

WITHDRAWAL GUIDELINES

TEXAS INSURANCE CODE (TIC), Chapter 827 and 28 TEXAS ADMINISTRATIVE CODE (TAC) §§7.1801 - 7.1808 provide for a company to withdraw or cease writing a line or lines of insurance in the state of Texas with **PRIOR** approval of the Commissioner of Insurance. In general, there are five (5) types of withdrawals:

1. Total withdrawal from the State of Texas;
2. Deletion of a line or lines of insurance from the Certificate of Authority;
3. Cease writing a line of insurance, including non-renewal of personal or commercial lines;
4. Reduction of annual premium in a line or lines of insurance by 75% or more; or
5. Reduction of annual premium in a personal line of motor vehicle comprehensive or residential property insurance by 50% or more.

EXCEPTIONS

A COMPANY IS NOT REQUIRED TO FILE A PLAN OF ORDERLY WITHDRAWAL, BUT SHALL INSTEAD NOTIFY THE DEPARTMENT, WHEN:

1. ******The company is transferring business from a company to a company within the same insurance holding company system; or
2. The line of business is written by a stipulated premium company unless such line is written pursuant to TIC, §827.002.
3. An insurer will not be held to have acted on its own initiative in effecting a total withdrawal from a line of insurance when it acts pursuant to a Commissioner's disciplinary or administrative directive or Order, or when the insurer acts pursuant to a directive of a supervisor, conservator, or receiver. If any out-of-state directive or Order is not provided to the Commissioner within 30 days of the issuance of any such directive or Order, the insurer will be held to have acted on its own initiative.

******This does not apply to a transfer of business to an affiliated Lloyds, county mutual, farm mutual, or reciprocal exchange company. The transfer of business among affiliates is to be seamless. It can be done by an assumptive reinsurance filing with TDI, in which all the business is transferred to the affiliate on a certain date. If the transfer will be done at renewal of policies, there should be no re-underwriting of the affected policyholders. The entire group of impacted insureds should be offered coverage by the affiliate insurer.

Please remember that approval of the plan is required before notifications of termination/or non-renewal are sent to agents or policyholders.

Additional securities may be required to be deposited in Texas in the name of the Commissioner of Insurance upon finding that there is reasonable cause to conclude that interests of Texas policyholders would be best served by such deposit.

If the company wishes to surrender its Certificate of Authority at the end of the withdrawal period, note the following:

- **A Certificate of Authority cannot be canceled until all policyholder obligations are met as in accordance with the plan of withdrawal.**
- A company that has outstanding Texas policyholder liabilities and/or policies in force, will not receive approval for cancellation of the Certificate of Authority or dissolution of charter.
- A company whose Certificate of Authority has not been canceled must continue to make all statutory filings and pay all statutory fees and assessments until such time as the Certificate of Authority is canceled.
- **Statutory deposits will not be released until all policies are terminated or expired and all outstanding losses are paid.**

ITEMS TO BE SUBMITTED

WITHDRAWAL PLAN

The plan must be signed by at least one officer of the company and, for each line of insurance being withdrawn or having total annual premium volume reduced by 75% or more, must contain the following:

- (1) Identification, in accordance with the line of insurance designations in §7.1803 of this title (relating to What Constitutes a Line of Insurance), of the line or lines of insurance being totally withdrawn or affected by having total annual premium volume reduced by 75% or more.

- (2) Identification of the policy forms by number and type affected by the withdrawal.
- (3) The dates the insurer intends to begin and complete its withdrawal.
(Items 2 and 3 are to be supported by a month-to-month schedule of the proposed non-renewals. The schedule should reflect policy numbers, expiration dates, territory (north Texas, Tier I or II coast, etc.) and county.)
- (4) An explanation of the reasons for the withdrawal.
(What other options did the insurer consider other than non-renewing policyholders? What are the insurer's plans going forward?)
- (5) Provisions for notifying all the affected Texas policyholders and certificate holders of the dates of the beginning and completion of the total or substantial withdrawal and how the withdrawal will affect them, including, but not limited to:
 - (A) A copy of the notice and an explanation of the manner in which the notice will be provided to policyholders and certificate holders. All notices and other related correspondence to the affected insureds should include a reference to www.helpinsure.com for property/casualty or www.texashealthoptions.com for health and also reference TDI's consumer protection hotline at 1-800-252-3439.
 - (B) Either affirmation that such notice will be provided within 30 days of the approval of the withdrawal plan or a request to provide the notice at some other specified date or time, and such request must be approved by the Commissioner; and
 - (C) Identification of any provision of the Texas Insurance Code or Texas Administrative Code under which notice is mandated.
- (6) Provisions for meeting all the insurer's contractual obligations, including, but not limited to:
 - (A) Notification of all affected agents of the insurer of the date the insurer intends to begin and complete the withdrawal (disclose if the affected agents are exclusive or independent);
 - (B) For fire and casualty insurers, a statement affirming the insurer's compliance with the provisions of the Texas Insurance Code, §§4051.352-4051.362, relating to cancellation of agency contracts;

