subsection are as follows:

(1) domestic insurer reports and forms in paper copy to be filed only with the department as follows:

(A) 2010 Property and Casualty Annual Statement, due on or before March 1, 2011, including the printed investment schedule detail;

(B) 2011 Property and Casualty Quarterly Statements, due on or before May 15, August 15, and November 15, 2011;

(C) 2010 Combined Property/Casualty Annual Statement, due on or before May 1, 2011. This statement is required only for those affiliated insurers that wrote more than \$35 million in direct premiums as a group in calendar year 2010, as disclosed in Schedule T of the Annual Statement(s);

(D) all the paper copies of the annual and quarterly supplements prepared and filed on dates specified in the forms and instructions;

(E) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with the "2010 Annual Statement Instructions, Property and Casualty;"

(F) Schedule SIS, due on or before March 1, 2011;

(G) Supplemental Compensation Exhibit, due on or before March 1, 2011;

(H) Texas Overhead Assessment Exemption Form (Texas Edition), due on or before March 1, 2011. This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed;

(I) Texas Supplement for County Mutuals (Texas Edition) (required of Texas county mutual insurance companies only), due on or before March 1, 2011;

(J) Texas Supplemental "A" for County Mutuals (Texas Edition) (required of Texas county mutual insurance companies only), due on or before March 1, 2011;

(K) Analysis of Surplus (Texas Edition) for property and casualty insurers except Texas county mutual insurance companies, due on or before March 1, 2011;

(L) Actuarial Opinion Summary prepared in accordance with §7.9 of this subchapter (relating to Examination of Actuarial Opinion for Property and Casualty Insurers);

(M) Management's Discussion and Analysis, due on or before April 1, 2011;

(N) The Texas Windstorm Insurance Association shall complete and file the following:

(i) 2010 Property and Casualty Annual Statement, due on or before March 1, 2011;

(ii) annual financial statements for year-end 2010 prepared

in accordance with generally accepted accounting principles as prescribed or modified by the Governmental Accounting Standards Board or its successor, and in compliance with the Government Code §2101.011(d) and any related regulations, guidelines, procedures, or reporting requirements prescribed by the Comptroller of Public Accounts, due on or before March, 1, 2011;

(iii) quarterly financial statements for the first three quarters of calendar year 2011 prepared in accordance with generally accepted accounting principles as prescribed or modified by the Governmental Accounting Standards Board or its successor, due on or before May 15, August 15, and November 15, 2011;

(iv) 2011 Property and Casualty Quarterly Statements, due on or before May 15, August 15, and November 15, 2011;

(v) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with the "2010 Annual Statement Instructions, Property and Casualty;"

(vi) Actuarial Opinion Summary prepared in accordance with §7.9 of this subchapter;

(vii) Management's Discussion and Analysis, due on or before April 1, 2011;

(viii) Supplemental Compensation Exhibit, due on or before March 1, 2011; and

(ix) all the paper copies of the annual and quarterly supplements prepared and filed on dates specified in the forms and instructions, as

applicable.

(O) Notwithstanding §5.9927 of this title (relating to Annual and Quarterly Financial Statements), the Texas FAIR Plan Association shall complete and file the following:

(i) 2010 Property and Casualty Annual Statement, due on or before March 1, 2011;

(ii) 2011 Property and Casualty Quarterly Statements, due on or before May 15, August 15, and November 15, 2011;

(iii) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with the "2010 Annual Statement Instructions, Property and Casualty:"

(iv) Actuarial Opinion Summary prepared in accordance with §7.9 of this subchapter;

(v) Management's Discussion and Analysis, due on or before April 1, 2011;

(vi) Supplemental Compensation Exhibit, due on or before March 1, 2011; and

(vii) all the paper copies of the annual and quarterly supplements prepared and filed on dates specified in the forms and instructions, as applicable.

(2) Foreign property and casualty insurers filing only electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page

with the department in lieu of filing the entire paper filing.

(3) Electronic filings by domestic and foreign insurers, except Texas Windstorm Insurance Association and the Texas FAIR Plan Association, to be filed with the NAIC:

(A) 2010 Property and Casualty Annual Statement electronic filing and PDF filing, due on or before March 1, 2011;

(B) 2011 Property and Casualty Quarterly Statement electronic filings and PDF filings, due on or before May 15, August 15, and November 15, 2011;

(C) all annual and quarterly supplemental electronic filings together with the related PDF filings (except for electronic Schedule SIS and Supplemental Compensation Exhibit, required of domestic insurers only) due on the dates specified in the forms and instructions;

(D) electronic combined insurance exhibit, due on or before May 1, 2011;

(E) combined annual statement electronic filing and PDF filing, due on or before May 1, 2011; and

(F) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with the "2010 Annual Statement Instructions, Property and Casualty."

