Texas Department of Insurance

Agency Strategic Plan

For
Fiscal Years 2003-2007

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TABLE OF CONTENTS

APPENDICES

Texas Department of Insurance

FY 2003-07 Strategic Plan

INTRODUCTION

The FY 2003-2007 Strategic Plan Texas for Department of Insurance (TDI) is being submitted as the first step of Texas' Strategic Planning and Budgeting System. This Strategic Plan will serve as the foundation for TDI's FY 2004-2005 appropriations request and budget structure. Also included in the strategic plan are statewide planning elements required by the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning and Policy (GOBPP), and agency planning elements developed by TDI staff.

During preparation of this Strategic Plan TDI has identified the following major trends and factors that will affect the operations of the agency during FY 2003-2007:

- Workforce issues, including attraction and retention of staff and potential retirements;
- Use of technology by the agency and by the industry;
- The effect of changing economic conditions on consumers and the industry;
- The growing number of larger and more complex regulated entities;
- Efforts to provide uniform licensing and regulation of insurance companies and agents;
- Market conditions in Texas for certain insurance, including homeowners, medical malpractice, workers' compensation, and nursing home liability;
- Issues related to prompt payment of health care claims;
- Privacy of financial and health care information;
- Challenges presented by increasing health care costs and regulatory issues related to managed care; and
- Potential changes in state and federal law.

TDI has evaluated the possible effect of these factors on the ability of the agency to continue being able to provide effective and efficient regulation of the insurance industry. Many of the issues discussed in this plan identify the possibility of future legislative action. If, during the upcoming legislative session, legislation is introduced on any of these issues, TDI will carefully review for fiscal impact and respond through the fiscal note process. Nonetheless, where appropriate, TDI has identified potential workload impact, staff needs, and/or fiscal impact.

Through this evaluation process, TDI has identified the following five issues that may require additional resources during the FY2003-2007 strategic plan period:

- Regulation of property and casualty insurers, including possible legislation granting the agency new regulatory authority;
- Potential increases in agency workload resulting from prompt pay concerns, such as Employee Retirement Income Security Act (ERISA) related issues;
- Conducting nationwide criminal background checks for all insurance agents doing business in Texas;
- Possible purchase of replacement vehicles for the State Fire Marshal's Office (SFMO); and
- Requesting restoration of Capital Budget funds identified in March 2002 as budget reduction items for the current fiscal biennium.

Despite any additional resources that may be needed to carry out the duties and functions of this agency during the FY2003-2007, TDI will continue to operate on the least amount of dollars necessary to perform the jobs expected by the Legislature.

STATEWIDE PLANNING ELEMENTS

The statewide planning elements, developed by the LBB and GOBPP, include a statewide vision, mission and philosophy that provide an inspiring view of the future of Texas, a statement of the purpose and role of Texas state government, and a statement of values underlying Texas state government service. It also includes statewide priority goals and benchmarks. State agencies are required to link to these priority goals. A description of TDI's relationship to the goals is included in the Relevant Statewide Goals.

AGENCY PLANNING ELEMENTS

The agency planning elements include an agency vision and mission, an agency philosophy and an assessment of factors affecting the agency. It also includes agency goals, objectives, strategies, and performance measures. Action plans are another part of the Strategic Planning and Budgeting System that agencies develop internally. TDI does this through its business planning process.

TDI has worked with the LBB and GOBPP for a number of years to refine the goals, objectives, strategies and measures. Therefore, TDI did not request changes in goals, objectives and strategies for the FY 2004-05 biennium. TDI has requested minimal changes to the performance measures.

STATEWIDE VISION, MISSION, PHILOSOPHY

In *Planning for Progress*, the Governor sets forth the statewide vision and priority goals for Texas government during FY 2003-2007. All state agencies must include the statewide vision, mission, philosophy and goals in the agency strategic plan as the overarching framework for the agency's plan. The following information is reprinted from *Planning for Progress: The Statewide Strategic Planning Elements for Texas State Government.*

Statewide Vision

Working together, we can accomplish our mission and achieve these priority goals for our fellow Texans:

- ✪ To assure open access to an educational system that not only guarantees the basic core knowledge necessary for citizenship, but also emphasizes excellence in all academic and intellectual undertakings;
- ✪ To provide for all of Texas' transportation needs of the new century;
- ✪ To meet the basic health care needs of all Texans;
- ✪ To provide economic opportunities for individual Texans and provide an attractive economic climate with which to attract and grow businesses; and
- ✪ To provide for the safety and security of all within our border.

Statewide Mission

Texas State government will be limited, efficient, and completely accountable. It will foster opportunity, economic prosperity, and family. The stewards of the public trust will be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials will seek new and innovative ways to meet state government priorities within its financial means.

Statewide Philosophy

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- ✪ First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.

- ✪ Government should be limited in size and mission, but must be highly effective in performing the tasks it undertakes.
- ✪ Decisions affecting individual Texans are best made by those individuals, their families, and the local governments closest to their communities.
- ✪ Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.
- ✪ Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- ✪ Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

Aim high…we are not here to achieve inconsequential things!

RELEVANT STATEWIDE GOALS

TDI identified the following priority goal from *Planning for Progress* that links the agency strategic plan and goals to the statewide mission.

Priority Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses through clear standards, compliance, and market-based solutions.

AGENCY LEVEL BENCHMARKS BY AGENCY GOAL

GOAL 1: **ENCOURAGE FAIR COMPETITION IN THE INSURANCE INDUSTRY**

- ✪ Home and auto insurance costs as a percentage of median household income.

GOAL 2: **ENCOURAGE THE FINANCIAL HEALTH OF THE INSURANCE INDUSTRY THROUGH MONITORING AND REGULATION**

- ✪ Percent of insurance consumers served by companies that are financially sound and that have low complaint ratios.

GOAL 3: **DECREASE INDUSTRY LOSS COSTS**

- ✪ Percent of windstorm inspections that result in an "approved" status code.

GOAL 4: **REDUCE LOSS OF LIFE AND PROPERTY DUE TO FIRE**

- ✪ Percent of referred SFMO criminal investigations resulting in enforcement/legal action.

AGENCY VISION AND MISSION

Agency Vision

The Texas Department of Insurance envisions a financially stable and responsive insurance industry that provides insurance at a reasonable cost to all consumers who need it.

Agency Mission

TDI regulates the Texas insurance industry firmly, fairly, effectively, and efficiently.

- ✪ TDI supports a fair, efficient, and productive industry dedicated to the long-term concept of insurance and its contributions to society.
- ✪ TDI works for the availability of quality insurance products for all Texans at reasonable prices and under reasonable terms and strives to protect consumers' insurance assets.
- ✪ TDI enforces solvency standards and promotes competition in the industry while protecting consumers from fraud, misrepresentation and unfair practices.
- ✪ TDI educates the public about insurance so that Texans can make informed choices, and TDI insists that the industry be responsive to its customers.
- ✪ TDI works to make Texas a place where industry will want to do business.
- ✪ TDI works to protect the lives and property of the citizens of Texas from fire and fire-related hazards.

REGULATORY PHILOSOPHY

We believe that our primary responsibility is to the people and businesses that are served by insurance and pay taxes in the State of Texas. We recognize that we are here to serve them and consider that to be an honor.

- ✪ In meeting their needs as consumers, we pledge that we will make every effort to ensure that prices are fair and reasonable, that claims will be handled fairly, promptly and professionally and that, in dealings with us, consumers will be treated with respect and courtesy. We will continuously strive to improve consumer information and education on prices, services, safety and quality of insurance to help them shop wisely.
- ✪ In meeting their needs as taxpayers, we promise to maximize efficiency of TDI operations, to eliminate unnecessary functions and paperwork burdens and to minimize bureaucracy.
- ✪ In earning their trust, we pledge to maintain the highest ethical standards in words and actions.
- ✪ We believe that we have an equally important responsibility to each other as employees and to all of the people who work with us.
- ✪ We respect the dignity and recognize the contribution of each employee.
- ✪ We encourage and will be responsive to all suggestions and concerns.
- ✪ We are pledged to equal opportunity in employment, retention and advancement. We pledge to encourage and assist employees in developing to their full potential.
- ✪ We are committed to a diverse work force.
- ✪ We pledge to provide leadership that is fair, responsive and ethical.
- ✪ We believe that each employee is an integral part of our team effort to serve the people of the State of Texas. We pledge to share our knowledge and to assist each other in achieving the mission of the agency.
- ✪ We believe in decentralizing power and delegating authority to our employees. We pledge to do our best individually and recognize that each of us is responsible and accountable for our actions.
- ✪ We have a responsibility to the people working in the insurance industry.

- ✪ We pledge to make Texas a place where the industry will want to do business.

- ✪ We pledge to support a fair, efficient and productive industry dedicated to the long-term concept of insurance, and its contributions to society.

- ✪ We pledge to communicate concerns, problems and issues to the industry. We encourage the industry to communicate its suggestions and concerns to TDI.

- ✪ We pledge to assist the industry in an efficient and responsive manner in meeting its obligations to the public and its policyholders.

INTERNAL/EXTERNAL ASSESSMENT

TDI's Internal/External Assessment is an evaluation of the major factors influencing the agency. It provides an analysis of trends and conditions that direct the development of the Strategic Plan. The Assessment is not an analysis of the factors or changes in business operations that affect individual Programs exclusively, but rather presents factors that affect the agency as a whole.

Internal factors such as fiscal constraints, staff skills, employee satisfaction, agency technology and capital infrastructure affect TDI's ability to carry out its mission and attain agency goals. Just as important are external factors such as demographic changes, industry and market trends, state and federal legislation and changes in customer expectations. Through the evaluation of these factors, TDI identified twelve strategic issues that will affect the agency in the next biennium and beyond.

INTERNAL ASSESSMENT

Several internal factors affect TDI's ability to carry out its mission, including:

- organizational structure;
- ability of field staff and outreach activities to meet needs of customers across Texas;
- staff and workforce diversity;
- employee satisfaction;
- use of historically underutilized businesses;
- fiscal resources and management;
- its ability to attract and retain qualified employees due to compensation issues;
- use of technology to enhance the agency's ability to perform its work.

Overall, the agency is doing a good job of managing these factors and considers them strengths.

SCOPE AND FUNCTION

TDI is headed by the Commissioner of Insurance. The Governor appoints the Commissioner for a two-year term, subject to Senate confirmation. The Commissioner regulates the Texas insurance industry by administering and enforcing the Texas Insurance Code and other applicable laws. The Commissioner also represents the state as a member of the National Association of Insurance Commissioners, which operates as a means for interstate coordination of regulation activity. As a member of the NAIC, the Commissioner also represents the state in international forums such as the International Association of Insurance Supervisors (IAIS) and the Latin America Association of Insurance Supervisors (ASSAL). TDI's mission is to regulate various types of insurance, including life, health, title, property and casualty, and workers' compensation.

TDI is organized into eight functional areas, in addition to the Commissioner's Office. An Associate Commissioner, Senior Associate Commissioner, or State Fire Marshal, reporting directly to the Commissioner of Insurance, heads each of the following Programs: (1) Administrative Operations, (2) Consumer Protection, (3) Financial, (4) Insurance Fraud, (5) Legal and Compliance, (6) Life, Health and Licensing, (7) Property and Casualty, and (8) the State Fire Marshal's Office. A brief description of the purpose of each TDI Program follows. Additional information may be found in TDI's Organizational Chart, located in Appendix B, or by visiting the TDI Web site at www.tdi.state.tx.us.

Functional Organization

Administrative Operations supports the agency's regulatory duties through planning, accounting, and budgeting; building and records management, purchasing, mail services, personnel and benefits, professional development and the employee ombudsman and ethics advisor who is charged with helping encourage positive solutions to workplace problems.

Commissioner's Office supports activities of the Commissioner. As the agency's chief administrator, the Commissioner directs agency regulatory activities, establishes agency operating procedures, oversees computer and data services and enforces state insurance laws. The Commissioner's Office includes: the Executive Deputy Commissioner, Special Assistant to the Commissioner, General Counsel and Chief Clerk, Executive Services, Commissioner's Ombudsman, Internal Audit, Government Relations, Information Services and the Public Information Office.

Consumer Protection answers general inquiries about insurance, resolves consumer complaints, reviews insurance advertising, and coordinates public education efforts. Consumer Protection staff provide insurance information to consumers through a consumer help line, TDI's Web site, publications, and presentations while identifying unfair practices through review of consumer complaints and industry advertisements.

Financial enforces solvency standards and promotes competition in the industry while identifying suspected fraud, misrepresentation and unfair practices through licensing and monitoring insurance companies and taking action against troubled insurers. Financial's five core processes are: company licensing and registration, financial monitoring, examinations, conservation, and liquidation oversight.

Insurance Fraud protects the public from economic harm by investigating allegations of insurance fraud. The Insurance Fraud Unit seeks criminal indictments, makes arrests, assists in prosecutions, and pursues criminal remedies to deter insurance fraud in Texas.

Legal and Compliance provides legal support to the agency, responds to national and international trends in the various insurance lines, develops and enforces industry rules, acts against those entities and individuals engaging in fraud, misrepresentation, or unfair practices, and takes appropriate action to safeguard policyholders from operationally and financially troubled insurance companies.

Life, Health and Licensing regulates policy forms and related documents for life, accident and health insurance, health maintenance organizations (HMOs), credit life insurance, credit accident and health insurance, viatical/life settlements, annuities, and pre-paid legal plans. The program licenses and regulates utilization review agents (URAs), insurance agents, adjusters, third party administrators (TPAs) and other entities. The program licenses independent review organizations (IROs) and viatical/life settlement companies and brokers. The program receives and performs an initial screening of filings for property and casualty lines as well as the lines listed above. In addition to implementing state legislation, the program monitors the extensive federal activities related to its areas of responsibilities. The program also investigates and resolves complaints related to HMOs and conducts quality of care examinations of HMOs.

Property and Casualty regulates form and rate filings for property and casualty lines, including workers' compensation and title; oversees safety and loss prevention services; handles field examinations of title agents; performs the agency's research, statistical data collection and analysis duties; and assists homeowners and drivers with finding insurance coverage.

State Fire Marshal's Office develops and promotes methods of protecting the lives and property of the citizens of Texas from fire and related hazards through direct action and coordination with the public safety community.

Field Offices and Public Outreach

TDI has 172 employees that perform work in the field throughout the state. TDI maintains field offices in Dallas, Houston, San Antonio, the Gulf Coast, and the Rio Grande Valley along with satellite offices. In addition, TDI provides outreach by using the Internet, making presentations, providing special training, participating in state and national forums, issuing press releases and publishing brochures on insurance issues and on fire safety and protection. TDI also provides outreach in response to consumers' needs in the aftermath of natural disasters.

Consumer Education and Outreach

Outreach to Seniors. TDI provides special outreach to Texas seniors through the Health Information, Counseling & Advocacy Program (HICAP). TDI works with the Department on Aging through an interagency contract. Other HICAP partners include the Texas Legal Services Center and local Area Agency on Aging (AAA) offices throughout the state. TDI's component of the HICAP Program is to provide training and support on insurance issues to local benefits counselors in the AAA offices. Benefits counselors assist Texas seniors one-on-one. In addition, TDI provides a variety of educational materials related to insurance for Texas seniors and conducts more than 50 outreach events annually on topics such as Medicare supplement insurance and long-term care insurance.

Outreach to Homeowners and Renters. TDI has several publications related to homeowners insurance and renters insurance. A rate guide is also available in hard copy and on-line to help Texans shop for homeowners insurance.

Recently, the Texas homeowners insurance market has undergone drastic changes. Homeowners insurance rates have increased considerably and a number of companies have decided to no longer offer the standard Texas HO-B policy. In addition, several companies have asked for approval from the Commissioner to sell substantially the same policies sold in other states, rather than the standard Texas homeowners policies. Insurers have cited the increase in mold claims as the primary reason for the increase in rates and for decisions to not sell the standard HO-B policy. The Commissioner appointed an Advisory Task Force on Mold-Related Claims which recently developed a list of suggested practices for consumers and the industry to help handle water damage and mold claims more timely and efficiently. The suggested practices are available on TDI's Web site and will be distributed at outreach event and upon request.

In addition to publications, TDI also conducts a number of outreach events for homeowners and renters, including home and garden shows, neighborhood association meetings, homebuyers fairs, and other community events.

Insurance Company Examinations

TDI performs on-site financial and market conduct examinations of insurance companies, HMOs and certain other entities regulated by TDI to determine financial condition and compliance with the Texas insurance laws. These examinations are similar to audits by Certified Public Accountant (CPA) firms, though usually broader in depth and scope, since the examiners must ascertain compliance with various laws and regulations. Examiners collect and analyze annual operations reports filed by all licensed premium finance companies and coordinate the regulation and oversight of HMOs. The activity is predominately field-based, with 83 staff, including almost 70 financial examiners, working out of three field offices in Houston, Dallas and San Antonio.

Additionally, TDI conducts compliance audits of licensed title insurance agents throughout the state. A total of 15 examination staff perform this function with 12 based in the field.

Fraud Investigation Training and Outreach

Although TDI fraud investigations staff are based in Austin, the investigators conduct extensive fieldwork and also conduct outreach and training for companies and others with an interest in combating fraud. For example, TDI invites the Special Investigative Units (SIUs) of insurance companies to Austin for annual insurance fraud training that counts as continuing education credit. TDI fraud investigators attend monthly meetings of regional SIUs held in Dallas, Houston, and San Antonio, and participate in regional insurance fraud task forces.

In addition, TDI staff members provide targeted outreach to consumers that are particularly vulnerable to fraud. Staff conducted fourteen anti-fraud training presentations during the past year to the following groups: Certified Fraud Examiners in Fort Worth and Austin, Southwest Insurance Information Service, Texas Association of School Boards, National Association of Securities Administrators, Chartered Property and Casualty Underwriter (CPCU) chapters in Houston, Fort Worth and Austin, and the Better Business Bureau Education Foundation.

Windstorm Inspection and Training

TDI's Property and Casualty Program has 29 Windstorm employees, including 26 inspectors, in field offices located in Angleton, Bay City, Beaumont, Corpus Christi, Harlingen, and La Marque. This program, which was implemented in January 1988, is responsible for inspecting structures for insurability through the Texas Windstorm Insurance Association and ensuring enforcement of building codes adopted by the Commissioner. Enforcement of building codes is critical in reducing losses to the industry caused by windstorms and in the overall reduction of costs to consumers. It also helps to protect the state's General Revenue (GR) fund because a loss of over $1 billion would result in additional assessments against all property and casualty insurers, and these assessments can be claimed against premium taxes which are deposited into the GR fund.

In addition to inspections, TDI staff provides training on the Building Code for Windstorm Resistant Construction (Code) for engineers, builders, architects, homeowners, insurance agents, real estate agents, lenders and consumers. Since July 1997, TDI has conducted more than 75 public education classes on the Code.

State Fire Marshal's Office (SFMO)

The SFMO has 45 field employees working in areas that historically have demonstrated a need for SFMO services. Field staff members are equipped to go to any location in the state where their services are needed. The SFMO makes a concerted effort to hire staff who live in or are familiar with the area where they work, with particular emphasis on recruiting bilingual staff in areas with sizable Spanish-speaking populations.

Fire industry licensing investigations staff work to ensure that fire alarm, extinguisher and sprinkler systems and fireworks stands comply with adopted safety standards. Field staff members are located in Austin, Corpus Christi, Spicewood, Conroe, and Duncanville. This unit has five licensing investigators.

Employees in the Fire Safety Inspections section of the SFMO are charged with inspecting public and private buildings and flammable liquid storage facilities of retail service stations. A total of 13 field staff are located in the Austin area, Corpus Christi, San Antonio, Tyler, Nacogdoches, Belton, College Station, Lufkin, Midland and Elgin.

With 26 field staff, the Fire and Arson Investigation section maintains a significant presence across the state. This section is responsible for investigating fire scenes upon request from local law enforcement agencies. The section maintains the state arson laboratory to assist field staff in determining the cause and origin of fires, as well as four canine teams deployed in strategic locations and available for all investigations. Fire and Arson Investigation staff are located in Gonzales, Jasper, Conroe, New Braunfels, Corpus Christi, Edinburg, Sinton, Alpine, Anson, Lubbock, Caldwell, Tyler, Mt. Pleasant, Nacogdoches, Buffalo, Wimberly, and Lufkin.

As of September 1, 2001, the SFMO became responsible for investigating all line-of-duty deaths (LODD) involving any fire-service personnel in Texas. During the first eight months of FY 2002 the SFMO completed four LODD investigations. The State Fire Marshal's Office will hold brief seminars across the state to inform local fire department personnel of the new LODD investigation requirements beginning in June 2002.

The SFMO also conducts educational activities throughout the state related to fire safety and fire prevention. One SFMO staff member works to make available to fire departments a 30-foot mobile travel trailer that is a "kid-sized" functional two-story house to assist in teaching home fire safety to children.

The purpose of the SFMO is to reduce statewide losses from fires. During FY 2001, the Office conducted 3,893 industry examinations, issued 10,492 industry licenses, conducted 1,318 investigations of fire protection and fireworks industries, and investigated 519 fire sites upon request from local agencies.

As the above figures indicate, driving to inspection and investigation sites is essential to the work of SFMO staff, and their vehicle is their most important tool for timely response and transportation of equipment and site samples. For several years, the Office has conducted its inspections and investigations using an aging fleet of vehicles that were primarily obtained with at least 100,000 miles already on the odometer. Maintenance of older vehicles is expensive, and the investigators and inspectors report that they sometimes feel at risk when traveling to a fire site at night or in isolated areas because they can't count on their vehicle to operate effectively. Because of the problems associated with use of older vehicles, TDI is exploring options for providing lower mileage vehicles to the SFMO staff. If the analysis indicates that purchase of newer vehicles under an obsolescence plan would be cost effective, the agency may make the proposal in its Request for Legislative Appropriations.

Disaster Response

A flood, hurricane, tornado, explosion, or technological disaster can occur with little or no warning. The nature and extent of the damage caused by the disaster will "drive" the magnitude of TDI's response. TDI's responsibility as the state insurance regulatory agency is to make sure that consumers receive the benefits and service to which they are entitled as quickly as possible.

Local government officials have the primary responsibility for emergency management activities. In the event of a large-scale disaster, the State Emergency Response Team (of which TDI is a member) may be dispatched to assess the extent of losses and to assist in coordinating initial state responses in the field. If a presidential disaster declaration is issued, one or more Disaster Recovery Centers (DRC) are established to make federal and state assistance more accessible to victims, and a Disaster Field Office coordinates the recovery efforts. TDI works closely with the state's Division of Emergency Management and the Federal Emergency Management Agency in disaster response.

TDI staff assist consumers by providing insurance-related information, monitoring the response and activities of insurance companies following the disaster, and helping consumers resolve insurance-related complaints.

TDI performed well in mobilizing adequate staff to support recovery efforts resulting from such recent large-scale catastrophes as the 2001 Houston-area flooding following Tropical Storm Allison. In responding to that event, TDI had staff supporting as many as 12 DRCs at a time, and maintained field support for three months.

Future demands for TDI resources are unpredictable. An entire fiscal year may elapse with little demand on TDI. However, TDI must maintain preparedness, in conjunction with other key players in any disaster response. With input from the Texas State Disaster Coalition, TDI has updated its catastrophe plan to provide for better coordination among partners in recovery efforts. In addition, TDI has, for some years, supported quarterly in-house training for staff who have volunteered for special assignments.

Increasing Insurance Availability in Border and Underserved Areas

In addition to traditional outreach, TDI works to increase insurance availability in areas with underserved populations. For example, TDI has two market assistance programs, one for homeowners and one for good drivers designed to help qualified consumers obtain insurance at standard rates. TDI developed these programs to assist areas designated as underserved by the Commissioner. Although participation in these programs has been lower than expected, TDI continues to explore low-cost options for educating consumers about these programs.

TDI publicizes the market assistance program (MAP) using a variety of methods, such as press releases, inserts in drivers' license renewal notices and billboards. The auto MAP program uses a password-protected TDI Internet site to link good drivers in underserved ZIP codes with nine voluntarily participating insurance companies. Consumers can also contact the program through a toll-free number: 1-888-799-MAPP (6277).

As of April 2002, the residential property MAP has received 606 applications and 373 of these were eligible for the MAP. Insurers issued quotes to 237 applicants, and 101 policies have been issued.

The auto MAP has been operating for approximately four years to address the problem of good drivers being placed in the nonstandard market. The nonstandard market includes non rate-regulated county mutual companies and the Texas Automobile Insurance Plan Association (TAIPA), sometimes referred to as the assigned risk market. TAIPA is designed to insure "high risk" drivers at rates commensurate with their greater probability of having accidents. As of April 2002, the auto MAP had received 19,000 calls including 5,437 eligible applicants of which 3,132 were offered at least one quote and 640 policies issued. Those callers who were not eligible for MAP were offered TDI rate guides to help them shop for less costly insurance.

STAFF AND WORKFORCE DIVERSITY

TDI relies on a skilled workforce of administrators, who set broad policies, direct individual departments and supervise the agency's operations. The agency also employs professionals with specialized and theoretical knowledge usually acquired through college training or work experience, and employees with specialized knowledge and technical expertise. In addition, TDI's workforce includes classified para-professionals, administrative support, and technicians.

Equal Employment Opportunity

TDI is committed to equal employment opportunity and strives to maintain a workforce that reflects the diversity of Texas. TDI is currently: 11.7 percent African-American, 22.1 percent Hispanic American, 3.7 percent Asian American or Native American, and 62.5 percent Caucasian-American. Fifty-seven percent of TDI's workforce is female and 43 percent is male. As of April 2002, TDI's workforce is comprised of 38 percent minority employees. As well, minorities and females are well represented in TDI's management staff. Fifty-five percent of TDI's managers are minority and/or female. Additionally, minority or female employees fill seven of TDI's nine senior positions-- Associate Commissioner, Sr. Associate Commissioner and the State Fire Marshal.