- (C) For insurers writing liability coverage as specified in the Texas Insurance Code, §§551.051-551.055, a statement affirming the insurer's compliance with the provisions of §§551.051-551.055, relating to cancellation and nonrenewal of certain liability insurance coverage; and
 - (D) For insurers writing property and casualty coverage as specified in the Texas Insurance Code, §§551.101-551.112, a statement affirming the insurer's compliance with the provisions of §§551.101-551.112, relating to cancellation and nonrenewal of certain property and casualty policies.
- (7) Provisions for providing service to the insurer's Texas policyholders and claimants. (Will the company or the agents assist affected policyholders in finding coverage? If so, what is the proposed process under consideration?)
- (8) If replacement coverage will be offered provide information regarding the following:
- (A) describe the relationship with the insurer providing replacement coverage (affiliate, etc.);
 - (B) disclose requirements for re-underwriting that may leave current policyholders without coverage. If possible, determine the number of policyholders who would not be offered replacement coverage due to underwriting criteria; and
 - (C) determine if rate changes apply with replacement coverage.
- (9) Information on Texas business, including:
- (A) for insurers filing total withdrawal plans, the total annual premium volume and the number of policies and certificates and covered persons in Texas for each line to be withdrawn;
 - (B) for insurers filing substantial withdrawal plans, the total annual premium volume and number of policies and certificates and covered persons in Texas before substantial withdrawal is affected and the estimated total annual premium volume and number of policies and certificates and covered persons in Texas after substantial withdrawal is affected for each line to be substantially withdrawn;
 - (C) estimate of what percentage of the Texas market the withdrawal constitutes;

- (D) any information necessary to assist the Commissioner in determining whether a market availability problem is created by the total or substantial withdrawal, the extent of the problem, and what market assistance may be needed to alleviate the problem, including, but not limited to, the following:
 - (i) type of location and geographic area subject to the withdrawal if not statewide (identify type of area such as suburban, urban, rural, or list specific rating territories) and zip codes if entire state not included in withdrawal; and
 - (ii) if applicable, types of risks no longer being covered (for example, if no longer writing private passenger auto insurance coverage for single-car families or for persons without supporting business; or if no longer providing homeowner's insurance coverage for low-value homes, or in areas with high loss-ratios, or in areas with historically high exposure to natural disasters). The information listed in this clause is provided for purposes of example only and is not intended to be a comprehensive or exhaustive list.
- (E) If an insurer is unable to provide the exact number of policies and certificates and covered persons, the insurer shall provide estimates and explain how the estimates were determined.
- (10) Provisions for identifying policyholders or certificate holders of special circumstances.
- (11) Identification of any third-party contracts which may provide for the continuity of care to enrollees of special circumstances.
- (12) Number of and estimated amount of all losses outstanding in Texas, including claims incurred but not reported.
- (13) A plan to handle the losses specified in paragraph (11) of this subsection, including, but not limited to:
 - (A) identification of what assets will be available for paying outstanding incurred but not reported claims, claims in the course of settlement, and associated loss adjustment expenses;
 - (B) identification of who specifically will administer the run-off of the business; and

- (C) an actuarial opinion certifying that adequate reserves are available to pay outstanding claims.
- (14) If Texas policyholders or certificate holders are to be reinsured, the filing of a reinsurance agreement pursuant to all statutory and regulatory requirements and, when applicable, the filing of an assumption certificate.
- (15) Provisions for meeting any applicable statutory obligations, including, but not limited to:
- (A) payment of any guaranty fund assessments;
 - (B) participation in any assigned risk plan, pool, fund, facility, or joint underwriting arrangement; and
 - (C) payment of any taxes.
- (16) A list of any other products the insurer will continue to offer in Texas.
- (17) For insurers filing total and substantial withdrawal plans, affirmation that no new business will be solicited by the insurer in this state during or following the withdrawal period unless the insurer first complies with §7.1808 of this title (relating to Requirements To Resume Writing Insurance).
- AFFIDAVIT THAT THE COMPANY IS NOT WITHDRAWING FROM ANY MEDICARE SUPPLEMENT POLICIES (for A&H Lines Only)**

RIGHT TO TERMINATE/NON-RENEW (for A&H Products Only)

Affidavit from an employee of the company certifying that he/she reviewed all policies/certificates covered by the withdrawal plan and has personally verified that each policy/certificate either contains a provision giving the company the right to terminate the coverage, or that an amendment approved by the Department, which was mailed to each policyholder/certificate holder, contains the provision giving the company the right to terminate.

Affidavit from the President/Officer of the company, representing to the Texas Department of Insurance that he/she has personally reviewed the information prepared by (insert name(s) of company employee(s) who personally reviewed the

policies/certificates) as it relates to the company's right to terminate coverage, and that he/she concurs with (insert name of employee who reviewed the policies/certificate) conclusion.

NOTE: A separate withdrawal plan must be filed for each insurance company intending to totally or substantially withdraw from a line or lines of insurance.

Examples of plain language non-renewal notices:

- [Example 1](#)
- [Example 2](#)
- [Example 3](#)
- [Example 4](#)

For questions on these examples, contact Property and Casualty Lines Office at 512-676-6710 or email PropertyCasualty@tdi.texas.gov

 Email filing to CLRFilings@tdi.texas.gov

► **Questions?**

Email us at CompanyLicense@tdi.texas.gov or call 512-676-6365.