(4) Notwithstanding §5.9927 of this title, electronic filings by the Texas Windstorm Insurance Association and the Texas FAIR Plan Association to be filed with the NAIC:

(A) 2010 Property and Casualty Annual Statement electronic filing and PDF filing, due on or before March 1, 2011;

(B) 2011 Property and Casualty Quarterly Statement electronic filings and PDF filings, due on or before May 15, August 15, and November 15, 2011;

(C) all annual and quarterly supplemental electronic filings together with the related PDF filings (except for electronic Supplemental Compensation Exhibit) due on the dates specified in the forms and instructions, as applicable; and

(D) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with the "2010 Annual Statement Instructions, Property and Casualty."

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that files an application with the department for approval of a policyholder dividend shall file an Analysis of Surplus (Texas Edition) for property and casualty insurers with the application.

(7) A foreign insurer that is classified as a commercially domiciled insurer under the Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for property and casualty insurers with the department, on or before March 1, 2011.

(f) Requirements for Fraternal Benefit Societies. Each fraternal benefit society shall complete and file the following blanks, forms, and electronic data filings for the 2010 calendar year, and the first three quarters for the 2011 calendar year. The forms

and reports identified in this subsection shall be completed in accordance with the "2010 Annual Statement Instructions, Fraternal," and the "2011 Quarterly Statement Instructions, Fraternal," as applicable. The electronic data filings with the NAIC shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing. The filings for insurers described in this subsection are as follows:

(1) domestic insurer reports and forms in paper copy to be filed only with the department, as follows:

(A) 2010 Fraternal Annual Statement, including the printed investment schedule detail, due on or before March 1, 2011;

(B) 2010 Fraternal Annual Statement of the Separate Accounts (required of companies maintaining separate accounts), due on or before March 1, 2011;

(C) 2011 Fraternal Quarterly Statements, due on or before May 15, August 15, and November 15, 2011;

(D) all the paper copies of the annual and quarterly supplements prepared and filed on dates specified in the forms and instructions;

(E) Management's Discussion and Analysis, due on or before April 1, 2011;

(F) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with paragraph (4) of this subsection;

(G) Supplemental Compensation Exhibit, due on or before March 1, 2011;

(H) Texas Overhead Assessment Exemption Form (Texas Edition), due on or before March 1, 2011. This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed; and

(I) Analysis of Surplus (Texas Edition) for fraternal benefit societies, due on or before March 1, 2011.

(2) Foreign fraternal insurers filing only electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(3) Electronic filings by domestic and foreign insurers to be filed with the NAIC:

(A) 2010 Fraternal Annual Statement electronic filing and PDF filing, due on or before March 1, 2011;

(B) 2010 Fraternal Annual Statement of the Separate Accounts electronic filing and PDF filing, due on or before March 1, 2011;

(C) 2011 Fraternal Quarterly Statement electronic filings and PDF filings, due on or before May 15, August 15, and November 15, 2011;

(D) all annual and quarterly supplemental electronic filings together with the related PDF filings (except for the Supplemental Compensation Exhibit) due on the dates specified in the forms; and

(E) Statement of Actuarial Opinion, due on or before March 1, 2011, and prepared in accordance with paragraph (4) of this subsection.

(4) Statement of Actuarial Opinion required by paragraphs (1)(F) and (3)(E) of this subsection shall be prepared in accordance with the following:

(A) The Statement of Actuarial Opinion, attached to the 2010 Fraternal Annual Statement, must follow the applicable provisions of §§3.1601 - 3.1608 of this title, except for companies exempted from the asset adequacy analysis pursuant to §3.1608 of this title. For those companies exempted from the asset adequacy analysis pursuant to §3.1608 of this title, the format provided by instructions 1 – 12 of the “2010 Annual Statement Instructions, Fraternal,” must be followed.

(B) Any company required by §3.4505(b)(3)(G) of this title to opine on the application of X factors, shall attach this opinion to the 2010 Fraternal Annual Statement, as applicable.

(5) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(6) A foreign insurer that is classified as a commercially domiciled insurer under the Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for fraternal benefit societies with the department on or before March 1, 2011.