TDI's percentage of women and minorities in official/administrator or professional EEO categories continues to exceed statewide available workforce percentages.

Employee Satisfaction

In order to carry out the mission of TDI, the agency must retain quality employees. TDI relies on employee input to continually improve services and increase employee satisfaction.

TDI has participated in the Survey of Organizational Excellence conducted by the University of Texas School of Social Work since 1994. This survey measures five dimensions of the workplace including organizational features, accommodations, exchange of information, work group and personal aspects. With 71percent of employees responding in the 2001-2002 survey, the results indicated employees have a positive view of their workplace. Detailed information on the results of the most recent survey is included in Appendix F.

The survey results are used as an assessment tool in the agency strategic plan and business planning process. Program heads receive a complete analysis of the agency wide survey results and results for their program area. They are encouraged to share the results with their program areas and discuss ideas for continually improving employee satisfaction. Results of the survey are also available to all employees.

Staffing Strengths and Challenges

TDI recognizes that the quality of its staff is critical to the organization's mission and success. TDI has several strengths in its staff. TDI has a staff that focuses on quality principles, is responsive to external influences and has a high degree of job satisfaction. TDI staff understands the needs of the customers they serve and work to continually improve services. The recent UT Survey of Organizational Excellence revealed that TDI employees like their jobs and the total work environment.

Recruitment and retention of quality employees has been a challenge for TDI. Although turnover has declined from 16 percent in fiscal year 2000 to a projected turnover of 10 percent or less in fiscal year 2002, it continues to be a cause for concern.

Turnover may be affected by the high percentage of potential retirees. Twenty-four percent of TDI staff is eligible to retire in the next five years. Once vacant, some positions such as Financial Examiner, Actuary, Engineer and Budget Analyst positions are difficult to fill.

Despite a state employee pay increase approved by the 77th Legislature, fair pay continues to be an issue for TDI. Fair pay was the lowest scoring construct for TDI in the most recent UT Survey of Organizational Excellence. In the 2002 survey employees indicated their pay does not keep pace with the cost of living.

TDI is challenged in having the competencies that will be needed to provide quality customer service. In order to recruit and retain quality staff and to prepare for future workforce challenges, TDI has initiated the workforce planning process. Program areas reviewed key economic and environmental factors facing their areas, staffing challenges, customer demands affecting staffing, and skills and competencies needed for critical functions.

Appendix E contains TDI's Workforce Plan which includes a current workforce assessment, a future workforce profile, a gap analysis and intervention strategies that will assist TDI in filling gaps between our current workforce and future workforce needs.

USE OF HISTORICALLY UNDERUTILIZED BUSINESSES

The Historically Underutilized Business (HUB) program is governed by the Texas Government Code, Title 10, Subtitle D, Chapter 2161. The purpose of the program is to increase contracting opportunities with the State of Texas for minority and women-owned businesses. During the 76th Legislative Session, the

Texas Legislature passed Senate Bill (S.B.) 178, which modified the state's HUB program. This bill codified existing elements of the HUB program and added several new provisions.

The Texas Building and Procurement Commission (TBPC) adopted HUB rules which included: (1) a revised definition of Historically Underutilized Business; (2) new HUB reporting requirements; (3) revised HUB subcontracting requirements; (4) new auditing requirements; and (5) the development of the Mentor Protégé Program.

In April of 2001, the State Auditor's Office commended TDI's HUB program for its degree of compliance with the statewide requirements established by S.B. 178. The only item that TDI needed to finish implementing was the Mentor-Protégé program. In May 2001, the agency's Mentor-Protégé Program was formally established and to date the agency has established and is monitoring two mentor-protégé relationships.

HUB Participation

TDI is continuously developing strategies to increase the agency's HUB participation and to ensure that the agency remains in total compliance with all of the new laws and rules established for the HUB program. Over the years TDI has used several approaches to promote the HUB program and ensure HUB participation in all agency procurements. For example, TDI has sponsored eight HUB forums since 1996. Other state agencies are invited to participate in these forums, which target vendors for a particular type of goods or services. TDI executive staff members play an active role in the forums as presenters and participants in networking sessions with vendors.

HUB Outreach

TDI has focused on how awards are distributed among the various ethnic HUB groups. The agency's goal is to ensure that contract awards are distributed among all HUB groups and not concentrated within just one or two ethnic HUB groups. Finally, TDI continuously distributes information to HUB vendors about the specific changes that affect the HUB program and the procurement process. This is done to ensure that HUBs are well informed and better prepared when bidding on contract opportunities.

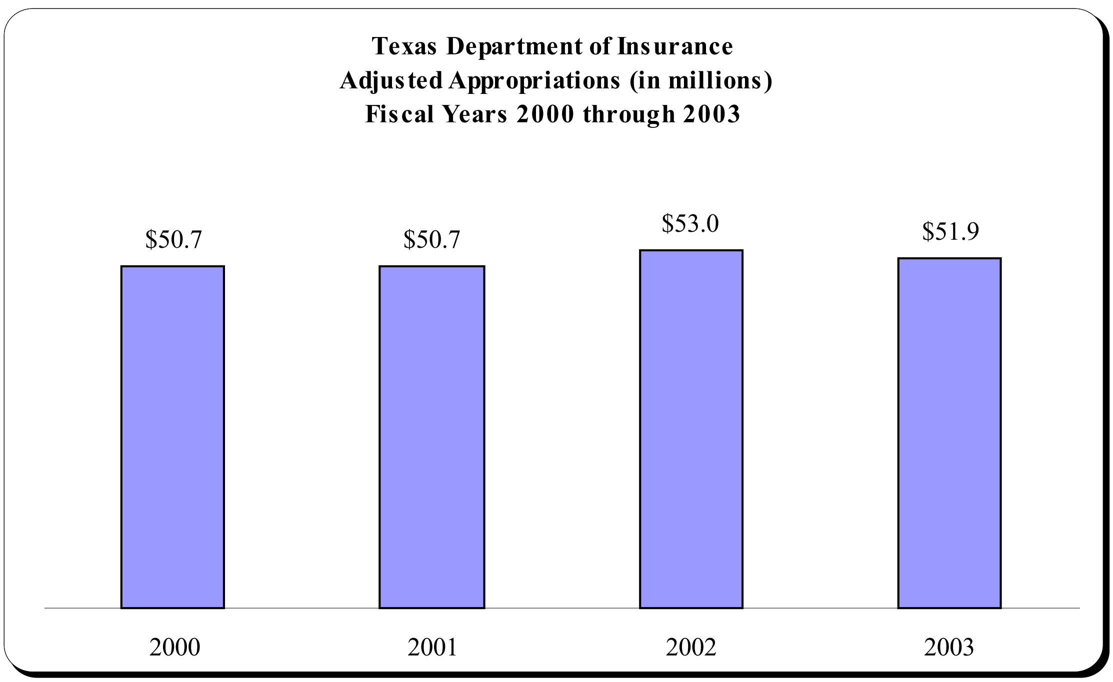
TDI conducts outreach by participating in local vendor fairs that focus on minority and women owned businesses. These efforts include the TBPC forums and other forums sponsored by local Chambers of Commerce and business development centers. In addition, TDI's Purchasing area works closely with other agency programs to disseminate information about the HUB program. This information is distributed at various conventions, forums and expositions that may have minority and women-owned business participants.

FISCAL RESOURCES AND MANAGEMENT

TDI's adjusted appropriations for the 2002–2003 biennium total $104.9 million. The following information details TDI's appropriations, TDI's operating fund, Account No. 36, and the FY 2002 operating budget.

Appropriations

TDI's appropriations have remained relatively constant over the last two biennia. The agency's appropriations were increased from $50.7 million in each year of the FY 2000-2001 biennium to $53.0 million in FY 2002. This $2.3 million increase is attributed to FY 2002 rider appropriations, a targeted salary increase for financial examiners, salary and longevity increases given to eligible state employees, federal funds for a State Planning Grant and the elimination of a transfer to the Catastrophe Trust Fund. Appropriations were decreased from $53.0 million in FY 2002 to $51.9 million in FY 2003. This $1.1 million decrease reflects a one-time award of federal funds from the Health Resources and Services Administration (HRSA) State Planning Grant program. The following chart illustrates TDI's appropriations from FY 2000 through FY 2003.



GR Dedicated – TDI Operating Fund Account No. 36

TDI is funded from GR Dedicated – TDI Operating Fund Account 36. This Account receives revenue from two primary sources: 1) the Comptroller of Public Accounts, which collects insurance company maintenance taxes and fees and deposits those revenues into the Account; and 2) TDI, which collects examination fees and other fees and revenues and deposits them into the Account. In FY 2001, the Comptroller deposited $48.5 million and TDI deposited $28.3 million, for a total of $76.8 million in additional revenue into Account 36. The following chart reflects FY 2001 deposits into Account 36.

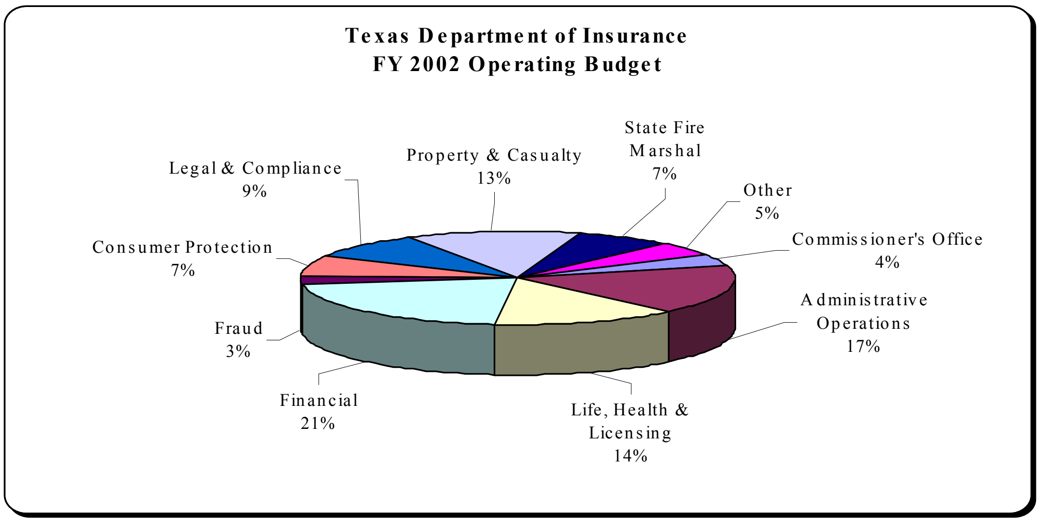
Amounts Deposited to Account 36 in FY 2001

Motor Vehicle Insurance Maintenance Tax	$ 5,514,994
Fire Insurance Maintenance Tax	17,712,036
Workers' Compensation Insurance Maintenance Tax	2,074,013
Casualty Insurance Maintenance Tax	5,466,410
Title Insurance Maintenance Fee	855,124
Life, Accident and Health Insurance Maintenance Tax	8,524,100
Third Party Administrator Maintenance Tax	884,569
Health Maintenance Organization Maintenance Tax	4,449,849
Prepaid Legal Services Maintenance Tax	69
Domestic Valuation Fees/Life	2,819,759
Annual Statement Fees	209,947
Account 36 Total Deposited by Comptroller:	**$48,510,870**
Examination Fees – Collected by TDI	11,458,030
Other Fees and Revenue- Collected by TDI	16,842,069
GRAND TOTAL	**$76,810,969**

The Legislature appropriates funds from Account 36 to several other state agencies in addition to TDI, including the Office of the Attorney General, the Comptroller of Public Accounts, the District Courts-Comptroller's Judiciary Section, Texas Commission on Fire Protection, the Texas Building and Procurement Commission, and the Texas Forest Service.

FY 2002 Operating Budget

TDI's $53.0 million FY 2002 operating budget and workforce is allocated to its direct and indirect programs to accomplish the agency's strategic goals. Funding for the four largest programs, Property and Casualty, Life, Health and Licensing, Administrative Operations and Financial comprise two-thirds of the agency budget. Funding for access to the National Association of Insurance Commissioners' (NAIC) database, the Capital Budget and the Health Insurance Counseling Advocacy Program grant (HICAP) are included in the Other category as reflected in the following chart.



In response to the Office of the Governor's January 14, 2002 request that state agencies reduce spending wherever possible, TDI submitted a letter on March 15, 2002, describing areas in which the agency could defer or delay spending during FY 2002 and FY 2003. The potential savings were $832,166 in FY 2002 and $602,121 in FY 2003. Over 41percent of the potential savings constituted delaying $248,457 in hardware and software acquisitions during FY 2003. The agency may need the $248,457 in hardware and software funds restored for FY 2004-2005 in order to meet its operational needs.

TECHNOLOGY

TDI has completed several automation projects that make the agency more effective in responding to constituents' regulatory needs and help make the national regulatory process more uniform. Ultimately, automation will help TDI to serve its various constituencies better and at a lower cost. The following initiatives are already improving TDI's direct services to constituents and lowering their overall costs of complying with insurance regulation or using TDI services.

- TDI participated in the Texas Online (TOL) pilot project in which TDI began allowing various types of agents' licenses to be renewed on-line. TDI will continue to be a major contributor to e-government projects such as the TOL Portal Project and will remain closely involved with the activities of the Department of Information Resources (DIR) and its work on the state's electronic infrastructure;

- TDI has begun installing cost-effective imaging technology to scan, store, retrieve and manage documents in an electronic format rather than continuing ineffective and costly paper-based systems. Through this technology, agency staff have modernized complaints handling, the storage of approved rate and form filings and other regulatory documents;

- TDI continues to enhance its Internet Web site and identify areas in which information and services can be made more readily available to TDI's customers through web-based, on-line applications; and

- Texas and other states continue to improve national insurance regulatory processing efficiencies and coordination through automation. With support of the National Association of Insurance Commissioners (NAIC) Texas is adopting the precepts of the Uniform Regulation Through Technology (URTT) program when possible. URTT modernizes electronic commerce initiatives among regulators and insurers, including the electronic rate and form filing processing, non-resident agent licensing, annual statement filings, uniform certificates of authority and numerous other automation-based processing initiatives.

EXTERNAL ASSESSMENT

STRATEGIC ISSUES FOR FY 2003-2007

- Demographic changes, especially the growing population age 65 or over, will affect insurance availability and affordability.
- Economic conditions are likely to present challenges for insurance consumers and the insurance industry.
- National and international events and trends will have a significant impact on the insurance industry and are likely to affect TDI's regulatory responses.
- The growing number of larger and more complex regulated entities will require TDI to continue working with regulators in other states to provide effective and efficient regulation of the industry.
- Market conditions in Texas for certain insurance, such as homeowners, workers' compensation and medical malpractice, are causing TDI to respond to various technical concerns in highly specialized areas encompassing solvency, availability and affordability issues.
- Concerns related to prompt payment of health care claims are likely to continue and TDI will work with all parties to develop workable solutions.
- TDI will monitor issues related to nursing home liability insurance and long-term care coverage and provide technical assistance and recommendations for legislative action.
- Access to affordable health care coverage will continue to be a challenge for many individuals and small employers and TDI will continue to provide technical support to efforts addressing this issue.
- Moves toward more uniform, and possibly national, regulation of insurance will significantly affect TDI's regulatory operations.
- TDI will enforce new regulations related to protecting the privacy of financial and health care information.
- E-commerce and e-government will continue to affect the insurance industry and the way TDI delivers services.
- TDI will continue responding to the challenges presented by increasing health care costs and regulatory issues related to managed care.

DEMOGRAPHIC AND ECONOMIC TRENDS

Population Changes

The United States 2000 Census showed continued population shifts to the South and the West and to large metropolitan and suburban areas.[1] Between 1990 and 2000 the population of Texas grew by almost 23 percent to a total of 20.85

[1] Population Change and Distribution, Census 2000 Brief, April 2001, U.S. Census Bureau.

million. This rate of growth compares to the national average of only 13.2 percent. Notably, three of the ten fastest growing metropolitan areas in the United States during the 1990 to 2000 period were found in Texas – McAllen-Edinburg-Mission (48.5 percent), Austin-San Marcos (47.7 percent) and Laredo (44.9 percent).

The Texas Comptroller of Public Accounts estimates that Texas' population now approaches 21.7 million. Projections indicate that the 2003 population will rise to over 22 million and by 2007 will be close to 23.3 million.[2]

Like the rest of the nation, the Texas population is aging. Between 2002 and 2007, the Texas population over 65 is expected to grow by more than 10.5 percent to a total of almost 2.4 million. At the same time, the state's population between the ages of 18 and 65 is expected to grow by 7.8 percent.

These trends, as well as changes in the size and composition of the population, will affect the insurance industry, Texans' insurance needs, costs and insurance-related policy decisions made by Texas lawmakers. For example, an aging population will likely mean greater need for health care and increased healthcare costs associated with elder care.

Changing Economic Conditions

Changing economic conditions present a number of challenges for both insurance consumers and the insurance industry. These challenges range from the affordability of health insurance for the unemployed to the threat of small businesses coping with increased health and property and casualty insurance rates. In addition, consumer fraud may increase due to less favorable economic conditions.

The availability and affordability of health care coverage for Texans has been a highly volatile issue for the last few years; unfortunately, the changes in the economy have made the situation even worse. With the national unemployment rate escalating to 4.8 percent in 2001[3] and Texas reporting an unemployment rate of 5.7 percent as of December 2001[4], providing health insurance for the uninsured has assumed even more urgency. Changing economic conditions, combined with dramatic increases in health care costs and insurance premiums, have influenced the decisions of many small businesses, which employ the majority of Texans, as they evaluate their ability to maintain employees while also affording health coverage.

[2] Texas and the U.S. Economic and Population Forecast, FY 1998-2007, Fall 2001 Forecast, Texas Comptroller of Public Accounts.
[3] Bureau of Labor Statistics
[4] State of Texas Government Web Site

Changing economic conditions have also affected the number of laid off employees. TDI has made employer and consumer awareness of health care options for unemployed Texans a priority. The Commissioner has stressed to Texas employers that "it's important for employers to make sure that laid off employees know their options concerning the continuation or replacement of the health coverage they had on the job".[5]

Another unfortunate consequence of changing economic conditions is an increase in insurance fraud. According to the NAIC, various studies have estimated that insurance fraud in the U.S. costs as much as $100 billion per year.[6] While insurance fraud occurs in all economic environments, higher unemployment tends to bring increased offenses. TDI has seen an increase in fraud related to, among others, auto theft claims, mold related claims and conversion of consumer insurance premiums by agents to their own personal use. TDI has also identified a trend in increasing unauthorized insurance schemes including unauthorized health plans, workers compensation and commercial liability. TDI currently chairs the Database Working Group on the Anti Fraud Task Force that was established by the NAIC to help extinguish the rise in insurance fraud.

Insurers have also been affected by the changing economic conditions. Insurance companies have experienced decreased profits and in some cases financial losses due to the ripple effect of the September 11 terrorist attack, the declining stock market and resulting decline in investment income, costs of litigation and the increase in mold claims. As a result, consumers have seen homeowner and auto rates increase and increased costs for health care coverage; doctors have seen increased medical malpractice premiums and fewer available insurers; and businesses have experienced an increase in workers' compensation rates.

Another effect of the changing economic conditions is the adjustment that insurance companies have had to make in order to continue to operate profitably. During the economic boom of the 1990s many insurance companies relaxed their underwriting practices due to intense competition among property and casualty insurance companies. Subsequently, changing economic conditions and the terrorist attacks of September 11, 2001 have forced companies to strengthen reserves to pay for losses associated with the attacks and other increased losses. In addition, decreased yields from conventional investments are tempting many in the industry to try riskier investment vehicles. All of the above factors will require even greater vigilance from TDI in its analyses and examinations of companies to carefully monitor the financial condition of insurers doing business in Texas.

During periods of declining financial stability and vulnerability to insolvency within the insurance industry, TDI's role in analyses and examination of companies is especially crucial because insolvencies have an adverse impact on

[5] TDI Press Release, January 11, 2002.
[6] NAIC Issues 2002

the policyholders of the insolvent company, as well as on state revenue. When an insurance company is insolvent and is put into receivership, the appropriate guaranty fund pays the claims that cannot be paid with the assets of the insolvent company. In order to replenish its reserves, the guaranty fund then imposes an assessment on its affiliated companies. The companies paying the assessment can, in turn, deduct the assessment from their premium taxes, which causes a reduction in the state's general revenue fund. Because of the complex interplay between insurance industry solvency, the well-being of Texas insurance consumers and revenue to the state, TDI and the Legislature have traditionally placed high importance on the examination function. This emphasis must continue in the current economic conditions.

INSURANCE INDUSTRY TRENDS AND ISSUES

During the next five years TDI's regulation of the state's insurance industry will be significantly affected both by general national trends and by several issues specific to the Texas marketplace. The combination of these factors may present challenges to the agency as it attempts to provide effective regulation while also operating efficiently.

Key nationwide issues include the ongoing effects of last year's terrorist attacks, the continuing trend towards larger national insurers and the potential for decreased availability of reinsurance. In Texas, insurance companies, health care providers and consumers are likely to continue facing issues related to availability and affordability (homeowners insurance, workers' compensation and medical malpractice insurance), race-based pricing, prompt payment and nursing homes. TDI will assess these trends and issues during FY 2003-2007 with the goal of continuing to provide responsive and efficient service.

Nationwide Influences

Because the insurance marketplace is increasingly national and international in scope, events and trends outside Texas have a substantial impact on the regulatory operations of TDI. For example, a key factor in the insurance industry is the availability of capital for investment in insurance and reinsurance markets. Major losses such as those incurred during last year's terrorist attacks can negatively affect the solvency of insurers. Additionally, the trend towards larger insurers doing business in multiple states will require TDI to work more closely with other regulators and to modify its operations within Texas.

Effect of Terrorist Attacks

Although the ultimate cost to insurers for the tragic events that occurred on September 11, 2001 is still under analysis, these extensive losses and the possibility of additional attacks caused concerns over insurer solvency and the ability of insurers to sustain additional losses on the magnitude of the World

Trade Center. Exacerbating this concern were insurer warnings that reinsurers would be excluding losses caused by terrorist acts from upcoming renewals of reinsurance treaties. In response to these concerns, insurers began filing policy forms or endorsements to exclude coverage for losses that result from an act of terrorism. In April 2002, there were 548 individual company policy form or endorsement filings designed to exclude or limit terrorism filed. In June 2002 these filings were pending final action by TDI.

Multi-State Companies

The continuing trend of insurance companies becoming members of large, multi-state groups has required TDI and other insurance regulators to adapt to this changing environment. Because additional acquisitions, consolidations and mergers among insurers are expected to occur during FY 2003-2007, it is likely that changes may be needed for TDI to address future conditions.

Since insurance companies operating within groups often share risk with each other through pooling agreements or reinsurance agreements, a catastrophic loss occurring anywhere in the world may directly affect the financial condition of an insurer located in, or doing business in, Texas.

These factors necessitate a more comprehensive approach to insurance regulation, in which state regulators share more information with their peers and pay greater attention to events at the holding company level affecting parent or affiliated companies which may not themselves be regulated by TDI.

To minimize duplication of efforts, TDI has been working with other insurance departments to implement the concept of designating one state as the "lead regulator" in connection with certain complex multistate transactions such as mergers and acquisitions. As these transactions become larger and more complex such cooperation is essential in order for TDI to be able to handle its workload in light of the increased depth and scope of financial regulation.

Reinsurance

Recently the reinsurance market has experienced increased costs and decreased availability of reinsurance in some areas. Prior to September 11, the reinsurance market had already begun to experience problems with availability and affordability. However, the losses in connection with the September 11 attack had a dramatic impact on the reinsurance industry since many of the losses associated with the attack were passed along to reinsurers.

Reinsurance is important because it facilitates the spread of risk within the insurance industry, just as insurance facilitates the spread of risk within a group of policyholders. This spread of risk amongst insurance companies provides financial stabilization and protection from catastrophic losses to individual insurance companies. This stabilization and protection is essential to the solvency of individual insurance companies and ultimately essential to the protection of individual policyholders.

The decreased availability and increased cost of conventional reinsurance has placed added emphasis on new, alternative methods of risk transfer. For example, on January 1, 2001, TDI adopted the National Association of Insurance Commissioners *Accounting Practices and Procedures Manual*. These accounting rules allow reinsurers to issue insurance-linked securities through a "protected cell." These securities are intended to provide insurers with back-up coverage in the event of certain catastrophic losses.

The recent difficulties in the reinsurance market, coupled with a proliferation of alternative risk transfer mechanisms, will require increased scrutiny by TDI in order to assure that companies are adequately protected and that reserve credit requirements are met. TDI will continue to monitor the reinsurance situation to ensure that the solvency of the regular insurance market is not adversely impacted.

Texas Marketplace

During the past two years the Texas insurance marketplace has weathered significant challenges. While it is expected that the most severe effects from many of these issues may be nearing an end, it is likely that these factors will also affect TDI during FY 2003-2007. Specifically, TDI is likely to continue to face the challenge of responding to the issues of availability and affordability of homeowners, workers' compensation, medical malpractice and nursing home insurance; race-based pricing; prompt payment of claims; and health care for the underserved.

Many of these factors are likely to be addressed by the 78th Legislature. The Governor's Office and legislative committees are considering proposals to increase TDI's regulatory authority over rates and claims handling procedures in several areas. In particular, increased oversight of the $3 billion homeowners insurance market will likely require additional resources. TDI will continue during FY 2003-2007 to regulate in a firm, fair, effective and efficient manner.

Availability and Affordability: Homeowners Insurance, Workers' Compensation, Medical Malpractice

Homeowners Insurance. The explosion of mold claims, beginning in 2000, has played havoc with the homeowners insurance market in Texas. TDI determined that the number of mold and water-related claims against the three largest residential property insurers rose more than 500 percent within an 18 month period (1st quarter calendar year 2000 to 2nd quarter calendar year 2001), costing insurance companies hundreds of millions of dollars in unexpected claims. A contributing factor is the fact that the most commonly purchased Texas policy, Texas Homeowners Form-B (HO-B), provides the most expansive coverage of all the states for water damage and any ensuing mold and fungi losses.