(g) Requirements for Title Insurers. Each title insurance company shall complete and file the following blanks and forms for the 2010 calendar year, and the first three quarters of the 2011 calendar year. The reports and forms identified in this subsection shall be completed in accordance with the "2010 Annual Statement Instructions, Title," and the “2011 Quarterly Statement Instructions, Title,” as applicable.

The electronic version of the filings with the NAIC identified in this subsection shall be in accordance with the NAIC data specifications and instructions and shall include PDF format filing. The filings for insurers described in this subsection are as follows:

(1) domestic insurer reports and forms in paper copy to be filed only with the department as follows:

(A) 2010 Title Annual Statement, including printed investment schedule details, due on or before March 1, 2011;

(B) 2011 Title Quarterly Statements, due on or before May 15, August 15, and November 15, 2011;

(C) All the paper copies of the annual and quarterly supplements prepared and filed on dates described in the forms and instructions;

(D) Management's Discussion and Analysis, due on or before April 1, 2011;

(E) Statement of Actuarial Opinion, due on or before March 1, 2011;

(F) Supplemental Compensation Exhibit, due on or before March 1, 2011;

(G) Schedule SIS, due on or before March 1, 2011;

(H) Texas Overhead Assessment Exemption Form (Texas Edition), due on or before March 1, 2011. This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed; and

(1) Analysis of Surplus (Texas Edition) for title companies, due on or before March 1, 2011.

(2) Foreign companies filing electronically with the NAIC and not filing a paper copy with the department shall file a signed jurat page with the department in lieu of filing the entire paper filing.

(3) Electronic filings with the NAIC by domestic and foreign insurers:

(A) 2010 Title Annual Statement electronic filings and PDF filings, due on or before March 1, 2011;

(B) 2011 Title Quarterly Statement electronic filings and PDF filings, due on or before May 15, August 15, and November 15, 2011;

(C) All annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are only filed by domestic insurers with the department in paper copy) due on the dates specified in the forms and instructions;

(D) Management Discussion and Analysis, due on or before April 1, 2011; and

(E) Statement of Actuarial Opinion, due on or before March 1, 2011.

(4) The commissioner reserves the right to request paper copies of any paper or electronic filings made by foreign companies in their state of domicile or the NAIC.

(5) A foreign insurer that is classified as a commercially domiciled insurer

under the Insurance Code §823.004 shall file an Analysis of Surplus (Texas Edition) for title insurers on or before March 1, 2011.

(h) Requirements for Health Maintenance Organizations. Each health maintenance organization licensed pursuant to the Insurance Code Chapter 843 shall complete the 2010 Health Annual Statement, and the 2011 Quarterly Statements. Insurers that are subject to life insurance statutes and are permitted or allowed to do the business of health maintenance organizations shall file the Texas HMO supplement forms as part of their annual and quarterly statement filings. The forms and reports required in this subsection shall be completed in accordance with the "2010 Annual Statement Instructions, Health," and the "2011 Quarterly Statement Instructions, Health," as applicable. The Texas supplemental forms required in this subsection and provided by the department shall be completed in accordance with the instructions on the forms. The electronic data filings with the NAIC shall be in accordance with NAIC data specifications and instructions and shall include PDF format filing. The Texas specific electronic filings regarding HMO data requested by the department shall be filed in accordance with the instructions provided by the department. The filings for insurers described in this subsection are as follows:

(1) domestic and foreign insurer reports and forms in paper copy to be filed only with the department:

(A) 2010 Health Annual Statement, including printed investment schedule detail, due on or before March 1, 2011;

(B) 2011 Health Quarterly Statements, due on or before May 15,

August 15, and November 15, 2011. With each quarterly filing, include an up-to-date and completed Schedule E, Part 3 – Special Deposits, utilizing the format from the 2010 Health Annual Statement;

(C) Management’s Discussion and Analysis, due on or before April 1, 2011; and

(D) Statement of Actuarial Opinion, due on or before March 1, 2011, prepared in accordance with the “2010 Annual Statement Instructions, Health.”

(2) domestic insurer reports and forms to be filed with the department:

(A) Supplemental Compensation Exhibit in paper copy only, due on or before March 1, 2011;

(B) Texas Overhead Assessment Exemption Form (Texas Edition) in paper copy only, due on or before March 1, 2011. This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed;

(C) Texas HMO Supplement Annual (Texas Edition), in paper copy and electronic filing, containing annual data for calendar year 2010, to be completed according to the instructions provided by the department, due on or before March 1, 2011; and

(D) Texas HMO Supplement Quarterly (Texas Edition), in paper copy and electronic filings, containing quarterly statement data for calendar year 2011, to be completed according to the instructions provided by the department, due on or before May 15, August 15, and November 15, 2011.

(3) electronic filings with the NAIC by domestic and foreign insurers:

(A) 2010 Health Annual Statement electronic filing, and PDF filing, due on or before March 1, 2011;

(B) 2011 Health Quarterly Statement electronic filing and PDF filing, due on or before May 15, August 15, and November 15, 2011;

(C) all annual and quarterly supplemental electronic filings together with the related PDF filings (except for Schedule SIS and Supplemental Compensation Exhibit which are only filed by domestic insurers with the department in paper copy) due on the dates specified in the forms and instructions;

(D) Statement of Actuarial Opinion, due on or before March 1, 2011, prepared in accordance with the "2010 Annual Statement Instructions, Health;" and

(E) Management Discussion and Analysis, due on or before April 1, 2011.

(i) Requirements for Farm Mutual Insurers not Subject to the Provisions of Subsection (e) of this Section. Farm mutual insurance companies not subject to subsection (e) of this section shall file the following blanks and forms for the 2010 calendar year with the department only, on or before March 1, 2011:

(1) Annual Statement (Texas Edition);

(2) Texas Overhead Assessment Exemption Form (Texas Edition). This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed;

and

(3) Statement of Actuarial Opinion, unless exempted under §7.31 of this subchapter (relating to Annual Statement Instructions for Farm Mutual Insurance Companies).

(i) Requirements for Statewide Mutual Assessment Associations, Local Mutual Aid Associations, Mutual Burial Associations, and Exempt Associations. Each statewide mutual assessment association, local mutual aid association, mutual burial association, and exempt association shall complete and file the following blanks and forms for the 2010 calendar year with the department only, on or before April 1, 2011:

(1) Annual Statement (Texas Edition) (exempt companies are required to complete all pages except lines 22, 23, 24, 25, and 26 on page 3, the special instructions at the bottom of page 3, and pages 4 - 7);

(2) Texas Overhead Assessment Exemption Form (Texas Edition). This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed;

(3) Release of Contributions Form (Texas Edition);

(4) 3-1/2 Percent Chamberlain Reserve Table (Reserve Valuation) (Texas Edition);

(5) Reserve Summary (1956 Chamberlain Table 3-1/2 Percent) (Texas Edition);

(6) Inventory of Insurance in Force by Age of Issue or Reserving Year (Texas Edition); and

(7) Summary of Inventory of Insurance in Force by Age and Calculation of Net Premiums (Texas Edition).

(k) Requirements for Nonprofit Legal Service Corporations. Each nonprofit legal service corporation doing business as authorized by a certificate of authority issued under the Insurance Code Chapter 961 shall complete and file the following blanks and forms for the 2010 calendar year with the department only. An actuarial opinion is not required. The following forms are to be filed on or before March 1, 2011:

(1) Annual Statement (Texas Edition); and

(2) Texas Overhead Assessment Exemption Form (Texas Edition). This form is to be filed only by domestic insurance companies that have qualified pension contracts under the Insurance Code §401.151; otherwise, this form should not be filed.

(l) Requirements for Mexican Casualty Insurance Companies. Each Mexican casualty insurance company doing business as authorized by a certificate of authority issued under the Insurance Code Chapter 984, shall complete and file the following blanks and forms for the 2010 calendar year with the department only. All submissions shall be printed or typed in English and all monetary values shall be clearly designated in United States dollars. The form identified in paragraph (1) of this subsection shall be completed to the extent specified in paragraph (1) of this subsection and in accordance with the "2010 Annual Statement Instructions, Property and Casualty." An actuarial opinion is not required. It is the express intent of this subsection that it shall not repeal or otherwise modify or amend any department rule or the Insurance Code. The following blanks or forms are to be filed on or before March 1, 2011:

(1) 2010 Property and Casualty Annual Statement; provided, however, only pages 1 - 4, and 104 (Schedule T) are required to be completed;

(2) a copy of the balance sheet and the statement of profit and loss from the Mexican financial statement (printed or typed in English);

(3) a copy of the official documents issued by the Comision Nacional de Seguros y Fianzas approving the 2010 annual statement; and

(4) a copy of the current license to operate in the Republic of Mexico.

(m) Other Financial Reports. Nothing in this section prohibits the department from requiring any insurer or other regulated entity from filing other financial reports with the department.