In response to extreme levels of concern from both policyholders and insurance companies regarding increasing mold-related claims and losses, TDI undertook several careful, comprehensive and deliberate efforts to gather information and address relevant issues related to mold coverage. Beginning on June 26, 2001, the Commissioner convened a series of informational hearings in Austin, Corpus Christi and Houston on mold coverage in general. As part of this process the Commissioner obtained information, comments and data from a wide variety of sources, including individual insureds; consumer and citizens' groups such as the Office of Public Insurance Counsel, Consumers Union, Texas Watch and Homeowners for Better Building; governmental agencies including the Texas Department of Health, the U.S. Environmental Protection Agency and the National Flood Insurance Program; individual insurance companies and insurance trade associations; the scientific community; mold and water remediators; and the mortgage lending, real estate and building industries.

In addition, in the summer of 2001 a data call was sent to the five largest insurance groups that collectively write about three fourths of the residential property insurance in Texas. The data allowed TDI to gauge, in part, the magnitude of mold losses in the state, including the frequency and severity of claims and how rapidly the class of mold claims was increasing.

In an attempt to keep homeowners insurance affordable and let consumers decide what amount of coverage is best for them, the Commissioner restructured the Texas standard homeowners and dwelling policies. The goal was to stress consumer choice on mold-related insurance coverage while preserving some basic coverage for repair and replacement of property physically damaged by a covered water loss. Addressing the major cost drivers in the restructured policies is intended to promote the availability and affordability of homeowners insurance in Texas.

To ensure availability of homeowners insurance, during 2002 the Commissioner approved enhanced HO-A policies for Allstate and Farmers, and adopted national homeowners policies for State Farm and USAA. State Farm will implement its new policy in September 2002 with reduced rates to reflect the coverage differences between its national policy and the Texas standard HO-B policy. TDI staff are currently reviewing national homeowners policies forms submitted by other national insurers and Insurance Services Office, Inc.

TDI staff has experienced a significant increase in calls and correspondence from consumers about large premium increases implemented by many of the largest homeowners insurers. Homeowners staff estimates that 35 to 40 percent of telephone calls and correspondence received from October 2001 to March 2002 were related to premium increases. In addition to increased mold-related losses, it appears the increases may have been affected by increases in losses for wind/hail damage and liability coverage. In response, the Commissioner ordered market conduct examinations, beginning with Allstate and Farmers, to investigate possible unfair discrimination. TDI continues to monitor the situation and plans to take immediate action if the market conduct exams find any wrongdoing on the part of the insurance companies.

The industry's movement to transfer existing HO-B policies to amended HO-B policies, enhanced HO-A policies or national policies that provide less water damage coverage should mitigate the current premium increases. Consumers who prefer to retain mold coverage will have the option of purchasing the coverage separately, which means only consumers electing to retain the coverage will be charged for it.

In another effort to reverse the recent surge in mold-related claims, the Commissioner directed staff to develop suggested practices for handling claims for water and mold damage. Released in April 2002, "Effectively Handling Water Damage and Mold Claims: A Consumer Guide" contains suggested practices for both insurers and consumers. It is designed to improve the processing and handling of water damage claims with ensuing mold losses, to identify potential problem areas and to outline the roles of the industry and the consumer in dealing with these claims. Staff developed the suggested practices with input from a Commissioner-appointed 19 member task force that included air quality experts, consumer representatives, bankers, realtors, builders, contractors, adjusters and insurers, mold remediation specialists and the scientific community.

Workers' Compensation. Workers' Compensation rate filings for 2002 indicate an increase in rates. These increases are primarily due to rising medical costs and underwriting losses. It is anticipated that the effects of H.B. 2600, 77th Legislature, will help to lower the medical cost portion of a workers' compensation claim. It is too early, however, to know the impact that these savings will have on workers' compensation rates. TDI anticipates that as the savings from the implementation of H.B. 2600 bring about lower medical costs for workers' compensation claims that workers' compensation rates will be reduced. Lower workers' compensation rates would help both the availability and affordability problems that are seen today in the workers' compensation market.

Because workers' compensation coverage is not mandatory in Texas, employers have the option of not providing the coverage for their employees. However, if an employer decides not to provide workers' compensation coverage, in the event of an injury that is the result of the employer's negligence, the employer loses his or her common-law defenses.

TDI will continue to keep the Research and Oversight Council on Workers' Compensation (ROC) informed on the condition of the workers' compensation market at ROC hearings and through informal meetings with the Executive

Director. In addition, TDI will continue to monitor affordability and availability issues for this line of insurance through the review of workers' compensation rate filings and special data calls.

Medical Malpractice. The medical malpractice market in Texas, as well as nationwide, is facing tremendous difficulty and uncertainty. The past few years have seen a significant number of companies withdrawing from the medical malpractice market and/or experiencing very serious financial difficulties, some of which resulted in receiverships or other strong regulatory actions. In Texas, less than a half-dozen are still writing coverage for the general physician population. Those companies that are still writing have implemented large premium increases and significantly stricter underwriting standards in an effort to control mounting losses. Nursing homes have also been hit hard by the latest crisis, as rates in many instances have risen beyond the nursing homes' ability to pay.

Total medical malpractice premiums written by the traditional insurance market in Texas increased from $354.8 million in 2000 to $466.5 million in 2001. Medical malpractice premiums written by the Texas Medical Liability Trust, a specially authorized self-insured trust, increased from $100 million in 2000 to $120.5 million in 2001. The increase in premium from year to year is attributable largely to rate increases rather than an increase in the number of insureds.

Diminished availability of affordable coverage affects not only policyholders such as physicians, hospitals, nursing homes and other health care providers, but indirectly affects health care consumers through increased overhead charges by providers and the potential loss of providers who cannot afford to remain in business. Although the problems seemed more acute in some areas, such as the Rio Grande Valley, health care professionals advised the House Insurance Committee in May 2002 that problems were not limited to one area of the state.

The Legislature has already expressed an interest in the medical malpractice situation and will likely address it in the 2003 session. TDI expects to be heavily involved in providing information to the Legislature and to interested parties.

Race-Based Pricing

In June 2000, TDI initiated an industry-wide investigation regarding race-based pricing in connection with the sale of industrial life and other forms of small amount life insurance. TDI believes that some insurers marketing these policies in the 1950's, 1960's and early 1970's may have charged African-American and other minorities more in premium than they charged similarly situated white individuals. Although race-based pricing ceased in the early 1970's, TDI has reason to believe that premiums currently being collected on policies sold during this period may not have been adjusted and that race-based surcharges are still being collected.

To date TDI has surveyed more than 180 foreign and domestic life insurance companies to determine the extent of the practice in Texas. Based on responses to those surveys, TDI has concluded two targeted market conduct examinations and is currently examining an additional 12 companies. Another 10 to 15 companies are being reviewed for possible examination.

As of May 1, 2002, TDI has entered into three Consent Orders covering policies sold by more than two dozen companies. Companies entering into agreements with TDI include: American General Life & Accident Insurance Co., Life Insurance Company of Georgia, Southland Life Insurance Company, Union National Life Insurance Company, United Insurance Company of America and Reliable Life Insurance Company. Pursuant to these orders, nearly 280,000 Texans have or will receive restitution and other benefits valued at more than 20 million dollars. TDI is optimistic that it will achieve similar results addressing companies that are currently under investigation.

Prompt Pay

Texas law requires insurance companies and HMOs to pay "clean claims" submitted by contracted physicians and health care providers timely. The original clean claim rules were adopted in May 2000. The rules were amended in February 2001 and again in October 2001. In general, insurance companies and HMOs must pay clean claims within 45 days of receipt. However, physicians and providers complained that their claims were often paid slowly or inappropriately rejected. In April 2001, following a series of meetings with provider groups across Texas, the Commissioner appointed a health care Provider Ombudsman. The Provider Ombudsman and a team of staff from throughout the agency were tasked with improving compliance by:

- Educating physicians and providers, insurers and HMOs about prompt-payment issues and making it easier for doctors and other providers to file complaints with TDI.
- Suggesting changes in TDI rules.
- Analyzing complaint data for patterns or particularly serious violations and requiring corrective action by TDI.

The Provider Ombudsman team reviewed complaint data and data submitted by insurance companies and HMOs to determine patterns of noncompliance with prompt payment law and rules. To date, 47 health insurance companies and HMOs have signed prompt payment consent orders, which include administrative fines for failure to properly pay clean claims, plus restitution. More than $36 million in restitution has been paid to physicians and providers and an additional $14.9 million has been collected in fines. To verify restitution, TDI has conducted six on-site examinations of the company groups.

In addition, the Commissioner appointed a Clean Claims Working Group in October 2001. The working group, which has members representing insurers, HMOs, physicians and providers, will develop workable solutions to issues associated with prompt payment of claims. TDI staff will make recommendations for possible rule amendments, suggest legislation to address key issues and share research findings with the Senate Special Interim Committee on Prompt Pay of Health Care Providers.

Changes in the interpretation of federal law could result in additional responsibilities for TDI related to prompt pay during FY 2003-2007. Currently, TDI does not regulate most valid self-funded health plans established under the Employee Retirement Income Security Act (ERISA) because state law is pre-empted by this federal legislation. However, legal theories have evolved which argue that a state may regulate the contractual relationship between an ERISA plan and its providers. Acceptance of this theory by the courts is likely to increase TDI's workload related to complaints and enforcement actions arising from prompt pay concerns.

Nursing Homes

Long-Term Care Insurance (LTC). An increasing number of rate increases in the long term care insurance market place prompted regulators to look at the loss ratio approach. A working group composed of regulators and industry and consumer representatives came together to form a NAIC working group to focus on rate stability. The enactment of H.B. 2482 by the 77th Legislature authorized TDI to implement the rate stabilization provisions of the NAIC model act and regulation in the state of Texas.

The statute authorizes the Commissioner to establish specific standards for long-term care insurance policies, riders and certificates and to set standards for full and fair disclosure for marketing and sale of long-term care insurance. In addition, insurers are required to file rates with the Commissioner. The Commissioner adopted rule amendments effective January 1, 2002, and policies and certificates issued on or after July 1, 2002 are required to comply with the new rules. During FY 2003-2007 staff will continue to review long term care forms and rates filed with TDI in conjunction with the new rules and monitor the marketplace for compliance.

Liability Insurance. A growing liability insurance crisis prompted the 77th legislature to enact S.B. 1839 which addressed quality of care issues and affordability and availability of liability coverage. The bill requires the Commissioner to adopt best practices for risk management and loss control for both not-for-profit and for-profit nursing homes. It also provides that a nursing home's adoption and implementation of these best practices may be considered by an insurance company or the Texas Joint Underwriting Association (JUA) in determining liability rates. A Commissioner-appointed task force, in consultation with the Health and Human Services Commission (HHSC), developed best practices establishing guidelines for handling and responding to nursing home risk exposure areas. The legislation authorized creating a separate JUA policyholder stabilization reserve fund for for-profit and not-for-profit nursing homes along with a revenue bond program to raise funds (up to $75 million) to provide nursing home professional liability insurance through the JUA.

Despite the legislative changes and the decreasing number of insurers offering this coverage in the admitted and surplus lines market, the JUA had received very few inquiries from nursing homes. As of June 2002 the JUA had written only 17 homes, seven not-for-profit and ten for-profit. The $75 million bond authority has not been utilized.

Staff will provide assistance to the JUA in monitoring rates and policy forms and ensuring the JUA's role as a viable alternative for nursing home liability insurance. TDI will also continue to evaluate the market and will report to the Legislature on the effect of legislation with an interim report in January 2003 and a final report in January 2005 as required by S.B. 1839.

Cross-Border Issues

Short-Term Liability Insurance for Non-Texas Resident Motorists. Senate Bill 693, enacted by the 77th Legislature, authorized the Commissioner to establish a program to provide for the sale of short-term liability insurance policies to non-Texas resident motorists visiting this state. Because motorists entering Texas may not have coverage for accidents that occur in Texas, the program is designed to reduce the number of uninsured motorists by providing a means for them to comply with the financial responsibility law found in Chapter 601, Transportation Code.

Implementation of this legislation will require development of a specialized program for short-term liability insurance for non-Texas resident motorists, a new Texas Administrative Code rule and a new automobile policy form. TDI plans to implement this program during FY 2002. Under the proposal, companies will be required to notify TDI of participation in the program. TDI will monitor companies participating in the program to ensure compliance and monitor the program to determine overall success.

Staff plans to work with other agencies, including the Texas Department of Public Safety, the Texas Department of Transportation and border area municipalities to further implement this program.

Binational Health Benefit Plan Coverage. The 77th Legislature passed H.B. 2498 and S.B. 496 mandating studies to assess the health care needs of the border area, and the affordability, cost-effectiveness, economic impact and improved health status achievable through binational health benefit plan coverage. Depending on the results of the studies, coverage for a binational health benefit plan may be addressed in the next legislative session.

TDI will be actively involved in researching the technical and legal issues involved in developing cross-border health insurance coverage.

Free Trade Agreements. Because of the geographic, cultural and trade relationship of Texas with Mexico and its position as a leader in terms of the U.S. insurance market, TDI expects to continue responding to international insurance issues during the coming years. TDI has direct responsibility for implementation and monitoring of provisions of the North American Free Trade Agreement (NAFTA) and the General Agreement on Trade in Services (GATS) related to insurance services. Additionally, TDI serves on the NAFTA committee of NAIC and has direct dialogue with Mexico's insurance regulatory body, the Comisión Nacional de Seguros y Fianzas (CNSF). TDI will also continue to act as a resource for the U.S. Trade Representative (USTR), U.S. Department of Commerce and U.S. Department of Transportation.

The USTR has notified states that the process of reexamining state statutes for purposes of federal trade negotiations will start during the fall of 2002 and continue through the next biennium. TDI expects to continue providing expertise to federal negotiators on these issues as well as providing leadership to other state insurance departments through the NAIC. TDI will also be a resource in future years for foreign jurisdictions and private industry seeking information regarding the regulation and oversight of domestic companies and insurance operations in Texas, the United States, Mexico, Canada and the international market, particularly Latin America.

International Accounting Standards. Insurers in the United States are required to file financial statements with regulators based on Statutory Accounting Principles (SAP). With the increase in globalization of financial services over the past several years, efforts and pressure to develop international accounting standards have also increased. Development of these standards has the potential to affect not only the evolution of SAP, but also the financial statements of insurance companies, their holding companies and affiliates, and their investment and business partners. Through the NAIC's International Accounting Working Group and the NAIC's participation in the International Association of Insurance Supervisors, TDI is actively involved in commenting on the proposed international accounting standards and monitoring their development.

Underserved Health Care Issues

Access to affordable health care and the increasing cost of health insurance continue to remain areas of significant concern at TDI and throughout the state. Texas has one of the highest rates of uninsured in the country, 4.5 million people in 2000.

A number of factors contribute to Texas' high uninsured rate. Studies show that many of the uninsured are employed in low-wage jobs in industries that often do not offer insurance, including agriculture, retail and service businesses, and construction. Small businesses are significantly less likely than large firms to offer insurance benefits, and Texas has a very high number of small firms. These firms are less likely to be able to afford insurance, and the cost of insurance per employee is often higher than what larger firms pay. Though insurance costs are increasing for all employers, small businesses in particular have struggled to keep up with rising costs but find it increasingly difficult.

Addressing the problem of high insurance costs is complex and is directly related to increases in the cost of health care. TDI has worked with numerous legislative committees and organizations to address this problem in recent years and continues to evaluate possible solutions for this increasing problem.

Children's Health Insurance Program (CHIP). The Children's Health Insurance Program (CHIP) is a joint federal-state funded program that provides health insurance for uninsured children with family incomes that are too high for Medicaid but too low to afford private health coverage. In Texas, enabling legislation was enacted in 1999, making Texas eligible to receive approximately $423 million per year in federal funds over a 10-year period. As of March 2002, over 500,000 Texas children are covered by 12 HMOs and one insurance carrier.

TDI has been actively involved in implementing the CHIP program by drafting the initial evidence of coverage and its subsequent amendments. As required by statute, TDI is also monitoring the adequacy of the HMO and insurer provider networks to assure that age appropriate, basic and specialty health services are available to CHIP enrollees. TDI is also statutorily responsible for examining CHIP carriers and investigating complaints regarding the quality of care provided to CHIP enrollees. TDI will continue to monitor network adequacy and anticipates that its complaint investigation role will increase as the number of CHIP enrollees increases.

State Planning Grant. In May 2000, the Health Resources and Services Administration (HRSA) invited Texas to apply for a federally - funded State Planning Grant (SPG) to develop a plan to reduce the number of citizens without health insurance. At the request of the Governor, TDI applied for the grant and was notified in January 2001 that the state's application was approved. The $1.35 million grant was awarded in March 2001. Major research and data collection activities completed in the past 12 months under the SPG include:

- A statewide survey of small employers to determine their health insurance status, and obtain information on the benefits they want and how much they are able to pay for insurance;
- A statewide survey of uninsured households above 200 percent of poverty level to collect information on affordability and availability of health insurance, and their attitudes and perception about health insurance; and

- Focus group discussions with small employers and uninsured individuals in 15 cities across the state.

The survey of small employers indicated that most firms do not offer coverage because it is too expensive. Unfortunately, providing affordable coverage is a difficult challenge. More than half the employers report they can pay no more than $100 per-employee-per-month. With typical health insurance costs averaging well over $200 per employee and expected to increase over the next year, significant cost reductions will be required in order for many firms to purchase coverage.

The survey of uninsured households showed that over two-thirds of the state's uninsured adults are employed. Of those who are employed, 46.1 percent were employed by companies with fewer than 25 employees, and an additional 14.1 percent were employed by companies with 25 to 99 employees. Approximately two-thirds of uninsured families in Texas earn $35,000 or less per year.

Small employers and uninsured individuals who attended focus group sessions indicated they want to purchase insurance, but cannot find affordable coverage. Both groups would like to see the state do more to assist the uninsured, and suggested several ideas, including a shopping guide with rate comparisons and development of more affordable health insurance options for those who cannot afford the cost of existing plans.

Based on the findings from the State Planning Grant studies, it is clear that affordable health insurance for the small employer market is imperative to reduce the number of uninsured in Texas. A statewide conference with all stakeholders was held January 31-February 1, 2002 to present the survey/study findings and discuss various options for expanding health insurance coverage in Texas. A final report on the grant activities was completed in March 2002. Texas was awarded a 12 month extension by HRSA to continue work under the SPG to further develop plans for expanding health insurance. TDI will issue a supplemental report in February 2003. All reports and survey findings issued as part of the SPG study have been widely distributed to Texas Legislators and other interested parties, and are available on the SPG web site (http://spg.tdi.state.tx.us).

Small Employer Health Care Coverage. In 1993, the Legislature passed comprehensive small-employer health insurance reforms. Since 1993, the number of small employers with health insurance has nearly tripled from 36,952 to 97,793 in the year 2000. While less than 11 percent of small businesses provided health benefits in 1993, more than 25 percent were insured in 2000. However, the fact remains that nearly three fourths of small businesses do not offer health insurance.

One of the options that is being considered as a means for making health coverage more accessible for small employers is allowing small employers to obtain coverage for their employees from the Texas Health Insurance Risk Pool (THIRP).

The THIRP was created by the Texas Legislature to provide health insurance to Texas residents who, due to medical conditions, are unable to obtain coverage from commercial insurers. The THIRP also serves as Texas' mechanism for guaranteeing portability of health coverage for individuals leaving the group coverage market as mandated by the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Eligibility for the THIRP is set forth in Section 10, Article 3.77, Texas Insurance Code and making the THIRP accessible to small employers would require statutory changes.

Windstorm Oversight

Because the cost of a catastrophic windstorm along the Texas Gulf Coast could have a major impact on homeowners, the insurance industry and the state's General Revenue fund, TDI works to reduce this risk exposure. Currently, a total of approximately $12 billion is at risk. A key responsibility of TDI is certifying the insurability of residential structures through the Texas Windstorm Insurance Association (TWIA) and ensuring compliance with building codes adopted by the Legislature and by the Commissioner.

Building residential structures designed to withstand major windloads is critical to reduce the threat of losses caused by windstorms. The property and casualty (P&C) insurance industry faces liability exposure along the Texas coast in the event of a major hurricane that creates claims to TWIA of less than $1 billion. In this scenario, assessments of up to $300 million can be made to the P&C insurers to help cover claims. A larger loss, over $1 billion, would result in additional assessments against all P&C insurers, and these assessments can be claimed against premium taxes which are deposited into the state General Revenue (GR) fund. Consequently, the state's GR fund would also be negatively affected by a single catastrophic storm or by multiple storms during the same year.

A new prescriptive building code was adopted in 1998 and any deviation from these standards requires certification that the design meets the requirements for wind resistance by an engineer who has been "appointed" by TDI. Prior to 1999, TDI staff performed the majority of inspections required by the old building code, but since the beginning of 1999, the majority of inspections are now performed by appointed engineers. TDI's role has therefore shifted from performing inspections to auditing the engineers for compliance with performance standards in the code. TDI expects that during FY 2003-2007 it will continue conducting inspections, working to educate engineers about building codes and providing oversight of appointed engineers. Enactment of new legislation, adoption of new building codes, or changes in oversight functions could have a significant impact on the nature of TDI's regulatory efforts in this area and these issues are all currently under active review by the Commissioner.

Credit Scoring

In the past few years an increasing number of insurers have incorporated a review of an applicant's credit history into their underwriting and rating models. Insurers' increasing reliance on credit scoring in underwriting and rating, and the growing concerns of consumers regarding the impact of credit scoring on the availability and affordability of homeowners and automobile insurance, makes this a likely issue in the upcoming session of the Texas Legislature. Nationally, approximately 26 states have either enacted laws or are considering legislation to limit the use of credit scoring by insurers.

Potential approaches include prohibiting the use of credit scoring, requiring insurers to obtain approval of their credit scoring model prior to its use, limiting the amount of rate change that can result from the application of a credit score, limiting the factors that can be used in calculating a credit score and otherwise limiting the situations in which a person's credit score can be used in underwriting or rating an individual.

REGULATORY TRENDS AND INITIATIVES

TDI's vision of an insurance industry that is financially stable, responsive and provides insurance at a reasonable cost is significantly affected by national regulatory trends, state and federal laws and industry conditions. Recent moves towards more uniform, and possibly national, regulation will continue to shape the operations of TDI's regulatory function. Based on current discussions by interim committees it is likely that TDI may be required to implement new state laws related to insurance regulation passed by the 78th Texas Legislature. Federal laws relating to areas including health care and electronic transactions are also expected to have a continuing impact during the next five years. Finally, factors within the industry, such as health care contracting arrangements, will shape future TDI efforts.

During FY 2003-2007 TDI will continue to assess these trends and evaluate the needs of all parties to develop regulations that fit within the agency's regulatory philosophy of balancing the needs of consumers and the insurance industry.

Financial Services Modernization and Standardization

TDI and other state insurance regulators recognize the need to modernize insurance regulation to achieve more uniformity. In addition to the standardization of statutory accounting practices and procedures (Codification), some recent initiatives include implementation of a Uniform Certificate of Authority process for multi-state licensing, implementation of an electronic Expansion Application for insurers wishing to enter new jurisdictions and reciprocity in agent licensing. Furthermore, TDI, in cooperation with other state regulators, is working on a multi-state agreement which, if approved by the Legislature and Governor, would allow for uniform application of standards for annuity, life, disability and income products. This initiative, known as "speed to market", if adopted, is intended to allow insurers to bring products into the market more quickly by applying similar requirements in every state.

Insurance and banking industry trade groups have suggested that the federal government should take a much greater role in regulation of insurance. These groups complain that it is too difficult for national companies to comply with 50 separate state regulatory systems. Legislation is being considered by the U.S. Congress to federalize, at least in part, the regulation of insurance and take insurance regulation out of the hands of state officials. Through the adoption of model laws suggested by the NAIC and the possible use of interstate compacts, TDI and other state regulators hope to continue to make progress in standardizing requirements for insurers. TDI will keep the Legislature apprised of any developments affecting state regulation of insurance.

Agent Licensing

Reciprocity. The federal Gramm-Leach-Bliley Act (GLBA), adopted on November 12, 1999, (GLBA), provides a national framework for modernization of financial services in the United States. GLBA substantially removes many of the federal and state barriers that separated the activities of the banking, insurance and securities industries. It also prohibits state laws which prevent or restrict the activities of nonresidents in those industries.

To bring Texas into compliance with GLBA, the 77th Legislature passed into law Senate Bill (S.B.) 414. This bill substantively changed agent licensing in Texas by eliminating residency requirements for licensure and ownership of a licensed agency and allowing for the licensure of depository institutions. Senate Bill 414 also reduced the number of agent licenses and renamed the remaining major license types to facilitate reciprocity with other states.

It is anticipated that as of November 11, 2002, at least 29 states will be determined to have GLBA compliant reciprocal agent licensing provisions which will be sufficient to avoid the activation of the GLBA created National Association of Registered Agents and Brokers (NARAB). TDI is now joining with other state insurance regulators to begin developing uniform agents licensing standards, which are preferred by Congress.

TDI expects that these changes will result in an increase in the number of applications from depository institutions and nonresidents. However, the consolidation of license types may offset that increase by reducing the number of renewals and new applications for the consolidated license types. TDI is responding to the anticipated growth in nonresident applications through a cooperative initiative with the National Insurance Producer Registry to allow for the electronic licensing of non-resident agents.

Criminal Background Checks. TDI also continues to be a leader in consumer protection in light of GLBA by advocating that all agents have criminal background checks with fingerprinting as a uniform national licensing requirement. Implementation of the fingerprinting requirement would involve additional costs to the state or to the applicant.

Agent's Termination. Enhanced regulation of the contractual agreements between insurers and insurance agents continues to be an issue that is likely to result in proposed legislative changes. The issue primarily concerns termination of agents commonly referred to as "captive agents" who have contracted to represent only one company or group of affiliated property and casualty companies. While TDI does not track the number of captive and independent agents, approximately 55,000 agents are currently licensed agents in Texas to solicit property and casualty insurance, many of whom are captive. Currently the law that addresses termination of agents applies only to independent property and casualty agents.

Current law provides that an independent agent with a contract that has been in effect for two years or more generally may not be terminated by an insurer without a six-month notice. The statute also requires insurers to renew all insurance contracts (subject to underwriting standards) during a period of six months from the effective date of termination. If the commissioner finds that an insurer has violated these provisions, an administrative penalty may be assessed against the insurer of not less than $1,000 or more than $10,000.

Captive agents have sought the enactment of laws to protect them from what they believe to be the wrongful termination practices of insurance companies. Bills considered by past sessions of the Texas Legislature have sought to clearly state the reasons an insurer may and may not terminate a contractual agreement with an agent. A bill introduced during the 77th Legislature would have required insurers to establish a termination review process when an agent is involuntarily terminated. The Commissioner would also have been required, upon the request of an agent or solicitor, to set a hearing before a review panel to consider the grounds for involuntary termination of the agent or solicitor. Because of the level of interest in this issue it is likely to be considered again by the Texas Legislature during FY 2003-2007 and may result in additional duties and responsibilities for TDI.

Privacy of Health and Financial Information

The increasing use of health information collected by insurers, HMOs and other entities involved in the insurance industry has created a high level of concern about the security and privacy of this information. Similar concerns have also been raised regarding the use of personal financial information gathered by insurers and other financial institutions. However, until recently, there was a lack of state or federal regulation governing electronic information storage and transfer of such information by entities involved in the insurance industry. Privacy of health and financial information continues to be the subject of debate at the state and federal level and TDI's regulatory response during FY 2003-2007 is likely to be shaped by future legislative actions.

TDI's goal in the coming years is to protect consumer health privacy while at the same time avoiding the creation of barriers to companies engaged in the business of insurance. TDI must enforce its health privacy rules to protect individual privacy while at the same time allowing companies to operate in an efficient and cost-conscious manner. Accordingly, TDI will continue to develop its privacy initiative and to publicize its on-going efforts.

Financial Privacy

The main federal law related to privacy of financial information is Title V of GLBA. This law requires financial institutions, including insurers, to protect the privacy of information provided by consumers as part of an application for insurance or other financial services, and has had a significant impact on TDI. In general, a covered entity must provide a notice explaining its privacy policy to every individual about whom it collects protected information and an opportunity to "opt out" of any sharing of protected information with non-affiliated third parties. There are no limitations on the sharing of information with affiliates or marketing conducted on behalf of a financial institution.

State regulation of financial privacy is authorized by S.B. 712 passed by the 77th Legislature which requires insurers and other entities holding an authorization issued by TDI to comply with requirements of GLBA. The Commissioner adopted rules consistent with the federal requirements, based on the National Association of Insurance Commissioners (NAIC) privacy model for GLBA. There are numerous exceptions for disclosure of financial information in connection with any transaction that is normally considered to be related to the business of insurance including claim payment, underwriting and account servicing. TDI will use these rules to implement fair and effective regulation and enforcement protecting consumer privacy and facilitating cooperation and compliance from regulated entities.

Health Privacy

State and federal law provide for regulation of the use of certain health care information. Federal regulations cover health plans, health care clearinghouses and those health care providers who conduct certain financial and administrative transactions electronically. These entities (collectively called "covered entities") are bound by the new privacy standards even if they contract with others (called "business associates") to perform some of their essential functions. New state laws passed in 2001 set uniform privacy standards and give TDI the authority to regulate certain uses of personal health information.

The key federal law is the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Department of Health & Human Service (HHS) adopted regulations implementing HIPAA in April 2001 which allow two years for most health plans to come into compliance, with small health plans having three years to comply. Insurance products that do not involve health coverage, such as life insurance and property and casualty products, are not subject to the HIPAA Privacy Regulations. A key provision of the current HIPAA Privacy regulations is the requirement to obtain a patient's written consent before using or disclosing the personal health information to carry out most treatment, payment, or health care operations (TPO). HIPAA also restricts a covered entity's ability to use an individual’s protected health information for marketing purposes. HHS will enforce the HIPAA Privacy regulations through its Office of Civil Rights. TDI has no enforcement authority under the regulations.

Senate Bill 11 enacted by the 77th Texas Legislature sets uniform privacy standards for “non-public health information” held by TDI licensees by creating Chapter 28B of the Texas Insurance Code effective January 1, 2002. The bill requires TDI to adopt rules protecting health information, following the standards set forth in the NAIC model privacy rules relating to health information. The bill imposes an “opt in” standard to the disclosure of protected health information. Covered entities must obtain written consent (an authorization) before releasing protected health information about an individual. Covered entities required to comply with HIPAA privacy rules are not subject to Chapter 28B rules.

TDI licensees must comply with specific requirements in order to use protected health information for marketing purposes by, or on behalf of, a covered entity. A key provision also restricts the “re-identification” of individuals through "de-identified" health information. TDI has specific authority to adopt rules to carry out the provisions of the law that apply to its licensees.

In comparison with other states, TDI has been ahead of the curve in implementing privacy rules. In response to S.B. 11 and S.B. 712, TDI established an internal Privacy Taskforce consisting of agency staff from all affected areas of the agency to address policy questions on an agency-wide basis and act as resource to the Commissioner on privacy issues. Internal education of the Financial, Consumer Protection and Life, Health and Licensing Programs about the state and federal privacy requirements has been ongoing. A Web page and a public education effort, including recent presentations at the Life, Health and Licensing Compliance workshop has been conducted and the materials have been posted on the TDI Web site. TDI also continues to serve as an active member of the NAIC Privacy Working Group.

Electronic Transaction Standards

The use of the Internet and personal computers has been steadily increasing over the last few years. As of September 2001, 56.5 percent of homes in the United States had personal computers and 53.9 million homes had Internet access. In Texas, between 49.7 and 52.6 percent of the population are Internet users. The expanded use of the Internet has created legal and technical issues for TDI and the insurance industry.

To recognize the legitimacy of Internet and other electronic transactions, on June 30, 2000, the federal Electronic Signatures in Global and National Commerce Act was signed into law. This law, often referred to as "E-Sign," stated that a transaction could not be denied legal effect solely because it was executed electronically. E-Sign also provides that a state law may supersede E-Sign only if the state law is an enactment of the Uniform Electronic Transactions Act (UETA).

In 2001, the 77th Texas Legislature passed S.B. 393 adopting the Uniform Electronic Transactions Act (Texas UETA), which became effective January 1, 2002, and superceded the general provisions of E-Sign. Texas UETA creates a statutory structure in Texas that supports the use of electronic signatures and electronic records in everyday public and business undertakings. The Texas UETA retains the consumer disclosure provisions of E-Sign including the requirements that consumers be informed of any option to have a paper record, the procedures to withdraw consent and the hardware and software necessary to retain an electronic copy of a transaction.

Insurance transactions subject to Texas UETA continue to be subject to other applicable laws regarding licensing, privacy, form and rate filing, and advertising. TDI has been reviewing its internal procedures and addressing questions from the industry in an effort to integrate electronic transactions with current regulatory requirements. In January 2002, a Commissioner's Bulletin was issued to inform the insurance industry of the requirements of Texas UETA and to remind the industry of the continued applicability of regulatory requirements.

Rate Regulation

Private Passenger Auto and Residential Property Insurance

Concerns about both the availability and affordability of residential property insurance in 2002 sparked increased legislative and gubernatorial interest in reexamining the regulatory system for private passenger auto and residential property insurance. Under the current benchmark system, rate-regulated auto filings must be submitted to TDI for review while non rate-regulated filings are submitted only for information. For residential property, only rate-regulated companies are required to submit filings. By the summer of 2002, about 5 percent of homeowners premium was in rate-regulated companies while about 73 percent of auto premium was with rate-regulated companies. The current regulatory system has challenged TDI's existing resources and it is likely that implementing any new authority would require additional resources for the agency.

Under the current benchmark system, rate-regulated companies filing rates within the flexibility band of 30 percent above or below the benchmark rates set by TDI can use those rates upon filing without prior approval. Rate-regulated companies filing rates outside this 30 percent flexibility band are subject to prior approval from the Commissioner before using their filed rates. Rating territories and risk classifications for rate-regulated companies under the benchmark system are based on those in the TDI prescribed rating manual. Non-rate regulated company filings are for information only and TDI has no review authority. Non rate-regulated companies can use their own rating manuals, territories and risk classifications.

Several alternatives exist for future regulatory systems. For example, companies that are currently non-regulated could be placed under the benchmark system. One system that was the focus of discussion during 2001 is "file and use." Under this arrangement, all companies would be required to file rates subject to review, but they would also have the option of filing rating manuals with their own territories and risk classifications. Another option would be for companies to be placed under a "prior approval" system where rates could not be instituted before acceptance by TDI. It is also possible that a combination of prior approval, file and use and/or a benchmark system could be adopted.

It is anticipated that implementation of a new regulatory system is likely to affect the workload of TDI and may require additional resources. For example, under file and use, an increased number of filings would be subject to review by the agency. Also, because many companies are likely to elect to file individual rating manuals rather than using the prescribed manual, this would result in an increase in TDI's review workload. However, there would also be a decrease in workload due to the elimination of benchmark rate hearings. It is anticipated that the resulting change in workload would require additional actuarial support.

Placing all companies under the benchmark system would also result in an increased workload associated with filings review, rate hearings, and enforcement actions. Because a prior approval system would require TDI to take action on every filing, there would be a significant increase in workload. While the increase would be dependent on the number of filings submitted, TDI estimates the workload increase would be at least double the increase under a file and use system. TDI anticipates that these options would require additional legal and actuarial resources.

Finally, even if no changes to the current system are enacted, TDI anticipates a significant increase in the level of direct examination of rates and market conduct of personal lines. This activity is also likely to require additional agency resources during FY 2003-2007.

Credit Life & Disability and Accident & Health Insurance

The passage of H.B. 2159 during the 77th Texas Legislative Session, amended credit life and accident & health statutes with regards to reserve requirements, setting of presumptive rates and rates to be used in Texas.

During FY 2000 Texans paid approximately $388 million in premiums for credit life and disability insurance to 59 companies. Credit Life insurance covers the life of a debtor or joint debtor in connection with a specific loan transaction. Credit Accident & Health insurance provides indemnity payments for a specific credit transaction while the debtor is disabled as defined in the policy. The Commissioner is charged with setting presumptive rates for credit life and credit accident & health on loans of 10 years' duration or less.

The current presumptive rates became effective April 1, 2000. In setting rates the Commissioner indicated presumptive rates would be revisited on a more frequent basis. TDI has solicited rate recommendations from interested parties for the purpose of identifying issues of importance in developing a rate rule proposal. During FY 2003-2007 TDI plans to continue evaluating data call results submitted by companies, soliciting rate recommendations from the industry, developing recommendations for rates and to adopt a new presumptive rate.

Managed Care

TDI works to meet the needs of consumers, providers and payors through processing complaints against HMOs and PPOs, monitoring solvency of HMOs, conducting Quality Assurance exams, overseeing the relationship between HMOs and delegated entities and researching mandated benefits. The importance of ensuring that HMOs are financially solvent and respond to the needs of their enrollees and providers is illustrated by the fact that approximately 4.3 million Texans received their basic health care from HMOs in 2001. The HMO industry has faced significant challenges during the past year and it is likely that TDI will be required to address multiple issues related to managed care during the next five years.

Managed Care Complaints

TDI's HMO Division processes complaints against HMOs and CHIP insurers. Most complaints are resolved informally by TDI involvement to ensure that the HMO or CHIP insurer is complying with regulatory requirements. When necessary, the HMO Division initiates referrals to TDI’s Legal program for enforcement actions and/or conducts on-site examinations that focus on complaints.

The HMO Division has been receiving an increasing number of complaints, which are now at record-levels. In FY 2001, the HMO Division received 7,716 complaints and resolved 7,131. Most of this activity relates to complaints received from physicians and other providers about prompt pay, which increased 40 percent.

TDI's Consumer Protection Division processes complaints against Preferred Provider Organizations (PPOs). In FY 2001, 3,758 of these complaints were received and 3,339 were resolved. The majority of the complaints received by TDI regarding PPOs during FY 2001 were from physicians and providers. This category of complaints increased by 42 percent between FY 2000 and FY 2001.

TDI anticipates that it will continue to receive a significant number of complaints related to managed care for reasons that include continued disputes between health plans and physicians, rising health care costs and consolidations of health plans and providers. Changes in federal interpretations related to the Medicare + Choice program may also lead to an increased number of complaints during FY 2003-2007.

Health Maintenance Organization Solvency

After losing approximately $2.5 billion during the 25 quarters ending in 2001 primarily due to rising medical and pharmaceutical costs and efforts to offer competitive rates, Texas HMOs reported a small profit during the first quarter of 2002. TDI views this as an encouraging result that may indicate the industry is beginning to recover. However, TDI cautions against placing too much emphasis on the results of one quarter, or even one year. Therefore, careful monitoring of health plans and related managed care entities, such as physician groups that assume financial risk from HMOs, will be important during FY 2003-2007 to insure that their financial condition is viable.

In general, the HMO industry in Texas has been undergoing a consolidation as a result of merger and acquisition activity, as well as firms withdrawing from the market. In 1998, there were 50 basic service HMOs licensed by TDI whereas in 2002 there were 37. TDI has implemented new laws and rules over the past several years that focus on HMO financial solvency. TDI is also implementing a new statute designed to head off financial difficulties with delegated entities.
TDI anticipates future financial pressures on HMOs and a further consolidation of the Texas market. Many of the remaining HMOs are anticipated to have a larger resulting customer base. TDI also believes it is possible that additional delegated entities (that assume risk from HMOs) may become insolvent. All of these actions will require that TDI strive to ensure that remaining HMOs are financially viable and have adequate health care networks. TDI may also need to assist in the movement of consumers out of financially weaker entities into stronger entities in order to ensure that their health care needs are met with a minimum of disruption.

Delegated Entities

TDI has been taking various actions related to delegated entities with the general objectives of ensuring that consumers have access to health care services and that physicians and other providers are compensated for providing these services. These actions include creating a delegated entity database and tracking complaints against these entities. TDI has also been conducting on-site examinations of delegated entities in response to significant complaints and formally intervening with financially troubled entities.

HMOs routinely transfer financial risk to "delegated entities", which are often referred to as physician groups or independent physician associations (IPAs). Physician groups such as IPAs are not subject to licensure as such by TDI. (At times, these entities may be licensed to perform certain other functions such as acting as a third party administrator.) A delegated entity experiencing financial problems can affect an HMO's ability to fulfill its obligations by creating disruptions in access to health care and late or non-payment of claims. These problems have been experienced more frequently in the recent past, particularly as a result of the bankruptcies of delegated entities in Dallas, Houston and San Antonio.

The 77th Texas Legislature enacted H.B. 2828, which increased TDI's ability to oversee delegated entities such as IPAs. As a result of this legislation, TDI expects HMOs to increase their efforts to monitor the activities of their delegated entities and to modify or terminate delegation contracts when appropriate. The new statute requires that delegation agreements include provisions that permit TDI to conduct examinations of delegated entities in order to determine compliance with the HMO Act.

TDI anticipates that there will continue to be delegated entities that experience financial and other problems impacting access to care for consumers and payments of claims to providers. While the recent bankruptcies of certain physician groups is believed to have somewhat discouraged certain HMOs from delegating financial risk, it is anticipated that these relationships will have a continued place in the market.

Mandated Benefits Review

In the past, TDI has provided information to the Legislature on the costs of mandated benefits. To improve the validity of the data collection process, the 77th Legislature enacted H.B. 1610 which directs TDI to collect specific information on the cost of mandated benefits and mandated offers of coverage. The first data reported under the new law will be available sometime in the spring of 2003. The information collected will provide the Legislature with information to evaluate the cost and utilization of existing mandated benefits to determine whether any changes are warranted.

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Vision

The Texas Department of Insurance envisions a financially stable and responsive insurance industry that provides insurance at a reasonable cost to all consumers who need it.

Mission

TDI regulates the Texas insurance industry firmly, fairly, effectively, and efficiently.

- ✪ TDI supports a fair, efficient, and productive industry dedicated to the long term concept of insurance and its contributions to society.
- ✪ TDI works for the availability of quality insurance products for all Texans at reasonable prices and under reasonable terms and strives to protect consumers' insurance assets.
- ✪ TDI enforces solvency standards and promotes competition in the industry while protecting consumers from fraud, misrepresentation and unfair practices.
- ✪ TDI educates the public about insurance so that Texans can make informed choices, and TDI insists that the industry be responsive to its customers.
- ✪ TDI works to make Texas a place where industry will want to do business.
- ✪ TDI works to protect the lives and property of the citizens of Texas from fire and fire-related hazards.

Goal 1: Encourage Fair Competition in the Insurance Industry.

Objective 1.1: Reduce impediments to competition and improve insurance availability by fiscal year 2007 by: processing 96 percent of company, third party administrator, and premium finance license applications within 60 days, processing 92 percent of agent license filings within 15 days, completing 80 percent of statutory form and rate filings within 90 days; implementing a residential property insurance Market Assistance Program that results in insurance coverage for at least 50 percent of the qualified applicants; and by increasing the number of automobiles in underserved markets covered by voluntary policies.

1.1 Outcome Measures:
1. Percent of company, third party administrator, and premium finance licenses completed within 60 days.
2. Percent of agent license filings completed within 15 days.
3. Percent of statutory rate and form filings completed within 90 days.
4. Number of automobiles covered by voluntary policies as a percent of total private passenger automobiles in underserved markets.
5. Percent of Market Assistance Program applications eligible for referral resulting in the issuance of a residential property insurance policy.

Strategy 1.1.1: Collect and analyze market data, provide information to consumers and industry, and process rates, forms and other required filings.

1.1.1 Output Measures:
1. Number of inquiries answered.
2. Number of rate guides distributed.
3. Number of consumer information publications distributed.
4. Number of consumer information presentations made.
5. Number of Texas Department of Insurance calls to insurance industry for data.
6. Number of life/health insurance filings completed.
7. Number of HMO form filings completed.
8. Number of property and casualty rate and form filings completed.

1.1.1 Efficiency Measure:
1. Average cost per rate guide distributed.

1.1.1 Explanatory Measures:
1. Total number of licensed agents.
2. Number of Texas-based regulated companies.

3. Number of non-Texas-based regulated companies.
4. Premiums written at rates within flex-bands as a percent of total premiums written by rate-regulated insurers for homeowners coverage.
5. Premiums written at rates within flex-bands as a percent of total premiums written by rate-regulated insurers for private passenger automobile coverage.
6. Percent of total premium for homeowners coverage written by non rate-regulated insurers.
7. Percent of total premium for automobile coverage written by non rate-regulated insurers.
8. Number of licensed HMOs.
9. Aggregate overhead cost as a percent of premiums paid by consumers for all lines of insurance.
10. Number of insured private and commercial passenger automobiles as a percentage of total registered passenger vehicles.

Strategy 1.1.2: Identify underserved markets, and create incentives and implement requirements for insurers to write in underserved markets.

1.1.2 Output Measures:

1. Total number of Market Assistance Program applications eligible for referral resulting in the issuance of a residential property insurance policy.

1.1.2 Explanatory Measures:

1. Total number of Market Assistance Program applications received.
2. Total number of Market Assistance Program applications eligible for referral.
3. Number of underserved markets identified for residential property insurance.
4. Number of underserved markets identified for automobile insurance.

Objective 1.2: Reduce unfair and illegal practices: by assuring that 55 percent of insurer fraud referrals to prosecutors, other appropriate agencies or law enforcement authority result in legal action by fiscal year 2007; by resolving consumer complaints; and by reducing the dollar amount of harm to consumers.

1.2 Outcome Measures:

1. Percent of insurer fraud referrals to Attorney General, District Attorney, or other appropriate law enforcement authority resulting in legal action.

Strategy 1.2.1: Respond promptly to complaints against insurers, agents, and other regulated entities; assist consumers in recovering valid claims; investigate apparent patterns of unlawful or questionable trade practices in the insurance industry; and bring enforcement actions as appropriate.

1.2.1 Output Measures:
1. Number of complaints resolved.
2. Number of insurance advertising filings reviewed.
3. Number of enforcement actions concluded.
4. Dollar amount of penalties assessed for unfair and illegal practices.
5. Dollar amount of restitution assessed for unfair and illegal practices.
6. Dollar amount returned to consumers through complaint resolution.
7. Number of contested cases closed.
8. Number of complaints against HMOs resolved.
9. Number of HMO quality assurance examinations conducted.

1.2.1 Efficiency Measure:
1. Average response time (in days) to complaints.
2. Average time (in days) for HMO complaint resolution.
3. Average cost per HMO quality assurance examination conducted.

1.2.1 Explanatory Measure:
1. Percent of contested cases finalized within 180 days.

Strategy 1.2.2: Investigate potential insurer fraud and initiate legal action when appropriate.

1.2.2 Output Measures:
1. Number of referrals of alleged insurer fraud to Attorney General, District Attorney, or other appropriate law enforcement authority.

1.2.2 Efficiency Measure:
1. Average number of days per insurer fraud enforcement case referred.

1.2.2 Explanatory Measure:
1. Estimated dollar amount (in millions) of insurer fraud referred.
2. Number of reports of insurer fraud received.

Goal 2: Encourage the Financial Health of the Insurance Industry through Monitoring and Regulation.

Objective 2.1: Regulate insurance industry solvency in each fiscal year by assuring that all statutorily mandated on-site examinations are conducted; reviewing 99 percent of identified companies; and overseeing Special Deputy Receivers so their receivership asset recovery expenses do not exceed 30 percent of the total dollars collected by Special Deputy Receivers.

2.1 Outcome Measures:

1. Percent of statutorily mandated on-site examinations conducted during the fiscal year.
2. Percent of identified companies reviewed.
3. Special Deputy Receiver receivership asset recovery expenses as a percent of the total dollars collected by Special Deputy Receivers.
4. Average number of days from company "at risk" identification date to the date of solvency-related regulatory action.
5. Percent of insurers meeting statutory or risk-based capital and surplus requirements.
6. Percent of companies rehabilitated after Texas Department of Insurance solvency-related intervention.

Strategy 2.1.1: Analyze the financial condition of insurers, identify weak companies, and rehabilitate, liquidate or take other action against financially weak companies.

2.1.1 Output Measures:

1. Number of Early Warning referrals.
2. Number of entities receiving Texas Department of Insurance solvency related intervention.
3. Dollar amount (in millions) of net asset recoveries collected from receivership estates.
4. Number of holding company transactions reviewed.
5. Number of actuarial examinations completed.
6. Number of on-site examinations conducted.
7. Number of reviews of annual and interim financial statements conducted.

2.1.1 Efficiency Measures:

1. Average state cost per examination.

2.1.1 Explanatory Measures:

1. Dollar amount (in millions) of insurance company insolvencies.
2. Number of estates placed in receivership.
3. Percent of companies subject to statutorily mandated examinations during the fiscal year.

Goal 3: Decrease Insurance Industry Loss Costs.

Objective 3.1: Reduce losses by assuring that 88 percent of insurance companies are providing adequate loss control services, that 40 percent of the total number of windstorm inspections result in an "approved" status code by the end of each fiscal year, and that 55 percent of consumer and provider fraud referrals to prosecutors, other appropriate agencies or law enforcement authority result in legal action by fiscal year 2007.

3.1 Outcome Measures:

1. Percent of insurers providing adequate loss control programs.
2. Percent of commercial property inspections that meet filed rating schedule requirements.
3. Percent of windstorm inspections that result in an "approved" status code.
4. Percent of consumer and provider fraud referrals to Attorney General, District Attorney, or other appropriate law enforcement authority resulting in legal action.

Strategy 3.1.1: Inspect insurance loss control programs offered to policyholders, and assure compliance with filed property schedules and windstorm construction codes.

3.1.1 Output Measures:

1. Number of windstorm inspections completed.
2. Number of inspections of insurer loss control programs completed.
3. Number of commercial property oversight inspections completed.

3.1.1 Efficiency Measure:

1. Average cost per windstorm inspection.

Strategy 3.1.2: Investigate possible provider fraud and consumer fraud and refer violations for prosecution when appropriate.

3.1.2 Output Measures

1. Number of referrals of alleged consumer and provider fraud to Attorney General, District Attorney, or other appropriate law enforcement authority.

3.1.2 Efficiency Measure:

1. Average number of days per consumer or provider fraud enforcement case referred.

3.1.2 Explanatory Measure:

1. Number of reports of possible consumer and provider fraud received.
2. Estimated dollar amount (in millions) of consumer and provider fraud referred.

Goal 4: Reduce Loss of Life and Property Due to Fire

Objective 4.1: Protect the public against loss of life and property resulting from fire and related hazards by: increasing public awareness of fire safety and prevention, and enforcing statutes and rules relating to fire investigations, fire safety inspections, and fire protection and fireworks industries.

4.1 Outcome Measures:

1. Percent of referred State Fire Marshal's Office criminal investigations resulting in enforcement/legal action.
2. Percent of registrations, licenses, and permits issued, after receipt of a completed application, within 20 days to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals and other regulated entities.

Strategy 4.1.1: Provide fire prevention and fire safety presentations, and enforce regulations related to fire safety through investigation, analysis of evidence, inspection of property, and licensing of the fire protection and fireworks industry.

4.1.1 Output Measures:

1. Number of fire prevention and fire safety presentations conducted.
2. Number of fire investigations completed.
3. Number of samples analyzed in the arson lab.
4. Number of State Fire Marshal's Office criminal investigations referred for prosecution.
5. Number of registrations, licenses, and permits issued to fire alarm, fire extinguisher, fire sprinkler and fireworks firms, individuals, and other regulated entities.
6. Number of licensing investigations or inspections conducted.
7. Number of buildings inspected or reinspected for fire safety hazards.

4.1.1 Efficiency Measure:

1. Average cost per fire safety inspection.
2. Average time to complete fire investigations.

4.1.1 Explanatory Measure:

1. Percent of fires investigated by the agency that involve insurance claims.

Goal 5: Purchase from Historically Underutilized Businesses.

Objective 5.1: To make a good faith effort to increase the utilization of historically underutilized businesses to 20 percent for professional services, 12 percent for commodities and 33 percent for other services in each fiscal year of the plan.

5.1 Outcome Measures:
1. Purchases from historically underutilized businesses as percent of expenditures for professional services.
2. Purchases from historically underutilized businesses as percent of expenditures for commodities.
3. Purchases from historically underutilized businesses as percent of expenditures for other services.

Strategy 5.1.1: Utilize and promote historically underutilized businesses in the competitive bid process on all goods and services purchased to the fullest extent possible.

5.1.1 Output Measures:
1. Total number of bid solicitations.
2. Number of bid solicitations sent to historically underutilized businesses.
3. Number of bids awarded to historically underutilized businesses.
4. Number of HUB forums attended.
5. Number of bid solicitations passed out at HUB forums.

Goal 6: Value the Diversity of TDI's Workforce and the Contribution of Each Employee.

Objective 6.1: Ensure that appropriate training is available for all employees to effectively and efficiently perform their job functions in each fiscal year of the plan.

Strategy 6.1.1: Develop and maintain a skilled and diverse workforce that reflects the diversity of the Texas labor market by providing training to all employees.

6.1.1 Output Measure:
1. Number of employees who attend professional development classes.

Objective 6.2: Recruit and retain a diverse workforce of qualified individuals.

Strategy 6.2.1: Identify agency needs and target recruitment activities to meet those needs.

6.2.1 Output Measures:
1. Number of employees in targeted groups hired through recruitment efforts.
2. Number of females and minorities selected for supervisory or management positions.

Strategy 6.2.2: Provide timely and meaningful feedback on employee performance and define clear employee job objectives using the performance appraisal process and the agency Career Advancement Planning System.

6.2.2 Output Measures:
1. Number of employees with current performance appraisals.
2. Number of managers and supervisors receiving training in writing performance appraisals and employee development plans and in using the agency Career Advancement Planning System.

Strategy 6.2.3: Provide reasonable accommodations for employees with disabilities.

6.2.3 Output Measure:
1. Number of reasonable accommodations provided for employees with disabilities.

Objective 6.3: Create and maintain a supportive work environment for all employees.

Strategy 6.3.1: Identify and remove all obstacles to maintaining a diverse workforce where all employees' contributions are valued.

6.3.1 Output Measure:
1. Number of Title VII complaints.

Strategy 6.3.2: Encourage employee wellness through agency programs and events.

6.3.2 Output Measure:
1. Number of wellness events offered to employees.

Strategic Planning Process

The Texas Department of Insurance (TDI) developed its Strategic Plan for fiscal years 2003-2007 with participation from staff representing all of the agency's programs. The Strategic Planning staff in TDI's Administrative Services Program coordinates the strategic planning activities and develops the Strategic Plan document.

In past years, TDI worked extensively with analysts from the Legislative Budget Board (LBB) and the Governor's Office of Budget and Planning (GOBP) to evaluate and improve the agency's goals, objectives, strategies and performance measures. During the last strategic planning cycle, the State Fire Marshal's Office, which became part of TDI in 1997, worked to improve their strategies and measures. This year TDI staff members continue to build on these past efforts by maintaining current line-item strategies without changes and focusing improvement efforts on performance measures. The strategic planning process results in two documents: TDI's Strategic Planning and Budgeting Structure Proposal and TDI's FY 2003-2007 Strategic Plan. The following list shows the major milestones in the strategic planning process.

Strategic Planning Process Timeframe

October 2001 - May 2002	Conduct Internal/External Assessment
January - March 2002	Develop Proposed Structure Changes
April 2, 2002	Submit Proposed Structure Changes to LBB and GOBP
January - April 2002	Develop Performance Measure Definitions
April - May 2002	Negotiate Structure with the LBB and GOBP
March - May 2002	Develop Performance Measure Targets
February – May 2002	Develop Information Resources Strategic Plan
June 17, 2002	Deliver TDI's Strategic Plan to the LBB, GOBP, and other required agencies and officials.

Planning Work Group and Planning Liaisons

TDI's strategic planning process is guided by the Planning Work Group (PWG). Decision makers representing all of TDI's functional areas work together on information technology resourcing issues, strategic and business planning and other efforts that require collaboration.

Internal/External Assessment

To develop the internal/external assessment, the PWG members met to brainstorm a list of topics the assessment should cover. Strategic planning staff worked with programs to obtain the information needed to complete the assessment and to identify the key factors that influence TDI's success in achieving its mission and goals.

Proposed Strategic Plan and Budget Structure

In April, TDI proposed the agency's strategic planning and budget structure consisting of goals, objectives, and strategies, and their related outcome, output, efficiency, and explanatory measures, derived from the agency strategic plan. TDI has worked for many years to develop a budget structure that is supported by the Legislative Budget Board and Governor's Office and that works well for the agency.

To develop the structure proposal, strategic planning staff provided a process and tools for evaluating performance measures and proposing changes. Program staff reviewed their performance measures and proposed needed changes including measures to be added or deleted. Program staff developed draft definitions for new measures and modified definitions needing changes. Strategic planning staff developed the proposed structure, obtained comments on the document, finalized and delivered the document by the deadline.

Performance Measure Definitions

TDI submitted performance measure definitions for all measures contained in the strategic plan. The definitions explain the purpose of the measure, identify the source of information and collection method, describe how the measure is calculated, specify any limitations of the measurement data, and identify whether the data is cumulative or non-cumulative. TDI prepared definitions for all performance measures before meeting with the Legislative Budget Board and Governor's Office to discuss the proposed structure.

To develop the definitions, strategic planning staff set up templates on the agency's shared drive. Program staff made changes to definitions and managed the Program-level definition change process. Strategic planning staff reviewed the changes and commented on the definitions. Then the Programs finalized the definitions.

Performance Measure Targets

TDI must submit performance measure targets for outcome measures in the Strategic Plan, and for output, efficiency, and explanatory measures in the Legislative Appropriations Request. During the appropriations process, legislators review agencies' performance against the targets as well as past performance.

To develop the targets, strategic planning staff set up a database on the agency's shared drive. Program staff evaluated their targets and proposed targets for FY 2003-07. Strategic planning staff reviewed the proposed targets and made comments on them. Then the Programs finalized the targets.

Information Resources Strategic Plan

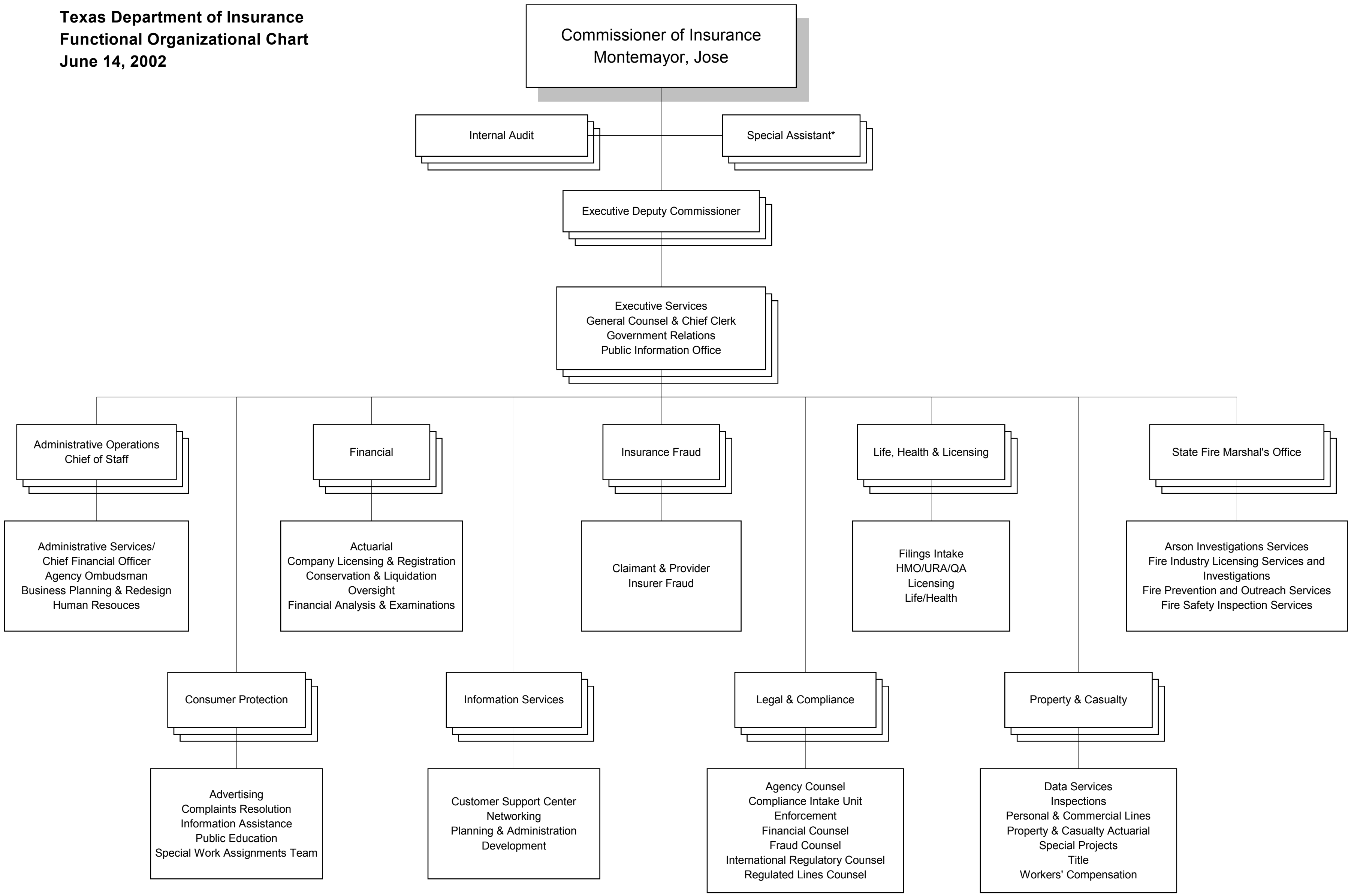
The Information Resources Strategic Plan (IRSP) is submitted as Appendix G to the agency Strategic Plan and was coordinated by the Information Resources staff.

Finalize and Print Strategic Plan Document

TDI strategic planning staff were the primary writers of the document with extensive participation from all the programs at TDI. The program staff provided information and comments. Programs and executive staff reviewed the document and signed off on the final product before TDI delivered it to the LBB, Governor's Office, and others. Strategic planning staff coordinated the layout, design and printing of the document.

APPENDIX B - FUNCTIONAL ORGANIZATIONAL CHART

Texas Department of Insurance
Functional Organizational Chart
June 14, 2002



*This position ends October 2002

Five-Year Projections for Outcome Measures

Measure Code	Measure Description	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1.1.1 oc 1	Percent of company, third party administrator, and premium finance licenses completed within 60 days	98%	98%	98%	98%	98%
1.1.1 oc 2	Percent of agent license filings completed within 15 days	92%	92%	92%	92%	92%
1.1.1 oc 3	Percent of statutory rate and form filings completed within 90 days	85%	85%	85%	85%	85%
1.1.2 oc 4	Number of automobiles covered by voluntary policies as a percent of total private passenger automobiles in underserved markets	69%	69%	69%	69%	69%
1.1.2 oc 5	Percent of Market Assistance Program (MAP) applications eligible for referral resulting in the issuance of a residential property insurance policy	50%	50%	50%	50%	50%
1.2.2 oc 1	Percent of insurer fraud cases referred to Attorney General, District Attorney, or other appropriate authorities resulting in legal action	50%	55%	55%	55%	55%
2.1.1 oc 1	Percent of Statutorily Mandated On-site Examinations Conducted	100%	100%	100%	100%	100%
2.1.1 oc 2	Percent of identified companies reviewed	99%	99%	99%	99%	99%
2.1.1 oc 3	Special Deputy receivership asset recovery expenses as a percent of the total dollars collected by Special Deputy Receivers	30%	30%	30%	30%	30%
2.1.1 oc 4	Average number of days from company "at risk" identification to the date of solvency-related regulatory action	35	35	35	35	35
2.1.1 oc 5	Percent of insurers meeting statutory or risk-based capital and surplus requirements	97%	97%	97%	97%	97%

Measure Code	Measure Description	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
2.1.1 oc 6	Percent of companies rehabilitated after TDI solvency-related intervention	18%	18%	18%	18%	18%
3.1.1 oc 1	Percent of insurers providing adequate loss control programs	88%	88%	88%	88%	88%
3.1.1 oc 2	Percent of commercial property inspections that meet filed rating schedule requirements	85%	85%	85%	85%	85%
3.1.1 oc 3	Percent of windstorm inspections that result in an "approved" status code	40%	40%	40%	40%	40%
3.1.2 oc 4	Percent of consumer and provider fraud cases referred to Attorney General, District Attorney or other appropriate law enforcement authority resulting in legal action	50%	55%	55%	55%	55%
4.1.1 oc 1	Percent of referred SFMO criminal investigations resulting in enforcement/legal action	65%	65%	65%	65%	65%
4.1.1 oc 2	Percent of registrations, licenses, and permits issued, after receipt of a completed application, within 20 days to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals and other regulated entities.	97%	97%	97%	97%	97%

1.1.1 OC 1 Percent of Company, Third Party Administrator, and Premium Finance Licenses Completed Within 60 Days

Short Definition: The number of company, Third Party Administrator, and Premium Finance applications completed in 60 days or less, divided by the total number of applications completed for these entities.

Purpose/ Importance: To ensure the timely processing company, Third Party Administrator, and Premium Finance applications.

Source/ Collection of Data: The data source is maintained on Excel spreadsheet tracking systems. Entities refers to company, Third Party Administrator and Premium Finance. The processing time begins on the date that all documentation and required fees have been received. The processing time is completed for company applications on the date of the letter to the applicant sending the Certificate of Authority and/or Commissioner's Order, or the date on the Memo to File if no Certificate of Authority or Commissioner's Order is issued. The processing time is completed for Third Party Administrator applications on the date of the Commissioner's Order. The processing time is completed for Premium Finance applications on the effective date as indicated on the license.

Method of Calculation: The number of company, Third Party Administrator, and Premium Finance applications completed in 60 days or less, divided by the total number of applications completed for these entities.

Data Limitations: Health Maintenance Organization entities are not included in this measure. Health Maintenance Organizations are reported in Strategy 1.1.1 OC measure 3, "Percent of statutory rate and form filings completed within 90 days."

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 OC 2 Percent of Agent License Filings Completed Within 15 Days

Short Definition: The number of agent license filings completed within fifteen days of receipt divided by the total number of agent license filings completed.

Purpose/ Importance: To ensure the timely processing of agent license filings. An agent license filing is submitted for the issuance of a new license, renewal of an existing license, issuance or cancellation of an appointment, certification of a license or of records, issuance of a clearance letter, authorization of an address or name change of an agent or agency, Licensing Division Tradename Location (LDTL) processed, company authorizations processed, license forms processed, license cancellations by agents (due to, death, retirement, move to another state or other non-disciplinary cancellation), solicitor transfer forms processed, and continuing education provider applications, course submissions, exemptions, extension requests, and reciprocal agreements processed.

Source/ Collection of Data: The starting date is the date a complete and correct filing is received by TDI. The "completed" date for each of these filings is as follows: New License—Process date assigned in the agent tracking system; License Renewals—Process date assigned in the agent tracking system; Appointment Issued—Process date assigned in the agent tracking system; Appointment Cancellation—Process date assigned in the agent tracking system; Certified Records—Date action pertaining to the record request is completed; Clearance Letters/License Certifications—Process date assigned in the agent tracking system ; Company Authorizations—Date acknowledgment letter is completed; Continuing Education Filings—Date on notification letter of approval or denial; Name/Address Change LDTLs, License Cancellation by Agent, Solicitor Transfer Forms—Process date assigned in the agent tracking system (except title agents' address changes, which are on a PC database).

Method of Calculation: The number of agent license filings completed within fifteen days of receipt divided by the total number of agent license filings completed.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 OC 3 Percent of Statutory Rate and Form Filings Completed Within 90 Days

Short Definition: The number of form and rate filings whose processing by TDI is completed within 90 days of receipt of the filing divided by the total number of form and rate filings completed.

Purpose/ Importance: To ensure the timely processing of rate and form filings. A "filing" is a submission of rates, forms or other documents required by TDI for use by insurance carriers and HMOs to define the terms of coverage or to transact the business of insurance or maintain a certificate of authority.

Source/ Collection of Data: Filings completed are tracked in an agency electronic database. Processing of a rate or form filing is completed on the date final agency action is taken on the filing. Final action is defined as approval, disapproval, rejection, withdrawal, acceptance, deemed approved date, and verification that a form is exempt from review or filed for information only. A form filed as a substitution for a prior approval is counted as a separate filing. The completion period to be used in determining a completed filing begins on the date the filing is received by TDI and ends on the date of final agency action related to the filing.

Method of Calculation: The number of form and rate filings whose processing by TDI is completed within 90 days of receipt of the filing divided by the total number of form and rate filings completed. The total number of rate and form filings completed is the sum of three OP measures: "number of life/health filings completed" (1.1.1 op 6), "number of HMO form filings completed" (1.1.1 op 7), and "number of property and casualty rate and form filings completed"(1.1.1 op 8).

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 OC 4 Number of Automobiles Covered by Voluntary Policies as a Percent of Total Private Passenger Automobiles in Underserved Markets

Short Definition: Percent of Autos in Underserved Markets with Voluntary Coverage.

Purpose/ Importance: To measure the percentage of total registered passenger vehicles which are insured by private or commercial passenger automobiles insurance through the voluntary market.

Source/ Collection of Data: The source of data for total vehicles written on voluntary policies in underserved markets will be the data from the TDI Quarterly Market Report of the Texas Private Passenger Automobile Statistical Plan. The source of data for registered vehicles is the Texas Department of Transportation. Underserved markets are those ZIP codes designated by the Commissioner as underserved, as required by Article 21.81, Sec 3(e) of the Insurance Code, which provides that underserved geographic areas "shall be determined and designated by the Commissioner by rule." Under Title 28 of the Texas Administrative Code, Section 5.206, the Commissioner is to categorize each ZIP code in the state into Category 0 through Category 4, to indicate the number of Texas Automobile Insurance Plan Association credits awarded an insurer for writing a vehicle in a given ZIP code.

Method of Calculation: The number of vehicles covered by voluntary private passenger automobile policies in underserved markets divided by the total number of registered vehicles in underserved markets.

Data Limitations: The Commissioner may increase the category (and the attached credits) of a ZIP code at any time by rule, but may only decrease the category (and the attached credits) of a ZIP code three years after the initial designation, or at any time thereafter, with a minimum of one year's notice.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 OC 5 Percent of Market Assistance Program Applications Eligible for Referral Resulting in the Issuance of a Residential Property Insurance Policy

Short Definition: Percent of MAP Applications Eligible for the Issuance of Insurance. The Market Assistance Program (MAP) is defined as the Residential Property Insurance Market Assistance Program, authorized and operated pursuant to Article 21.49-12 of the Insurance Code and 28 TAC Chapter 5, Subchapter N, to assist consumers in Texas in obtaining residential property insurance coverage in designated underserved areas as defined by Commissioner order.

Purpose/ Importance: To measure the percent of MAP applications eligible for referral which resulted in the issuance of a policy.

Source/ Collection of Data: Eligible applications for assistance are referred to participating insurers by Texas Department of Insurance staff. Participating insurers are those insurers that have voluntarily indicated their willingness to review MAP applications for the purposes of issuing a residential property insurance policy. "Issuance of a residential property insurance policy" is considered complete when a participating insurer notifies the Texas Department of Insurance with the policy number. Eligible applications will be tracked on a computer based system and the total number of applications for assistance eligible for referral that resulted in the issuance of a residential property insurance policy is obtained by querying the system at the end of the reporting period.

Method of Calculation: The number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance eligible for referral to participating insurers that resulted in the issuance of a residential property insurance policy, divided by the total number of MAP applications for assistance eligible for referral to participating insurers for residential property insurance.

Data Limitations: An application for assistance is a form promulgated by the Texas Department of Insurance to be completed by the applicant and, if used, an originating agent. To be eligible for referral to a participating insurer the following requirements must be met: 1) The property to be insured is located in a designated underserved area as defined by Commissioner order; 2) The originating agent, if used, is duly licensed as a local recording agent or is a salaried representative; 3) Documentation of two attempts to obtain property insurance is attached to the application form as defined by section 5.10006 of the MAP Plan of Operation; 4) The property to be insured is "insurable" as defined in section 5.10006 of the MAP Plan of Operation; 5) Applicant has never been canceled or non-renewed for nonpayment of premium for coverage obtained through the MAP; 6) Applicant has never been canceled or non-renewed because of a fraudulent claim.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1. OP 1 Number of Inquiries Answered

Short Definition: The number of inquiries through telephone calls or written requests that are answered by Consumer Protection, and Internet hits that occur on TDI's "Search for a Company Profile" (pcci.search) web page.

Purpose/ Importance: An "inquiry" is a request for insurance information from an external customer received during business hours. Customers include individual consumers, business consumers, regulated entities, state agencies and legislators.

Source/ Collection of Data: Telephone inquiries are taken by Consumer Protection staff who are in an Automatic Call Distribution group (ACD). Automatic Call Distribution is a method to manage resources associated with answering large volumes of incoming calls. An ACD group contains a number of operators who support the same pilot number. A pilot number is the directory number used to channel incoming calls to idle lines in an ACD pilot group. The ACD group in Consumer Protection is the 1-800 Helpline ACD pilot number 46471. Written inquiries are entered by Consumer Protection staff on the automated Complaint Inquiry System (CIS) and coded as "F40" (inquiry only). A written inquiry is closed on CIS when staff have determined that they have provided in writing the information deemed appropriate.

Method of Calculation: Sum the number of telephone inquiries for the reporting period. The number of telephone inquiries are from the "#ACD" column on the ACD reports provided by the General Services Commission (GSC). The source of written inquiry data is the number of inquiries closed by the Complaints Resolution section (which has section code MDC) in the CIS Summary Work Measures Report for the reporting period.

Data Limitations: If a day's ACD report is not available from GSC, that day's ACD number will be estimated by averaging the previous and succeeding day's ACD reports.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1. OP 2 Number of Rate Guides Distributed

Short Definition: Number of Rate Guides Distributed.

Purpose/ Importance: To measure the number of rate guides distributed including rate guides distributed through TDI's website.

Source/ Collection of Data: A rate guide is distributed when it is: a) shipped from the TDI mail room and recorded as such in the Publications Tracking System; or b) counted as a "hit" on the TDI Internet site. The sources of the data are the monthly "Shipped" report from the Publications Tracking System and the TDI Webmaster's summary file.

Method of Calculation: Sum the number of rate guides shipped from the TDI mail room and counted as a "hit" on the TDI Internet site.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1. OP 3 Number of Consumer Information Publications Distributed

Short Definition: The number of consumer information publications (brochures, rate guides and consumer bulletins) distributed to consumers.

Purpose/ Importance: To measure the number of publications (brochures, rate guides and consumer bulletins) distributed to consumers, including publications distributed through TDI's website.

Source/ Collection of Data: A publication is distributed when it is: a) shipped from the TDI mailroom and recorded as such in the Publications Tracking System; or b) counted as a "hit" on the TDI Internet site. The sources of the data are the monthly "Shipped" report from the Publications Tracking System and the TDI Webmaster's summary file.

Method of Calculation: Sum the number of publications shipped from the TDI mail room and counted as a "hit" on the TDI Internet site.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1. OP 4 Number of Consumer Information Presentations Made

Short Definition: The sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff makes to external consumer groups.

Purpose/ Importance: To measure the sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff makes to external consumer groups.

Source/ Collection of Data: The source of the data is the file for each presentation and the monthly Speakers Bureau report. A presentation is any event where TDI staff educates agency customers on insurance matters using one or more of the following methods of communication: speeches, training, exhibits, seminars, teleconferences, and/or TV, radio and print interviews. External customers include individual consumers, business consumers, regulated entities, state agencies, and legislators. A presentation counts as "one" though it may include more than one of the methods of communication listed above. For example, a staff member who gives a workshop and staffs an exhibit at a two-day seminar will count the result of this work as one presentation. A presentation counts as one regardless of the number of staff involved.

Method of Calculation: The sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff makes to external consumer groups.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 OP 5 Number of Texas Department of Insurance Calls to Insurance Industry for Data

Short Definition: The number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace. A statistical call is defined as a request for data from multiple insurance entities and disseminated as a Commissioner's Bulletin.

Purpose/ Importance: To report the number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace.

Source/ Collection of Data: The Commissioner's authority to issue such bulletin requests is specified in various sections of the Insurance Code, by line of insurance. The cite for the specific authority for a particular bulletin request is given in each such bulletin.

Method of Calculation: The number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Lower than target

1.1.1 OP 6 Number of Life/Health Insurance Filings Completed

Short Definition: The number of insurance policy-related rate and form filings submitted by insurance carriers pursuant to statutory or rule provisions by the Life/Health Division, and completed.

Purpose/ Importance: The number of insurance policy-related rate and form filings submitted by insurance carriers pursuant to statutory or rule provisions by the Life/Health Division, and completed.

Source/ Collection of Data: Filings completed are tracked on a mainframe application. Processing of a rate or form filing is "completed" on the date final agency action is taken on the filing. Final action is defined as approval, disapproval, rejection, withdrawal and verification that a form is exempt from review or filed for information only. A form filed as a substitution for a prior approval is counted as a separate filing.

Method of Calculation: The number of insurance policy-related rate and form filings submitted by insurance carriers pursuant to statutory or rule provisions by the Life/Health Division, and completed.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 OP 7 Number of HMO Form Filings Completed

Short Definition: The number of rate and form health maintenance organization (HMO), and non-profit health corporation (ANHC) filings completed.

Purpose/ Importance: Filings are evidence of coverage, contracts, applications, amendments, and related documents submitted by entities that must be licensed.

Source/ Collection of Data: Processing of a filing is completed when final agency action is taken on the filing, including approval, disapproval, return, withdrawal, rejection, or verification of an informational filing. Filings completed are tracked on a mainframe application.

Method of Calculation: The number of rate and form health maintenance organization (HMO), and non-profit health corporation (ANHC) filings completed.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 OP 8 Number of Property and Casualty Rate and Form Filings Completed

Short Definition: The number of insurance policy-related rates and forms filed by insurance carriers pursuant to statutory or rule provisions for review for all property and casualty lines except workers' compensation.

Purpose/ Importance: To measure the number of insurance policy-related rates and forms filed by insurance carriers pursuant to statutory or rule provisions for review of all property and casualty lines except workers' compensation.

Source/ Collection of Data: A form filing consists of policy forms, endorsements and rules used by insurance carriers to define the terms and conditions for insurance coverage. A rate filing consists of rates, rating plans and rating manuals used by insurance carriers to determine the premium charged for insurance coverage. Processing of a form filing is completed on the date of final agency action related to the filing, including approval, disapproval, rejection, withdrawal and verification that a form is filed for information only. Processing of a rate filing is completed on the date of final agency action related to the filing including approval, acceptance, disapproval, withdrawal, or deemed approved date. Form and rate filings are tracked in an agency electronic database.

Method of Calculation: The number of insurance policy-related rates and forms filed by insurance carriers pursuant to statutory or rule provisions for review for all property and casualty lines except workers' compensation.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1. EF 1 Average Cost per Rate Guide Distributed

Short Definition: A rate guide is defined as a TDI publication that lists companies and comparative rates for a specific type of insurance, such as auto, homeowners, workers' compensation or Medicare supplement. A rate guide is distributed when it is: a) shipped from the TDI mailroom and recorded as such in the Publications Tracking System; or b) counted as a "hit" on the TDI Internet site.

Purpose/ Importance: To measure the average cost per rate guide distributed including costs to produce the rate guides in an electronic format for TDI's website.

Source/ Collection of Data: The sources of the data are the monthly "Shipped" report from the Publications Tracking System and the TDI Webmaster's summary file. A rate guide is defined as a TDI publication that lists companies and comparative rates for a specific type of insurance, such as auto, homeowners, workers' compensation or Medicare supplement. A rate guide is distributed when it is: a) shipped from the TDI mailroom and recorded as such in the Publications Tracking System; or b) counted as a "hit" on the TDI Internet site.

Method of Calculation: The sum of salaries and associated costs for staff who produce rate guides divided by the number of rate guides distributed (1.1.1 OP measure 2).

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: Propose to delete this measure

Desired Performance: Lower than target

1.1.1 EX 1 Total Number of Licensed Agents

Short Definition: The total number of individuals and entities licensed as agents as tracked in the agent tracking system.

Purpose/ Importance: To measure the total number of individuals and entities licensed as agents.

Source/ Collection of Data: Obtained by querying the agent tracking system at the end of the reporting period.

Method of Calculation: The total number of individuals and entities licensed as agents as tracked in the agent tracking system.

Data Limitations: An individual or entity who holds more than one license authority is counted only once. Individuals or entities on "inactive status" are included in the calculation for this measure. This measure will not reflect the total number of agents license authorities issued by the agency, because many agents hold multiple license authorities.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 2 Number of Texas-based Regulated Companies

Short Definition: The number of Texas-based entities chartered in Texas holding a Certificate of Authority.

Purpose/ Importance: To measure the number of Texas-based entities chartered in Texas holding a Certificate of Authority.

Source/ Collection of Data: Tracked on the Company-License mainframe system and obtained by querying the system at the end of the reporting period.

Method of Calculation: The number of Texas-based entities chartered in Texas holding a Certificate of Authority.

Data Limitations: This measure is driven by the industry needs in Texas and is intended to provide information about the number of Texas-based entities chartered in Texas. It is not a measure of the success of the Financial program.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 3 Number of non-Texas-based Regulated Companies

Short Definition: The number of non-Texas-based entities licensed in Texas holding a Certificate of Authority.

Purpose/ Importance: To measure the number of non-Texas-based entities chartered in other States or by a foreign government holding a Certificate of Authority in Texas.

Source/ Collection of Data: Tracked on the Company License mainframe system and obtained by querying the system at the end of the reporting period.

Method of Calculation: The number of non-Texas-based entities licensed in Texas holding a Certificate of Authority.

Data Limitations: This measure is driven by the industry needs in Texas and is intended to provide information about the number of non-Texas-based entities licensed in Texas. It is not a measure of the success of the Financial program.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 4 Premiums Written at Rates Within Flex-bands as a Percent of Total Premiums Written by Rate-regulated Insurers for Homeowners' Coverage

Short Definition: Homeowner Premiums Within Flex-Band as Percent of Regulated Premiums.

Purpose/ Importance: To show what percentage of homeowners' premiums written by rate-regulated insurers is written within flex-bands.

Source/ Collection of Data: The source of homeowners premium data and data on average homeowners rates will be the Texas Residential Property Statistical Plan data for lines of business codes: (2) Homeowners Tenant and (3) Homeowners policies. A flex band (statutory term is "flexibility band") is a range of rates from 30 percent below to 30 percent above the benchmark rates set by the Commissioner, within which an insurer may increase or decrease rate levels by classification without prior approval by the Commissioner. A benchmark is the rate set annually by the Commissioner relative to which the flexibility bands and statutory rate limitation apply.

Method of Calculation: Total homeowners premiums of rate regulated companies whose average homeowners rates are written within flex-bands, divided by total homeowners premiums for all rate regulated companies.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 5 Premiums Written at Rates Within Flex-bands as a Percent of Total Premiums Written by Rate-regulated Insurers for Private passenger Automobile Coverage

Short Definition: Automobile Premiums Within Flex-Band as a Percent of Regulated Premiums.

Purpose/ Importance: To show what percentage of private passenger auto premiums written by rate-regulated insurers is written within flex-bands.

Source/ Collection of Data: The source list of rate regulated companies with approved private passenger auto rate filings outside the flex-bands will be individual rate filings compiled by Property and Casualty Actuarial, the TDI division primarily responsible for analyzing and recommending action on rates. The sum of these companies' premiums subtracted from total premiums for all rate-regulated companies will be the amount of premium within the flex-band. The data source for private passenger auto premium will be Summary of Texas Experience from the Annual Statement Texas Page 14, part of the annual Property and Casualty Insurance Experience by Coverage and Carriers prepared by TDI from NAIC data. A flex band (statutory term is "flexibility band") is a range of rates from 30 percent below to 30 percent above the benchmark rates set by the Commissioner, within which an insurer may increase or decrease rate levels by classification without prior approval by the Commissioner.

Method of Calculation: Total private passenger auto premiums of rate regulated companies with current rate filings within the flex-band divided by total private passenger auto premiums for all rate regulated companies.

Data Limitations: A benchmark is the rate set annually by the Commissioner relative to which the flexibility bands and statutory rate limitation apply.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 6 Percent of Total Premium for Homeowners Coverage Written by Non-Rate-regulated Insurers

Short Definition: Percent of Homeowner Coverage Written by Non Rate-Regulated Insurers.

Purpose/ Importance: To show what percentage of total homeowner coverage, by premium, is written by non rate-regulated insurers.

Source/ Collection of Data: The data source of homeowners multi-peril direct written premium, both rate-regulated and non rate-regulated, will be the state page of the Annual Statement Texas.

Method of Calculation: Total homeowners multi-peril direct written premium written by non rate-regulated Lloyds and Reciprocal insurers divided by the sum of rate-regulated and non rate-regulated homeowners multi-peril direct written premium.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.1.1 EX 7 Percent of Total Premiums for Automobile Coverage Written by Non-Rate-regulated Insurers

Short Definition: Percent of Auto Coverage Written by Non Rate-Regulated Insurers.

Purpose/ Importance: To show what percentage of total auto coverage, by premium, is written by non rate-regulated insurers.

Source/ Collection of Data: The data source for private passenger auto direct written premium, both rate regulated and non-rate regulated, will be the state page of the Annual Statement Texas.

Method of Calculation: Total private passenger automobile direct written premium written by non-rate regulated county mutual insurers divided by the sum of rate regulated and non-rate regulated private passenger automobile direct written premium.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.1.1 EX 8 Number of licensed HMOs

Short Definition: The total number of licensed HMOs that hold a Certificate of Authority to operate in the State of Texas.

Purpose/ Importance: To measure the total number of licensed HMOs that hold a Certificate of Authority to operate in Texas.

Source/ Collection of Data: Tracked on the Oracle system and obtained by querying the system at the end of the reporting period.

Method of Calculation: The total number of licensed HMOs that hold a Certificate of Authority to operate in the State of Texas.

Data Limitations: This measure is driven by the industry needs in Texas and is intended to provide information about the number of HMOs licensed in Texas. It is not a measure of the success of the Financial Program.

Calculation Type: Non cumulative

New Measure: No

Desired Performance: Higher than target

1.1.1 EX 9 Aggregate Overhead Costs as a Percent of Premiums Paid by Consumers for All Lines of Insurance

Short Definition: Aggregate Overhead Cost as a Percent of Premiums Paid by Consumers.

Purpose/ Importance: To measure the aggregate overhead costs of the insurance industry divided by premiums paid to the insurance industry.

Source/ Collection of Data: Aggregate overhead costs are defined as the sum of general expenses plus the expenses set forth in the Property and Casualty Insurance Experience by Coverage and Carriers as "Commissions and Brokerage Expenses" and "Taxes, Licenses, and Fees." Premiums paid are defined as calendar year direct premiums written. All data elements, with the exception of general expenses, will come directly from the Summary of Texas Experience from the Annual Statement Texas Page 14, part of the annual Property and Casualty Insurance Experience by Coverage and Carriers prepared by TDI from NAIC data.

Method of Calculation: Aggregate overhead costs of the insurance industry divided by premiums paid to the insurance industry. General expenses for Texas will be calculated as the percentage of direct premiums written calculated in the Country- wide Totals for All Property and Casualty Lines Combined, Insurance Expense Exhibit (IEE), Part III - Direct Business multiplied by Texas direct premiums written from the Annual Statement Texas Page 14.

Data Limitations: Data is for Stock, Mutual, Reciprocal and Lloyds Insurance carriers licensed to write coverages in the State of Texas that developed Texas business for the previous calendar year.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.1.1 EX 10 Number of Insured Private and Commercial Passenger Automobiles as a Percentage of Total Registered Passenger Vehicles

Short Definition: Number of Insured Automobiles as a Percentage of Total Registered Vehicles.

Purpose/ Importance: To measure the percentage of total registered passenger vehicles, which are insured by private or commercial passenger automobile insurance.

Source/ Collection of Data: The source of private passenger vehicles covered by bodily injury liability insurance is the Texas Private Passenger Automobile Statistical Plan data. The source of commercial passenger type vehicles covered by bodily injury liability insurance is the Texas Commercial Lines Statistical Plan. The source of registered passenger vehicles is the Texas Department of Transportation.

Method of Calculation: Total private and commercial passenger vehicles covered by bodily injury liability insurance divided by total registered passenger vehicles.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 OP 1 Total Number of Market Assistance Program Applications Eligible for Referral Resulting in the Issuance of a residential Property Insurance Policy

Short Definition: Number of MAP Apps Eligible for Referral in Issuance of Property Ins. The Market Assistance Program (MAP) is defined as the Residential Property Insurance Market Assistance Program, authorized and operated pursuant to Article 21.49-12 of the Insurance Code and 28 TAC Chapter 5, Subchapter N, to assist consumers in Texas in obtaining residential property insurance coverage in designated underserved areas as defined by Commissioner order.

Purpose/ Importance: To measure the number of MAP applications eligible for referral resulting in the issuance of a property insurance policy.

Source/ Collection of Data: Participating insurers are those insurers that have voluntarily indicated their willingness to review MAP applications for the purposes of issuing a residential property insurance policy. "Issuance of a residential property insurance policy" is considered complete when a participating insurer notifies the Texas Department of Insurance with the policy number. Eligible applications will be tracked on a computer based system and the total number of applications eligible for referral that resulted in the issuance of a residential property insurance policy is obtained by querying the system at the end of the reporting period.

Method of Calculation: The number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance that meet eligibility requirements for referral to participating insurers and result in the issuance of a residential property insurance policy.

Data Limitations: An application for assistance is a form promulgated by the Texas Department of Insurance to be completed by the applicant and, if used, an originating agent. To be eligible for referral to a participating insurer the following requirements must be met: 1) The property to be insured is located in a designated underserved area as defined by Commissioner order; 2) The originating agent, if used, is duly licensed as a local recording agent or is a salaried representative; 3) Documentation of two attempts to obtain property insurance is attached to the application form as defined by section 5.10006 of the MAP Plan of Operation; 4) The property to be insured is "insurable" as defined in section 5.10006 of the MAP Plan of Operation; 5) Applicant has never been canceled or nonrenewed for nonpayment of premium for coverage obtained through the MAP; 6) Applicant has never been canceled or nonrenewed because of a fraudulent claim. Eligible applications are referred to participating insurers by Texas Department of Insurance staff.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 EX 1 Total Number of Market Assistance Program Applications Received

Short Definition: The total number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance for referral to participating insurers by Texas Department of Insurance staff for the purposes of obtaining residential property in a designated underserved area.

Purpose/ Importance: To measure the number of MAP applications received.

Source/ Collection of Data: The Market Assistance Program (MAP) is defined as the Residential Property Insurance Market Assistance Program, authorized and operated pursuant to Article 21.49-12 of the Insurance Code and 28 TAC Chapter 5, Subchapter N, to assist consumers in Texas in obtaining residential property insurance coverage in designated underserved areas as defined by Commissioner order. An application for assistance is a form promulgated by the Texas Department of Insurance to be completed by the applicant and, if used, an originating agent. Resubmission of applications are counted for purposes of this measure. Applications are tracked on a computer-based system and the total number of applications received is obtained by querying the system at the end of the reporting period.

Method of Calculation: The total number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance for referral to participating insurers by Texas Department of Insurance staff for the purposes of obtaining residential property in a designated underserved area.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 EX 2 Total Number of Market Assistance Program Applications Eligible for Referral

Short Definition: The total number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance that meet the eligibility requirements, as specified in Section 5.10006 of the MAP Plan of Operation, for referral to participating insurers. The MAP is defined as the Residential Property Insurance Market Assistance Program, authorized and operated pursuant to Article 21.49-12 of the Insurance Code and 28 TAC Chapter 5, Subchapter N, to assist consumers in Texas in obtaining residential property insurance coverage in designated underserved areas as defined by Commissioner order.

Purpose/ Importance: To measure the total number of MAP applications eligible for referral.

Source/ Collection of Data: Eligible applications are referred to participating insurers by Texas Department of Insurance staff. Participating insurers are those insurers that have voluntarily indicated their willingness to review MAP applications for the purposes of issuing a residential property insurance policy. Eligible applications will be tracked on a computer-based system and the total number is obtained by querying the system at the end of the reporting period.

Method of Calculation: The total number of Market Assistance Program (MAP) applications received by the Texas Department of Insurance that meet the eligibility requirements, as specified in Section 5.10006 of the MAP Plan of Operation, for referral to participating insurers.

Data Limitations: An application for assistance is a form promulgated by the Texas Department of Insurance to be completed by the applicant and, if used, an originating agent. To be eligible for referral to a participating insurer the following requirements must be met: 1) The property to be insured is located in a designated underserved area as defined by Commissioner order; 2) The originating agent, if used, is duly licensed as a local recording agent or is a salaried representative; 3) Documentation of two attempts to obtain property insurance is attached to the application form as defined by section 5.10006 of the MAP Plan of Operation; 4) The property to be insured is "insurable" as defined in section 5.10006 of the MAP Plan of Operation; 5) Applicant has never been canceled or nonrenewed for nonpayment of premium for coverage obtained through the MAP; 6) Applicant has never been canceled or nonrenewed because of a fraudulent claim.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.1.2 EX 3 Number of Underserved Markets Identified for Residential Property Insurance

Short Definition: The number of underserved markets identified for homeowners insurance designated by the Commissioner of Insurance as listed in the Commissioner's order establishing the rule.

Purpose/ Importance: To measure the number of underserved markets identified for residential property insurance.

Source/ Collection of Data: Data will come from three sources: 1) TDI's residential statistical plan for theft rate and percentage of dwelling policies, 2) the U.S. Census Data for median income level; and 3) a special insurance data call for the percentage of surplus lines policies. A market is designated as underserved for a minimum of a three year-period and will be counted as underserved in each year according to the Market Assistance Program (MAP) Plan of Operation, for referral to participating insurers. The MAP is defined as the Residential Property Insurance Market Assistance Program, authorized and operated pursuant to Article 21.49-12 of the Insurance Code and 28 TAC Chapter 5, Subchapter N.

Method of Calculation: Underserved market designations will be based on points assigned to each market with a significant difference from the statewide ratios for theft rate, median income, percentage of dwelling policies, and percentage of surplus lines policies. Specifically, points will be assigned to markets based on the following factors: 1) where the theft loss ratio is substantially greater than the state average, 2) where the percentage of dwelling policies to all homeowners and dwelling policies is significantly greater than the statewide average, 3) where the median income level is less than $16,000, and 4) where the percentage of surplus lines policies to all policies is significantly greater than the statewide average. Markets with the greatest number of points will be designated as underserved.

Data Limitations: U. S. Census demographic data is used to calculate this measure. U.S. Census data, used for demographic data in this measure, is released for a variety of geographic areas (state, county, ZIP codes, etc.) at various times. Based on data availability, ZIP code level Census data will be used to identify underserved market areas. Since surplus lines policies are exempt from data reporting requirements, TDI cannot enforce compliance with data requests. Consequently this data may not be comprehensive.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.1.2 EX 4 Number of Underserved Markets Identified for Automobile Insurance

Short Definition: The number of underserved markets identified for automobile insurance designated by the Commissioner of Insurance as listed in the Commissioner's order establishing the rule.

Purpose/ Importance: To measure the number of underserved markets identified for automobile insurance.

Source/ Collection of Data: Data will come from the Quarterly Market Auto Report. A market is designated as underserved for a minimum of a three year-period and will be counted as underserved in each year.

Method of Calculation: The measure will be calculated as follows: number of non-standard auto insurance policies plus the number of assigned risk policies divided by the total number of vehicles insured. The measure will be calculated for each market in the state. Markets whose ratio is significantly above the statewide average will be designated as underserved.

Data Limitations: This measure is calculated using the same vehicle data from the Texas Department of Transportation (TxDoT) that is used to calculate measure 1.1.1 ex 10 - Number of Insured Private and Commercial Passenger Automobiles as a Percentage of Total Registered Passenger Vehicles. This data is currently available at the ZIP code level. Calculating this measure based on market areas designated at the ZIP code level is dependent on continued availability of data from TxDoT at this level.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.2.2 OC 1 Percent of Insurer Fraud Referrals to Attorney General, District Attorney, or Other Appropriate Law Enforcement Authority Resulting in Legal Action

Short Definition: Percent of Insurer Fraud Referrals to Attorney General or Other Appropriate Law Enforcement Authority Resulting in Legal Action. The percent of individuals or entities against whom legal action is taken, following referral by TDI in connection with suspected commission of insurer fraud.

Purpose/ Importance: To measure the percent of insurer fraud referrals resulting in legal action.

Source/ Collection of Data: The Source of the data is the Fraud Program's case management system." Legal action" includes the filing of a charging document (e.g., indictment, criminal complaint or information) by a court of competent jurisdiction against one or more parties. "Insurer fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code or any Texas penal law or any federal law and is committed or attempted to be committed while engaging in the business of insurance, or relating to an insurance transaction, excluding attempts to defraud an insurer (claim fraud). A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities.

Method of Calculation: The measure is calculated by dividing the number of "legal actions" taken against individuals or entities as a result of referrals submitted (numerator), by the total number of referrals submitted by the Fraud Program to law enforcement authorities during the fiscal year (denominator). If a referral to a law enforcement authority results in multiple charging documents against one or more individuals or entities, each legal action taken by the authority is counted in the numerator of this measure. "Law enforcement authority" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement agencies or the Texas Attorney General.

Data Limitations: A single fraud case in which more than one individual or entity is investigated may result in more than one referral being made to one or more law enforcement authorities on each individual or entity. A case can be initiated from an external or internal report of fraud or request. In many instances legal action will not be filed or reported during the same fiscal year the case was referred. Variance in the number of referrals and/or legal actions may result in calculation of a percentage that reflects the agency's performance over multiple fiscal years.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1. OP 1 Number of Complaints Resolved

Short Definition: The number of written communications primarily expressing a grievance which have been resolved. (This definition of complaint comes from Texas Insurance Code Art. 21.21-2, Sec. 2 (b)(6).)

Purpose/ Importance: To measure the number of written communications primarily expressing a grievance which have been resolved. This measure does not include complaints against HMOs.

Source/ Collection of Data: Complaints are tracked on the Complaint Inquiry System (CIS). The source of the data is the quarterly and annual CIS "Summary Work Measures Report". Complaints that are referred to other entities having primary responsibility for subject are not included in this measure. This measure does not include complaints coded as HMO; these are reported in measure 1.2.1 OP 8, Number of complaints against HMOs resolved. The complaint is resolved when staff have closed the complaint on CIS. To close a complaint on CIS, staff must exhaust all actions deemed appropriate to resolve the complaint and have sent the complainant a letter explaining the final disposition of the complaint.

Method of Calculation: The sum of complaint records coded in CIS as either "F11" (justified complaint) or "F 20" (unjustified complaint) that at the time of closing are not linked to a legal or fraud case.

Data Limitations: Anonymous complaints will have a memo to file instead of a letter to the complainant.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1. OP 2 Number of Insurance Advertising Filings Reviewed

Short Definition: The number of reviews of insurance company and agent advertising and marketing materials to identify violations of insurance regulations in the areas of advertising requirements, unfair trade practices, and proper licensing.

Purpose/ Importance: To measure the number of insurance advertising filings reviewed.

Source/ Collection of Data: The source of the data is the monthly "Not-Required Closed Files" and "Required Closed Files" reports from the Advertisement Management System in Oracle. Such reviews are initiated by insurance companies and agents, consumer complaints and inquiries, sources within TDI, and referrals from other governmental entities. Reviews result in a determination of compliance or non-compliance for each reviewed advertisement. Non-compliance results in notice of non-compliance, request for voluntary discontinuance of the advertisement, or request for disciplinary action by Legal and Compliance.

Method of Calculation: The number of reviews of insurance company and agent advertising and marketing materials to identify violations of insurance regulations in the areas of advertising requirements, unfair trade practices, and proper licensing.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 3 Number of Enforcement Actions Concluded

Short Definition: The sum of the number of: a) Administrative oversight letters issued from the Texas Department of Insurance (TDI), b) Assurances of Voluntary Compliance received and affirmed by the Texas Department of Insurance, and Commissioner's Orders issued for: 1) agent license revocations, 2) agent and company license denials and approvals, 3) agent license suspensions, 4) cease and desist orders, 5) suspensions of writing by a company, 6) conservation, 7) supervision, 8) assessment of monetary forfeitures,9) cancellation or revocation of an engineer's appointment as a qualified inspector, and 10) regulatory oversight because the company is in a hazardous financial condition (1.32 orders), c) State Fire Marshal orders issued for: 1) an individual's license suspension, revocation or denial, 2) a company's registration suspension, revocation or denial, 3) the assessment of a monetary forfeiture.

Purpose/ Importance: This measure includes contested orders resulting from hearings at the State Office of Administrative Hearings, uncontested orders which are settled without a hearing, and voluntary agreements between subject parties and the Texas Department of Insurance (i.e., Assurances of Voluntary Compliance).

Source/ Collection of Data: The source of the data is TDI's Chief Clerk's database, the State Fire Marshal's database, and the Compliance Tracking System (CTS). The enforcement action is considered "concluded" on the date an order is issued, an administrative letter is issued or an assurance of voluntary compliance is affirmed by TDI. The Chief Clerk's database contains the Commissioner's orders and the Fire Marshal's database contains the Fire Marshal's orders. Enforcement actions are coded as such in the CTS database.

Method of Calculation: The enforcement action is considered "concluded" on the date an order is issued, an administrative letter is issued or an assurance of voluntary compliance is affirmed by TDI. The number of enforcement actions will be obtained from CTS queries and the orders report received from the Chief Clerk's and State Fire Marshal's office.

Data Limitations: This measure includes contested orders resulting from hearings at the State Office of Administrative Hearings, uncontested orders which are settled without a hearing, and voluntary agreements between subject parties and the Texas Department of Insurance (i.e., Assurances of Voluntary Compliance).

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 4 Dollar Amount of Penalties Assessed for Unfair and Illegal Practices

Short Definition: The total amount of monetary forfeitures, fines, penalties, and/or interest assessed for unfair and illegal practices against companies, groups, agents and licensees as a result of final judgements, orders, or agreements where TDI initiated the enforcement process or in which TDI has opened a case file. Unfair and illegal practices are violations of statute by agents, companies and licensees.

Purpose/ Importance: To measure the dollar amount of penalties assessed for unfair and illegal practices.

Source/ Collection of Data: The source of the data is TDI's Chief Clerk's database and State Fire Marshal's database, the Fraud Program's case management system and the automated Compliance Tracking System (CTS). This number will be obtained from the orders report received from the Chief Clerk's and State Fire Marshal's office and compared to CTS. It will be stressed to staff the importance of inputting into CTS judgments received from the AG and DA and agreements such as assurances of voluntary compliance. The input of "assessed" as well as collected penalties should be stressed since this is a measure of assessed penalties.

Method of Calculation: The total amount of monetary forfeitures, fines, penalties, and/or interest assessed for unfair and illegal practices against companies, groups, agents and licensees as a result of final judgements, orders, or agreements where TDI initiated the enforcement process or in which TDI has opened a case file. Unfair and illegal practices are violations of statute by agents, companies and licensees.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 5 Dollar Amount of Restitution Assessed for Unfair and Illegal Practices

Short Definition: The total amount assessed in restitution for customers who are harmed by unfair and illegal practices of companies, groups, agents, and licensees as a result of final judgments, orders or agreements for unfair and illegal practices where TDI initiated the enforcement process or in which TDI has opened a case file. Unfair and illegal practices are violations of statute by agents, companies and licensees.

Purpose/ Importance: To measure the dollar amount of restitution assessed for unfair and illegal practices.

Source/ Collection of Data: The source of the data is TDI's Chief Clerk's database, the Fraud Program's case management system, State Fire Marshal's database and the automated Compliance Tracking System (CTS). This number will be obtained from the orders report received from the Chief Clerk's and State Fire Marshal's office and compared to CTS. It will be stressed to staff the importance of inputting into CTS judgments received from the AG and DA and agreements such as assurances of voluntary compliance. The input of "assessed" as well as collected restitution should be stressed since this is a measure of assessed restitution.

Method of Calculation: The total amount assessed in restitution for customers who are harmed by unfair and illegal practices of companies, groups, agents, and licensees as a result of final judgments, orders or agreements for unfair and illegal practices where TDI initiated the enforcement process or in which TDI has opened a case file. Unfair and illegal practices are violations of statute by agents, companies and licensees.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1. OP 6 Dollar Amount Returned to Consumers Through Complaint Resolution

Short Definition: The total dollar amount of claim payments and premium refunds returned to the consumer through complaint resolution by TDI Consumer Protection.

Purpose/ Importance: To measure the dollar amount returned to consumers through complaint resolution.

Source/ Collection of Data: The claim payments and amounts of premium refund obtained through staff intervention are tracked in the Complaint Inquiry System (CIS). Claim payments amounts are the additional amount above what was originally offered to the consumer before TDI staff intervention. Premium refunds are amounts of premiums previously paid that are refunded as a result of TDI staff intervention.

Method of Calculation: The total dollar amount of claim payments and premium refunds returned to the consumer through complaint resolution by TDI Consumer Protection.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 7 Number of Contested Cases Closed

Short Definition: The number of closed cases in which a Notice of Hearing was formally issued.

Purpose/ Importance: To measure the number of contested cases closed. A “case” is a legal matter, issue, investigation or work performed or reviewed by the Legal or Fraud Division of the Texas Department of Insurance.

Source/ Collection of Data: The source of the data is the automated Compliance Tracking System. A case is closed when staff have determined that they have exhausted all actions deemed appropriate or have determined that no action should be taken. The closing date is the date of closure on the CTS system identified by status “C” (closed). A “case” is a legal matter, issue, investigation or work performed or reviewed by the Legal or Fraud Division of the Texas Department of Insurance. A case can be initiated from an external or internal complaint or request. When a violation is not initially resolved by voluntary agreement, a hearing is scheduled with the State Office of Administrative Hearings and a Notice of Hearing is issued.

Method of Calculation: The number of closed cases in which a Notice of Hearing was formally issued.

Data Limitations: A Commissioner’s Order or Fire Marshal’s Order may result from hearings at the State Office of Administrative Hearings or a voluntary agreement between subject parties and The Texas Department of Insurance (i.e., Assurances of Voluntary Compliance, Consent Order) may be obtained any time after issuance of a Notice of Hearing and would still be included in this measure. A single case can include multiple violations and/or have multiple complaints linked to the case. Multiple cases, because the Cases involve separate and distinct issues, may be initiated on the same person or entity. A SQL Plus query will be used to obtain the number of contested cases closed in which a Notice of Hearing was formally issued. The query will utilize a “case action” of “NOH” and status of “C” (closed).

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 8 Number of Complaints Against HMOs Resolved

Short Definition: The total number of complaints against HMOs pursuant to Texas Insurance Code Article 20A.12B , during the reporting period upon which action has been taken or a determination is made that a violation did not occur.

Purpose/ Importance: The Texas Insurance Code, Article 20A.12B, requires the Department of Insurance to "investigate a complaint against a health maintenance organization to determine compliance with this [HMO] Act within 60 days after the Texas Department of Insurance's receipt of the complaint and all information necessary for the department to determine compliance." The Article further specifies circumstances under which TDI may extend the time for completing an investigation.

Source/ Collection of Data: The source of the data is the quarterly and annual CIS report. All verbal and written complaints are tracked on the agency Complaint Inquiry System (CIS). A case is closed when all avenues to resolve the complaint are exhausted, the case is referred to Legal for adjudication or no violation of statute is found. The complainant is sent a letter notifying them of the disposition of the case.

Method of Calculation: The total number of complaints against HMOs, pursuant to Texas Insurance Code Article 20A.12B , during the reporting period upon which action has been taken or a determination is made that a violation did not occur.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.1 OP 9 Number of HMO Quality Assurance Examinations Conducted

Short Definition: The number of examinations conducted on HMOs and any affiliates to determine compliance with Health Maintenance Organization (HMO) and Utilization Review Agent (URA) statutes and regulations. These exams include triennial, service area expansion, complaint, certificate of authority and utilization review exams as well as quality assurance exams of HMOs and affiliate entities and may include on-site reviews and reviews of materials required to be submitted to the agency.

Purpose/ Importance: To measure the number of examinations conducted by the HMO Quality Assurance (HMO/QA) Section to ensure compliance with HMO and URA statutes and regulations to protect the citizens of Texas.

Source/ Collection of Data: This measure is tracked manually. The frequency of such examinations ranges from one to three years and is mandated by statute for certain examinations; others are conducted on an as-needed basis. Examinations may be conducted at the location of an HMO's or affiliate's office or may be completed through a review of materials which are required to be submitted to the agency. An examination is considered complete on the date the exam report is mailed to the HMO or affilliate and the completion date is entered in the HMO audit database. An "affiliate" entity is any business that has a contractual relationship with an HMO or its delegated entity.

Method of Calculation: The number of examinations conducted on HMOs and affiliate entities to determine compliance with HMO and URA statutes and regulations. The measure is calculated using work papers and data captured in the HMO audit database.

Data Limitations: This measure does not include Quality Assurance examinations that are 100 percent outsourced. Some exams included in this measure may be conducted jointly with the Financial program. However, the two programs have different scopes because the Financial exams relate to solvency and market conduct while the HMO exams review health care services provided to enrollees to make sure they are consistent with reasonable standards of quality of care consistent with prevailing professionally recognized standards of medical practice. Therefore, each program will include these joint exams in calculating the number of exams conducted. The number of exams conducted is affected by market conditions and will increase or decrease depending on the ability of HMOs and their affiliates to meet the agency's regulatory requirements.

Calculation Type: Cumulative

New Measure: Yes

Desired Performance: Higher than target

1.2.1. EF 1 Average Response Time (in Days) to Complaints

Short Definition: The number of days from the date a complaint is received in writing at TDI to the date complaint action is concluded summed for all written complaints, divided by the number of complaint actions concluded. A complaint is a written communication primarily expressing a grievance. (This definition of a complaint comes from TIC Art. 21.21-2, Sec. 2 (b) 6).

Purpose/ Importance: To measure the average response time to complaints.

Source/ Collection of Data: The source of the data is the quarterly and annual CIS "Summary Work Measures Report". A complaint is a written communication primarily expressing a grievance. The date a complaint is received is the earliest date stamped by TDI staff on the written complaint. The date action is concluded is the date staff closed the complaint on CIS. The closure on CIS will be after staff have determined that they have exhausted actions they deem appropriate to resolve the complaint and have sent the complainant a letter explaining the final disposition of the complaint.

Method of Calculation: The number of days from the date a complaint is received in writing at TDI to the date complaint action is concluded summed for all written complaints, divided by the number of complaint actions concluded. The denominator of this measure is Strategy 1.2.1 OP measure 1, "Number of Complaints Resolved." This measure excludes complaints coded as HMO; the average time for HMO complaints is reported in measure 1.2.1 EF Measure 2, Average time (days) for HMO complaint resolution.

Data Limitations: Anonymous complaints will have a memo to file instead of a letter to the complainant. If a complaint is re-opened, the lapsed time between a closure date and a reopen date is not included in the calculation. If there is no date stamp, the date on the complainant's letter will be the starting date.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.2.1 EF 2 Average response Time (in Days) for HMO Complaint Resolution

Short Definition: The average number of calendar days from the time all complaint investigation information is received until the complaint is closed on the CIS system summed for all HMO complaints, divided by the number of complaints resolved during the reporting period.

Purpose/ Importance: The Texas Insurance Code, Article 20A.12B, requires the Department of Insurance to "investigate a complaint against a health maintenance organization to determine compliance with this [HMO] Act within 60 days after the Texas Department of Insurance's receipt of the complaint and all information necessary for the department to determine compliance." The Article further specifies circumstances under which TDI may extend the time for completing an investigation.

Source/ Collection of Data: All complaints are entered into the Complaint Inquiry System (CIS) by the HMO staff when received. The complaint processing time begins on the date that all documentation has been received, pursuant to Texas Insurance Code Article 20A.12B . The complaint processing time ends when all avenues to resolve the complaint are exhausted, the case is referred to Legal for adjudication or no violation of statute is found. The complainant is sent a letter notifying him/her of the disposition of the case.

Method of Calculation: This measure is calculated by summing the number of days to resolve all complaints divided by the number of complaints resolved during the reporting period.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.2.1 EF 3 Average Cost Per HMO Quality Assurance Examination Conducted

Short Definition: All expenditures by the HMO Quality Assurance (HMO/QA) Section for the reporting period divided by the number of examinations completed for the reporting period. These exams include triennial, service area expansion, complaint, certificate of authority and utilization review exams as well as quality assurance exams of HMOs and affiliate entities and may include on-site reviews and reviews of materials required to be submitted to the agency.

Purpose/ Importance: To measure the average state cost per examination.

Source/ Collection of Data: An examination is considered complete on the date the exam is completed in the HMO audit database. The denominator of this measure is strategy 1.2.1 OP measure 9, "Number of HMO quality assurance examinations conducted." The frequency of some examinations is mandated by statute; others are conducted on an as-needed basis.

Method of Calculation: All expenditures for HMO/QA examination activity for the reporting period divided by the number of examinations completed for the reporting period. Costs are calculated manually using work papers and data captured in the HMO audit database.

Data Limitations: This measure does not include Quality Assurance examinations that are 100 percent outsourced. Some exams included in this measure may be conducted jointly with the Financial program. However, the two programs have different scopes because the Financial exams relate to solvency and market conduct while the HMO exams review health care services provided to enrollees to make sure they are consistent with reasonable standards of quality of care consistent with prevailing professionally recognized standards of medical practice. Therefore, each program will include these joint exams in calculating the number of exams conducted.

Calculation Type: Non-cumulative

New Measure: Yes

Desired Performance: Lower than target

1.2.1 EX 1 Percent of Contested Cases Finalized Within 180 Days

Short Definition: The number of contested cases finalized within 180 days divided by the total number of contested cases closed.

Purpose/ Importance: To measure the percent of contested cases finalized within 180 days.

Source/ Collection of Data: The source of the data is the automated Compliance Tracking System. Contested cases are those in which a notice of hearing is formally issued. Determination for finalizing a contested case will be the date the Texas Department of Insurance issues notification that enforcement action is being taken, which is the Notice of Hearing date, to the date the case is closed on the Compliance Tracking System (CTS) identified by status "C" (closed). A "case" is a legal matter, issue, investigation or work performed or reviewed by the Legal or Fraud Division of TDI. A case can be initiated from an external or internal complaint or request. When a violation is not initially resolved by voluntary agreement, a hearing is scheduled with the State Office of Administrative Hearings and a Notice of Hearing is issued.

Method of Calculation: The number of contested cases finalized within 180 days divided by the total number of contested cases closed.

Data Limitations: A Commissioner's Order may result or State Fire Marshal's Office Order may result from hearings at the State Office of Administrative Hearings or a voluntary agreement between subject parties and the Texas Department of Insurance (i.e., Assurances of Voluntary Compliance, Consent Order) may be obtained at anytime after issuance of a Notice of Hearing and would still be included in this measure. A single case can include multiple violations and/or have multiple complaints linked to the case. Multiple cases, because the cases involve separate and distinct issues, may be initiated on the same person or entity. This measure is dependent on the performance of the State Office of Administrative Hearings, which is not under the control of TDI.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

1.2.2 OP 1 Number of Referrals of Alleged Insurer Fraud to Attorney General, District Attorney, or Other Appropriate Law Enforcement Authorities

Short Definition: Number of referrals of alleged insurer fraud to appropriate authorities.

Purpose/ Importance: To measure the number of referrals of alleged insurer fraud to appropriate agencies or law enforcement authorities.

Source/ Collection of Data: The source of the data is the Fraud Program's case management system. For this measure, "Insurer Fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code, any Texas penal law, or any federal law and is committed or attempted to be committed while engaging in the business of insurance or relating to an insurance transaction excluding attempts to defraud an insurer (claim fraud). "Legal action" includes the filing of a charging document (e.g., indictment, criminal complaint or information) by a court of competent jurisdiction against one or more parties. A "case" is a legal matter, issue, or investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. A case can be initiated from an external or internal report of fraud or request. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities.

Method of Calculation: The number of subjects and/or entities associated with fraud cases that are referred by the Texas Department of Insurance for legal action to the District Attorney or other law enforcement authorities which allege insurer fraud as defined in this measure. "Law enforcement" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement authorities or the Texas Attorney General.

Data Limitations: A case that may identify more than one individual or entity will count each individual or entity referred as a separate referral. Referrals made to multiple agencies from the same case will be counted independently as additional referrals. Separate cases that involve the same party will be counted as separate referrals.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.2 EF 1 Average Number of Days per Insurer Fraud Enforcement Case Referred

Short Definition: The number of days from the date the insurer fraud enforcement case is opened (including the date opened) to its referral (including the referred date) aggregated for all referred cases, divided by the total number of referred cases.

Purpose/ Importance: To measure the average number of days from the date the insurer fraud case is opened to its referral.

Source/ Collection of Data: An insurer fraud enforcement case begins at the date on which the case is opened ("Date Opened" in the Fraud Program's case management system). A case is concluded for the purpose of this measure when it is referred, as evidenced by a letter from the case owner to a law enforcement entity. The average number of days completed will be obtained from a query of the Fraud Program's case management system calculating the number of days from the date a case is opened to the date a case is referred and concluded. "Insurer fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code or any Texas penal law or any federal law and that is committed or attempted to be committed while engaging in the business of insurance or relating to an insurance transaction, excluding attempts to defraud an insurer (claim fraud).

Method of Calculation: Measure is calculated by dividing the total number of days for each insurer fraud case referred by the total number of insurer fraud cases referred during the reporting period. A case can be initiated from an external or internal report of fraud or request. A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authority regarding one or more individuals or entities. "Law enforcement" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement authorities or the Texas Attorney General.

Data Limitations: A single Fraud case, in which more than one person or entity are investigated, may result in more than one referral being made to one or more law enforcement entity on each individual or entity. If more than one referral is made from a single Fraud case, each individual or entity will count as a separate referral. When multiple referrals are made, the query will only select the date the case is first referred and concluded. A case is concluded upon the date of the first referral to a "law enforcement authority." Cases closed and not referred are not counted in this measure.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

1.2.2 EX 1 Estimated Dollar Amount (in Millions) of Insurer Fraud Referred

Short Definition: The dollar amount of fraud identified within the referral report, following submission to law enforcement by TDI in connection with suspected insurer fraud.

Purpose/ Importance: To measure the estimated dollar amount of insurer fraud referred.

Source/ Collection of Data: The source of the data is obtained from a Fraud Program referral report to law enforcement, generated from the Fraud Program case management system. "Insurer fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code, any Texas penal law, or any federal law, and is committed or attempted to be committed while engaging in the business of insurance, or relating to an insurance transaction, excluding attempts to defraud an insurer (claim fraud). A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. A case can be initiated from an external or internal report of fraud or request. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities.

Method of Calculation: The dollar amount of fraud referred will be calculated and recorded in the initial referral report to law enforcement and included in the Fraud Program case management system. "Law enforcement" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement authorities or the Texas Attorney General.

Data Limitations: The dollar amount of fraud referred is limited to the total amount of fraud committed or attempted to be committed in conjunction with a scheme or continuing course of conduct for all parties involved in a case.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

1.2.2 EX 2 Number of Reports of Insurer Fraud Received

Short Definition: Number of reports of possible insurer fraud received.

Purpose/ Importance: To measure the number of reports of possible insurer fraud received.

Source/ Collection of Data: The source of the data is the Fraud Program's case management system. The number of written or electronic communications received by the Fraud Program of the Texas Department of Insurance alleging possible insurer fraud during the report period. All reports of insurer fraud from any source will be entered into the Fraud Program's case management system and the total will be calculated by a query on that system. "Insurer fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code, any Texas penal law, or any federal law, and is committed or attempted to be committed while engaging in the business of insurance, or relating to an insurance transaction, excluding attempts to defraud an insurer (claim fraud).

Method of Calculation: The number of written or electronic communications received by the Fraud Program of the Texas Department of Insurance alleging possible insurer fraud during the report period.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: Yes

Desired Performance: Higher than target

2.1.1 OC 1 Percent of Statutorily Mandated On-site Examinations Conducted During the Fiscal Year

Short Definition: The total of all entities subject to statutorily mandated on-site examinations at certain intervals, pursuant to the Insurance Code (Article 1.15, et. al.), that were examined in the current fiscal year, divided by the total number of statutorily mandatory on-site examinations scheduled to be completed during the fiscal year.

Purpose/ Importance: To indicate whether TDI is completing the statutorily mandated examinations required within the fiscal year.

Source/ Collection of Data: Receipt of the examination report in Austin signifies the completion of the on-site examination. The received reports are logged and tracked in a database. The total number of statutorily mandated on-site examinations scheduled for completion during the fiscal year is tracked in and determined from a database. On-site examinations are conducted at the location of a company's books and records.

Method of Calculation: The number of the companies examined in a fiscal year will be calculated by determining the total of all on-site comprehensive examination reports of entities subject to statutorily mandated examinations that are received in Austin during the fiscal year. This measure is calculated manually.

Data Limitations: The examination schedule is adjusted throughout the fiscal year to add newly incorporated companies; to remove or postpone companies that merged, dissolved, underwent significant restructuring or reorganization, or otherwise had alternative regulatory intervention strategies employed to address solvency concerns; and to reflect schedule changes necessitated by regulatory priorities and other unforeseen circumstances. A comprehensive examination reviews a company's overall financial condition as well as its conduct of business and its compliance with the laws of Texas, and is required to be conducted at intervals generally mandated by Article 1.15, Insurance Code. The frequency of on-site comprehensive examinations ranges from one to five years. The measure includes outsourced on-site comprehensive examinations.

Calculation Type: Non-cumulative

New Measure: Yes

Desired Performance: Target

2.1.1 OC 2 Percent of Identified Companies Reviewed

Short Definition: The number of financial reviews of annual statements filed by companies identified as Texas domestic companies, or foreign companies writing a certain level of Texas premium as defined below, with potential solvency concerns, divided by the total of such identified companies, calculated as of fiscal year-end.

Purpose/ Importance: To measure the number of financial reviews of annual statements filed by companies identified as Texas domestic companies, or foreign companies writing a certain level of Texas premium as defined below, with potential solvency concerns, divided by the total of such identified companies, calculated as of fiscal year-end. To ensure the identified companies have all been reviewed for financial regulatory problems.

Source/ Collection of Data: The number of identified companies are established by June 1 of each fiscal year, based on TDI's priority system. The number of identified companies is evidenced by a report of Texas and Foreign+ Priority Companies," with Foreign+ defined as foreign Life insurance companies writing more than $2 million in TX premium in the preceding calendar year and foreign Property/Casualty companies writing more than $2 million in TX premium in the preceding calendar year. The number of financial reviews are those conducted between March 1 and August 31. Financial reviews conducted are evidenced by a report entitled Annual Reviews Completed on Priority Companies generated as of fiscal year-end from Financial Tracking system. The *date reviewed completed* on that report is evidenced by the *Date Review Completed* indicated on a *Statement Analysis Tracking Sheet* which is filled out by the analyst at the close of each review and from which information is input into Financial Tracking system.

Method of Calculation: The number of financial reviews of annual statements filed by companies identified as Texas domestic companies, or foreign companies writing a certain level of Texas premium as defined below, with potential solvency concerns, divided by the total of such identified companies, calculated as of fiscal year-end.

Data Limitations: TDI company type numbers are currently being revised and these revisions may impact the definition during FY2001. Domestic insurance companies are Texas-based entities chartered in Texas holding a Certificate of Authority, as tracked on the Company License mainframe system. Foreign companies are non-Texas-based entities chartered in other States or by a foreign government holding a Certificate of Authority, as tracked on the Company License mainframe system. Company types (and TDI company type numbers) subject to this measure will be Life and/or Health (01 and 02), Stipulated Premium (20), Non-Profit Group Hospital (55), Fire and/or Casualty (03, 04, 05, 06, 07, 08, 09, and 10) Lloyds (12 and 13), Reciprocals (14 and 15), Domestic Risk Retention Groups (40), County Mutual (56), Fraternal (16 and 17), Title (18 and 19), and Health Maintenance Organization (28 and 29) companies.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OC 3 Special Deputy Receiver Receivership Asset Recovery Expenses, as a Percent of the Total Dollars Collected by Special Deputy Receivers

Short Definition: The total dollar amount of receivership asset recovery expenses divided by the total dollars collected by Special Deputy Receiver (SDRs) appointed by the Commissioner of the Texas Department of Insurance as Receiver (Receiver) in converting receivership assets.

Purpose/ Importance: This measure tracks the workload of the SDR as he/she converts receivership assets to cash.

Source/ Collection of Data: The receivership asset recovery expenses are the expenses incurred to collect the funds as reported by the SDRs. The total dollars collected includes cash funds as reported by the SDRs. The total dollars collected includes cash received by SDRs from: (1) sales of receivership assets, e.g. stocks, bonds, real estate, and debt instruments; (2) collection of company receivables, e.g. agent's balances and reinsurance; (3) recovery of statutory deposits; (4) recovery resulting from officer and director liability litigation; and (5) recovery from other lawsuits; e.g. asset recovery and professional malpractice. The total dollars collected represent only those funds collected by SDRs and deposited by SDRs in approved receivership bank accounts or receivership depository accounts with the Texas Treasury. All data comes from receivership business plans SDRs file with the court monthly or quarterly and submit to the Receiver. This measure is tracked on a personal computer-based spreadsheet.

Method of Calculation: The total dollar amount of receivership asset recovery expenses divided by the total dollars collected by Special Deputy Receiver (SDRs) appointed by the Commissioner of the Texas Department of Insurance as Receiver (Receiver) in converting receivership assets to cash.

Data Limitations: Fluctuations from high to low in the asset recovery expenses as a percent of the total dollars collected is representative of the common cyclical trend of incurring the bulk of the asset recovery expenses prior to the collection of the assets. In addition, it is important to note that given the maturity of the assets that remain toward the end of a receivership, the collection effort becomes more difficult, and in some cases, more expensive.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 OC 4 Average Number of Days from Company "At risk" Identification to the Date of Solvency-related Regulatory Action

Short Definition: The total number of days from the date a company is identified as "at risk" to the date the earliest solvency-related regulatory action is taken, summed for all such companies, divided by the number of solvency-related regulatory actions taken.

Purpose/ Importance: To measure the total number of days from the date a company is identified as "at risk" to the date the earliest solvency-related regulatory action is taken, summed for all such companies, divided by the number of solvency-related regulatory actions taken.

Source/ Collection of Data: The data are tracked on the automated Compliance Tracking System. The "at risk" date is the date a referral is received in Legal from the Financial Program. The solvency-related regulatory action date is the date an action is initiated administratively or a case is referred to the Attorney General. Solvency-related regulatory actions are defined as all orders based upon Article 1.32 of the Texas Insurance Code, administrative oversight letters from the Texas Department of Insurance, Commissioner orders for supervision or conservatorship, and referrals to the Attorney General for receivership.

Method of Calculation: To measure the total number of days from the date a company is identified as "at risk" to the date the earliest solvency-related regulatory action is taken, summed for all such companies, divided by the number of solvency-related regulatory actions taken.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 OC 5 Percent of Insurers Meeting Statutory or Risk-Based Capital and Surplus Requirements

Short Definition: The number of companies that meet risk based capital and surplus requirements as set by the Commissioner, divided by the total number of companies subject to these requirements. The 1991 Texas Legislature, by amendments to the Texas Insurance Code Articles 2.20 and 3.02, authorized the Texas Department of Insurance to require capital and surplus levels based on factors such as the nature and types of business, premium volume, and quality of assets, i.e. risk-based capital and surplus (RBC). In 1992 the Texas Department of Insurance adopted risk-based capital and surplus formulas for life and capital stock property/casualty companies, as contained in 28 Texas Administrative Code (TAC) Section 7.401 for life companies and Section 7.410, for stock property/casualty companies. In 2000, the Texas Department of Insurance amended these TAC provisions to reflect adoption of the National Association of Insurance Commissioners' (NAIC) formulas for calculating RBC.

Purpose/ Importance: To measure the percent of insurers meeting statutory or risk-based capital and surplus requirements and to ensure that the companies maintain minimum capital and surplus requirements relative to the risk the company assumes as mandated by the Texas Insurance Code.

Source/ Collection of Data: These requirements will be calculated once a year and will be calculated on available NAIC data by applying the risk-based capital and surplus formulas adopted in 28 TAC Section 7.410. An insurer is considered to have met the RBC requirement if its actual capital and surplus, (including certain asset and interest reserves for life companies), is equal to or exceeds the required RBC as calculated applying the adopted formulas.

Method of Calculation: The number of companies that meet risk based capital and surplus requirements as set by the Commissioner, divided by the total number of companies subject to these requirements.

Data Limitations: The number of companies meeting RBC may vary from year to year because of reorganizations, changes in operations, changes in market conditions for business investments, social reform measures, etc.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OC 6 Percent of Companies Rehabilitated After Texas Department of Insurance Solvency-related Intervention

Short Definition: The number of companies or agencies released from TDI solvency-related intervention, including ancillary supervisions or conservatorships, divided by the number of companies or agencies referred to TDI solvency-related intervention. TDI solvency-related intervention is any administrative order such as supervision, conservatorship, Article 1.32 order, or administrative oversight letters, and any court-directed order. An entity is any licensed or domestic or unauthorized insurance company or agency as defined in TEX. INS. CODE ANN. Articles 1.10 and 21.28-A.

Purpose/ Importance: To measure the percent of companies rehabilitated after TDI solvency-related intervention. This measure represents the TDI philosophy of early intervention to attempt rehabilitation of companies as mandated by TIC Article 21.28-A.

Source/ Collection of Data: A release is defined as an official Commissioner's Order, an Administrative Oversight Letter from the Associate Commissioner of Financial, or a court order releasing the company or agency from solvency intervention under the following conditions: (1) released to company or agency management; (2) released for merger into another company or agency; (3) released as a result of sale to another entity; or (4) released because the business was 100 percent assumptive reinsured by another company; or the business of an agency is taken over by the underwriting insurance company or another agency. A referral is defined as the issuance of an official Commissioner's Order or letter for TDI solvency-related intervention, including ancillary supervision or conservatorship, and includes the count of TDI solvency related intervention in effect at the beginning of the fiscal year plus companies or agencies referred during the fiscal year.

Method of Calculation: The number of companies or agencies released from TDI solvency-related intervention, including ancillary supervisions or conservatorships, divided by the number of companies or agencies referred to TDI solvency-related intervention.

Data Limitations: The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OP 1 Number of Early Warning Referrals

Short Definition: Number of "Early Warning Referrals," which are written reports produced by the Early Warning Division and directed to other divisions of TDI recommending that appropriate regulatory action be taken in connection with licensed insurers and other risk-bearing entities.

Purpose/ Importance: One of many solvency-monitoring tools that are used by the Financial Program.

Source/ Collection of Data: Early Warning Referrals are the product of a review of financial and non-financial indicators and actions reported through the Early Warning Information System (EWIS) and other sources. Examples of the appropriate regulatory actions include complaint analysis, market conduct examination, increased financial monitoring, financial examination, order to cease and desist writing new business in Texas, administrative oversight, supervision, conservation, and receivership.

Method of Calculation: Early Warning Referrals are the product of a review of financial and non-financial indicators and actions reported through the Early Warning Information System (EWIS) and other sources.

Data Limitations: Not identified in the definition. This measure generally bears an inverse relationship to the overall health of the insurance industry. As the health of the industry increases, this OP declines; as the health of the industry deteriorates, OP increases.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 OP 2 Number of Entities Receiving Texas Department of Insurance Solvency-related Intervention

Short Definition: The number of licensed or unauthorized insurance companies or agencies whose operations are placed under TDI solvency-related intervention for financial rehabilitation. TDI solvency-related intervention is any administrative order such as supervision, conservatorship, Article 1.32 order, or administrative oversight letters, and any court-directed order. An entity is any licensed foreign or domestic or unauthorized insurance company or agency as defined in TEX. INS. CODE Ann. Articles 1.10 and 21.28-A.

Purpose/ Importance: To measure the number of entities receiving TDI solvency-related intervention. This measure represents the TDI philosophy of early intervention to attempt rehabilitation of companies as mandated by TIC Article 21.28-A.

Source/ Collection of Data: The number of licensed or unauthorized insurance companies or agencies is tracked on a personal computer-based system.

Method of Calculation: The number is calculated by adding the number of new companies or agencies coming under TDI solvency-related intervention during the current fiscal year.

Data Limitations: The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 OP 3 Dollar Amount (in Millions) of Net Asset Recoveries Collected from Receivership Estates

Short Definition: The total dollars collected by Special Deputy Receivers (SDRs) appointed by the Commissioner of the Texas Department of Insurance as Receiver (Receiver) in converting receivership assets to cash, less the expenses incurred to collect the funds.

Purpose/ Importance: This measure tracks the workload of the SDR as he/she converts receivership assets to cash.

Source/ Collection of Data: The amount reported includes cash received from: (1) cash received from sale of receivership assets, e.g., stocks, bonds, real estate and debt instruments; collection of company receivables, e.g., agents' balances and reinsurance; (2) recovery of statutory deposits; (3) recovery resulting from officer and director liability litigation; and (4) recovery from other lawsuits, e.g., asset recovery and professional malpractice suits. Reported recoveries represent only those funds collected and deposited in approved receivership bank accounts or receivership depository accounts with the Texas Treasury. The data comes from receivership business plans SDRs file with the court monthly or quarterly and submit to the Receiver.

Method of Calculation: The total dollars collected by Special Deputy Receivers (SDRs) appointed by the Commissioner of the Texas Department of Insurance as Receiver (Receiver) in converting receivership assets to cash, less the expense incurred to collect the funds.

Data Limitations: Fluctuations from high to low in the asset recovery expenses as a percent of the total dollars collected, is representative of the common cyclical trend of incurring the bulk of the asset recovery expenses prior to the collection of assets such as reinsurance and retrospective premium, as well as assets tied to litigation (e.g., directors and officers litigation). In addition, it is important to note that given the maturity of the assets that remain toward the end of a receivership, the collection effort becomes more difficult, and in some cases, more expensive.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OP 4 Number of Holding Company Transactions Reviewed

Short Definition: The number of holding company transactions reviewed pursuant to Article 21.49-1 of the Texas Insurance Code. The number of transactions reviewed means the number of transactions closed or completed during a calendar month.

Purpose/ Importance: The number of holding company transactions reviewed pursuant to Article 21.49-1 of the Texas Insurance Code. To ensure that transactions with affiliates and acquisitions of control of an insurer do not adversely affect the interest of policyholders and the public.

Source/ Collection of Data: The "Date closed/completed" will be evidenced by: a) for transactions requiring Commissioner's Orders: the date stamped on the Commissioner's Order; b) for stockholder dividends: the "date completed" on the "Notice of Dividend or Distribution Pursuant to 28 Texas Administrative Code Section 7.203(n)" form; c) for all other holding company transactions: the "date closed" on the "transaction closing request" form prepared by Texas Department of Insurance staff. The appropriate "date closed/completed" is entered onto the Oracle HC system (FMHC) by unit support staff, ultimately closing the transaction. Then a report entitled "Holding Company System Closed Transactions Report" is generated for each month indicating the number of reviews completed.

Method of Calculation: The number of transactions reviewed means the number of transactions closed or completed during a calendar month as evidenced by the total number of "rows selected" on the "Holding Company System Closed Transactions Report".

Data Limitations: The number of reviews may vary with the number of transactions filed, which can be affected by changes in the economy.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OP 5 Number of Actuarial Examinations Completed

Short Definition: The number of actuarial examinations of life and property and casualty companies completed by Financial Program actuaries which focus on the adequacy of reserves and other related actuarial items.

Purpose/ Importance: To measure the number of actuarial exams completed.

Source/ Collection of Data: These actuarial examinations are typically performed on domestic life and property and casualty companies every three to five years. The date of completed actuarial exam is the completion date entered by the examining actuary on the cover page of the actuarial examination report. Actuarial examinations are tracked on a computer application. Completed actuarial examinations are sent to the Austin office and entered in an ACCESS database. The original report is maintained in the Financial Program's company file and a copy is filed with the work papers.

Method of Calculation: Completed actuarial examinations are sent to the Austin office and entered in an ACCESS database. The date of completion of an actuarial exam is the completion date found on the cover page of the report. The original report is maintained in the Financial Program's company files and a copy is filed with the work papers.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OP 6 Number of On-Site Examinations Conducted

Short Definition: The number of completed on-site financial and market conduct examinations of insurance entities regulated by TDI.

Purpose/ Importance: Although not in the definition, the purpose/importance of this measure is to count the number of on-site examinations conducted.

Source/ Collection of Data: On-site examinations are conducted at the location of a company's books and records. An examination is considered complete upon receipt of the examiner's report at TDI headquarters. The measure is tracked manually.

Method of Calculation: An examination is considered complete upon receipt of the examiner's report at TDI headquarters. The measure is tracked manually.

Data Limitations: The frequency of such examinations ranges from one to five years and is mandated by statute for certain of these entities; others are examined on an as-needed basis. The measure does not include out-sourced examinations in which TDI staff did not directly participate.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 OP 7 Number of Reviews of Annual and Interim Financial Statements Conducted

Short Definition: The number of financial reviews, i.e. analyses, physically conducted in any month by Financial Analysis staff on annual, quarterly, and monthly statements filed by licensed insurers.

Purpose/ Importance: To determine the financial condition of insurance companies, health maintenance organizations (HMOs) and other licensed insurance entities and initiate recommendations for regulatory actions as mandated by the Texas Insurance Code relating to the financial condition.

Source/ Collection of Data: The number of reviews will be evidenced by a report entitled "Annual and Interim Reviews Completed" generated for each month. The date completed on the form will be evidenced by the "Date Review Completed" indicated on a "Statement Analysis Tracking Sheet" which is filled out by the analyst at the close of each review and from which information is input into the Financial Tracking system.

Method of Calculation: The "Annual and Interim Reviews Completed" report includes a total number of "rows selected", i.e., the total number of reviews completed during the month.

Data Limitations: These are desk reviews performed at TDI and do not include any on-site examinations For purposes of this measure, licensed insurers(and their TDI company type numbers) are defined as Life and/or Health (01 and 02), Stipulated Premium (20) Non-Profit Group Hospital (55), Fire and/or Casualty (03, 04, 05, 06, 07, 08, 09, and 10), Mexican Casualty (11), Lloyds (12 and 13), Reciprocal (14 and 15), Domestic Risk Retention Group (40), County Mutual (56), Fraternal (16 and 17), Title (18 and 19), Health Maintenance Organization (28 and 29), Statewide Mutual Assessment (51) Local Mutual Aid (52), Local Mutual Burial (53), Exempt Association (54), Farm Mutual (57), Continuing Care Retirement Community (26 and 27), and Accredited Reinsurance (82) companies. TDI company type numbers are currently being revised and these revisions may impact the definition during FY2001.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

2.1.1 EF 1 Average State Cost per Examination

Short Definition: All expenditures and encumbrances for the Examinations activity for the reporting period divided by the number of examinations completed for the reporting period.

Purpose/ Importance: The purpose/importance of this measure is to measure the average state cost per examination.

Source/ Collection of Data: The numerator of this measure is all expenditures and encumbrances for the Examinations activity. The denominator of this measure is Strategy 2.1.1 OP measure 6, "Number of on-site examinations conducted. An examination is considered complete upon receipt of the examiner's report at TDI headquarters. The examination reports are on-site financial and market conduct examinations of insurance entities regulated by the TDI. The frequency of such examinations ranges from one to five years and is mandated by statute for certain of these entities; others are examined on an as-needed basis.

Method of Calculation: All expenditures and encumbrances for the Examinations activity for the reporting period divided by the number of examinations completed for the reporting period.

Data Limitations: Outsourced costs and reports are not included.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 EX 1 Dollar Amount (in Millions) of Insurance Company Insolvencies

Short Definition: The dollar value of each insurance company or entity placed in receivership.

Purpose/ Importance: This measure gauges the financial impact of receiverships.

Source/ Collection of Data: The dollar amount of insolvencies will be tracked on a personal computer.

Method of Calculation: The dollar value of each insurance company or entity placed in receivership as reported on the balance sheet prepared and submitted to the court by Texas Department of Insurance financial staff at the time of the temporary restraining order or other order initially placing an entity into receivership. The dollar amount of insolvencies will be tracked on a personal computer.

Data Limitations: Not specifically stated in the definition. There are various external changes, such as company marketing and new product development, mismanagement, improper financial reporting, and federal government action (i.e. enactment of financial modernization legislation) that significantly impact this measure.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 EX 2 Number of Estates Placed in Receivership

Short Definition: The number of estates placed in receivership by Texas District courts for liquidation during the fiscal year.

Purpose/ Importance: Allows the public to know how many companies/estates have been placed into receivership.

Source/ Collection of Data: An insolvent insurance company or entity placed into receivership is referred to as a receivership estate. The estate is all the property of the insolvent entity. The number is obtained from the docketing reports supplied by receivership court that indicate the date of court action placing a company in receivership. This measure is tracked on a personal computer-based system.

Method of Calculation: The number of estates placed in receivership by Texas District courts for liquidation during the fiscal year.

Data Limitations: There are various external changes, such as company marketing and new product development, mismanagement, improper financial reporting, and federal government action (i.e. enactment of financial modernization legislation) that significantly impact this measure.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Lower than target

2.1.1 EX 3 Percent of Companies Subject to Statutorily Mandated Examinations During the Fiscal Year

Short Definition: The total of all entities subject to statutorily mandated examinations at certain intervals, pursuant to the Insurance Code (Article 1.15, et. al.), that were scheduled to be examined in the current fiscal year divided by the total number of entities subject to mandatory on-site examination intervals as of August 31.

Purpose/ Importance: To indicate the percent of companies scheduled for examination during the fiscal year.

Source/ Collection of Data: The total number of statutorily mandated on-site examinations scheduled for completion during the fiscal year is tracked in and determined from a database. An examination reviews a company's overall financial condition as well as its conduct of business and its compliance with the laws of Texas, and is required to be conducted at intervals generally mandated by Article 1.15, Insurance Code. The frequency of on-site examinations ranges from one to five years. The measure includes outsourced on-site examinations. Receipt of the examination report in Austin signifies the completion of the on-site examination. The received reports are logged and tracked in an Excel database. The total number of entities subject to mandatory on-site examination intervals is tracked in and determined from an Excel database.

Method of Calculation: This measure is calculated manually.

Data Limitations: The examination schedule is adjusted throughout the fiscal year to add newly incorporated companies; to remove or postpone companies that merged, dissolved, underwent significant restructuring or reorganization, or otherwise had alternative regulatory intervention strategies employed to address solvency concerns; and to reflect schedule changes necessitated by regulatory priorities and other unforeseen circumstances.

Calculation Type: Non-cumulative

New Measure: Yes

Desired Performance: Target

3.1.1 OC 1 Percent of Insurers Providing Adequate Loss Control Programs

Short Definition: The total number of companies receiving “adequate” ratings for loss control programs by the Texas Department of Insurance divided by the total number of company evaluations completed that received a rating.

Purpose/ Importance: To measure the percent of insurers providing adequate loss control programs.

Source/ Collection of Data: An evaluation is considered completed when the company is given an adequate or inadequate rating and notification of such. Evaluations may be conducted on-site by the Texas Department of Insurance (TDI) safety services inspectors or desk audits may be conducted at the Texas Department of Insurance. Companies with low premium volume may be evaluated by a TDI desk-top review of materials submitted by mail. Evaluations are conducted in accordance with the Texas Administrative Code sections 5.301 - 5.303; 5.311; 5.1701-5.1703, 5.1711-5.1713; 5.1721-5.1723 and 5.1731, loss control programs. A review is made of records and procedures by which the appropriate loss control service for a policyholder is determined, worksheets completed on selected policyholders, and other data. Evaluation results are tracked by a computer database in Loss Control.

Method of Calculation: The total number of companies receiving “adequate” ratings for loss control programs by the Texas Department of Insurance divided by the total number of company evaluations completed that received a rating.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 OC 2 Percent of Commercial Property Inspections That Meet Filed Rating Schedule Requirements

Short Definition: The number of Commercial Property oversight inspections conducted on commercial buildings that meet industry filed rating schedules divided by the total number of Commercial Property oversight inspections completed.

Purpose/ Importance: To measure the percent of Commercial Property inspections that meet industry filed fire rating schedules.

Source/ Collection of Data: As outlined in the TIC, insurers must file a manual of rules and rating schedules for commercial property risks written in this state. Inspections are defined as re-inspections or oversight inspections performed by TDI to determine if the initial fire rating inspections performed by the private entities are accurate or contain errors. A commercial building does not meet the standards when TDI identifies an error in the loss costs analysis due to misapplication of filed rating schedules, inaccurate mathematical calculations, omission of pertinent rating information, or incorrect classification of occupancies. A commercial building meets the standards when the loss costs are properly developed and classified in accordance with company-filed commercial property rating schedules. TDI does not count an inspection as an error if it is within a tolerance of plus or minus five percent of the correct loss costs, due to the complexity and subjectivity of application of rating schedules.

Method of Calculation: The number of Commercial Property oversight inspections conducted that meet industry filed fire rating schedules divided by the total number of Commercial Property oversight inspections completed.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 OC 3 Percent of Windstorm Inspections that Result in an "Approved" Status Code

Short Definition: The number of physical inspections performed receiving an "approved" ("A") status code divided by the total number of physical windstorm inspections performed. Each physical inspection is coded as A = Approved, D = Disapproved or I = Incomplete. Inspections requested but not performed are coded as SC = Site Cancel and C = Cancel. Site Cancel (SC) and Cancel © will not be used in the calculation of this measure.

Purpose/ Importance: To measure the percent of windstorm inspections that result in an "approved" status code.

Source/ Collection of Data: Thus, the total number of physical windstorm inspections conducted is the sum of the number approved, disapproved, and incomplete. A windstorm inspection is documented by an inspection form, WPI-7 and is considered performed on the date the inspector completes the WPI-7 and enters the status on the inspection log, form IL-1. Pursuant to Article 21.49, Texas Insurance Code, windstorm inspections are performed in the Texas areas which are serviced by the Texas Windstorm Insurance Association (TWIA) for wind and hail insurance. The areas are designated by the Commissioner of Insurance. Inspections determine if the structural elements are in accordance with the Department of Insurance (TDI) windstorm construction guidelines as approved by administrative rule. The number of physical inspections performed is determined from a monthly report prepared by the windstorm activity from an automated system. The denominator for this measure is Strategy 3.1.1 OP measure 1, "Number of Windstorm Inspections Completed."

Method of Calculation: The number of physical inspections performed receiving an "approved" ("A") status code divided by the total number of physical windstorm inspections performed. Each physical inspection is coded as A = Approved, D = Disapproved or I = Incomplete. Inspections requested but not performed are coded as SC = Site Cancel and C = Cancel. Site Cancel (SC) and Cancel © will not be used in the calculation of this measure.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

3.1.2 OC 4 Percent of Consumer and Provider Fraud Referrals to Attorney General, District Attorney, or Other Appropriate Law Enforcement Authority Resulting in Legal Action

Short Definition: Percent of Consumer/Provider Fraud Referrals to Attorney General or Other Appropriate Law Enforcement Authority Resulting in Legal Action.

Purpose/ Importance: To measure the percent of consumer/provider referrals resulting in legal action.

Source/ Collection of Data: The source of data is the Fraud Program's case management system. The percent of individuals or entities against which legal action is taken following referral by TDI in connection with consumer and provider fraud (claim fraud). A "consumer (claimant)" is an insured, beneficiary, third party, or representative such as an attorney or public adjuster who has filed a claim and has received or is expecting payment or reimbursement from a claim. A "provider" is a person or entity who charges for providing goods or performing services for which compensation is sought under a policy of insurance. Examples of providers are hospitals, physicians, pharmacies, and automobile repair shops. A consumer or provider fraudulent act means any act by a consumer or provider that is a violation of any penal law or federal law and that: a) is committed or attempted to be committed as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer.

Method of Calculation: The measure is calculated by dividing the number of "legal actions" taken against individuals or entities as a result of referrals submitted (numerator), by the total number of referrals submitted by the Fraud Program to law enforcement authorities during the fiscal year (denominator). If a referral to a law enforcement authority results in multiple charging documents against one or more individuals or entities, each legal action taken by the authority is counted in the numerator of this measure. "Legal action" includes the filing of a charging document (e.g., indictment, criminal complaint or information) by a court of competent jurisdiction against one or more parties. A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. "Law enforcement" includes, but is not limited to, state district and county attorneys, U. S. attorneys, other law enforcement agencies or the Texas Attorney General.

Data Limitations: A single fraud case, in which more than one individual or entity are investigated may result in more than one referral being made to one or more law enforcement authorities on each individual or entity. A case can be initiated from an external or internal report of fraud or request. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities. In many instances Legal Action will not be filed during the same fiscal year the Case was referred. Variance in the number of Referrals and/or Legal Actions may result in calculation of a percentage that reflects the agency's performance over multiple fiscal years.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 OP 1 Number of Windstorm Inspections Completed

Short Definition: The number of inspections conducted by TDI of property for windstorm code compliance. A windstorm inspection is a physical inspection by a TDI windstorm inspector of a structure for compliance with Article 21.49, Texas Insurance Code, to determine if the structural elements are in accordance with the TDI Windstorm Construction Guidelines as approved by Administrative Rule.

Purpose/ Importance: To measure the number of windstorm inspections completed.

Source/ Collection of Data: A windstorm inspection is considered completed when documented on a WPI-7 inspection form and the status is entered on the inspection log (Form IL-1). An inspection is conducted at either (1) a new commercial or residential structure which include requested inspections of foundation, rough framing, final framing, and mechanical, if applicable or (2) an existing commercial or residential structure that must have re-roofing or remodeling work inspected to maintain eligibility. Inspections are completed in accordance with Article 21.49, Texas Insurance Code, in the Texas areas which are serviced by the Texas Windstorm Insurance Association (TWIA) for wind and hail insurance. The areas are designated by the Commissioner of Insurance. A scheduled inspection that is canceled prior to the physical inspection is not counted as an inspection performed. The windstorm inspections are entered into a database and the number of inspections is calculated monthly.

Method of Calculation: The number of inspections conducted by TDI of property for windstorm code compliance.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 OP 2 Number of Inspections of Insurer Loss Control Programs Completed

Short Definition: The number of evaluations conducted of the loss control programs required of insurance companies for their policyholders. Evaluations may be conducted on-site by the Texas Department of Insurance (TDI) safety services inspectors or may be conducted at TDI with appropriate company program documentation submitted by the insurance company representatives.

Purpose/ Importance: To measure the number of inspections of insurer loss control programs completed.

Source/ Collection of Data: Evaluations are conducted in accordance with the Texas Administrative Code sections 5.301-5.303; 5.311; 5.1701-5.1703; 5.1711-5.1713; 5.1721-5.1723 and 5.1731, which includes loss control programs. Evaluation results are tracked by a computer database which quantify the total number of loss control programs evaluated, the number of evaluations with adequate ratings, and the number of evaluations with inadequate ratings. An evaluation is completed when TDI notifies the company in writing of an adequate or inadequate rating and the basis for that determination.

Method of Calculation: The number of evaluations conducted of the loss control programs required of insurance companies for their policyholders.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 OP 3 Number of Commercial Property Oversight Inspections Completed

Short Definition: The number of Commercial Property oversight inspections conducted by TDI to determine the accuracy of Commercial Property rating inspections performed by private entities.

Purpose/ Importance: To measure the number of Commercial Property oversight inspections completed to assure that accurate loss costs are developed and that structures are properly classified in accordance with industry filed building rating schedules.

Source/ Collection of Data: A Commercial Property oversight inspection is conducted by TDI after independent inspections by private entities to assure that accurate loss costs are developed and that structures are properly classified in accordance with industry filed building rating schedules. An oversight inspection is an inspection by a TDI Oversight Inspector of a commercial or a public building. The number of Commercial Property oversight inspections is based on a manual count of oversight inspections recorded in the inspection log maintained by the oversight inspection staff. The number of Commercial Property oversight inspections is counted manually.

Method of Calculation: The number of oversight inspections conducted by TDI of commercial property to assure that accurate loss costs are developed for fire rating.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

3.1.1 EF 1 Average Cost Per Windstorm Inspection

Short Definition: Total inspection-related funds expended for the Windstorm Activity divided by the number of windstorm physical inspections and requested inspections for the reporting period.

Purpose/ Importance: To measure the average cost per windstorm inspection.

Source/ Collection of Data: Expenditures are calculated by using the Financial Accounting System (General Ledger) Budget Status Detail Report and an excel spreadsheet for travel voucher expenses not yet processed. A physical inspection is considered performed on the date the inspector completes the WPI-7 form and enters A=Approved, D=Disapproved or I=Incomplete status code on the inspection log, form IL-1. A requested inspection is considered performed on the date the inspector completes the WPI-7 form and enters an SC=Site Cancel or C= Cancel status code on the inspection log, form IL-1. The Windstorm Activity queries an Oracle database at the end of the reporting period and calculates the total number of inspections performed and requested.

Method of Calculation: Total inspection-related funds expended by the Windstorm Activity divided by the number of windstorm physical inspections and requested inspections for the reporting period.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

3.1.2 OP 1 Number of Referrals of Alleged Consumer and Provider Fraud to Attorney General, District Attorney, or Other Appropriate Law Enforcement Authority

Short Definition: The Number of Referrals of Alleged Consumer/provider Fraud to Appropriate Authorities.

Purpose/ Importance: To measure the number of referrals of alleged consumer and provider fraud to appropriate agencies or law enforcement authorities.

Source/ Collection of Data: The source of the data is the Fraud Program's case management system. A "consumer (claimant)" is an insured, beneficiary, third party, or representative such as an attorney or public adjuster who has filed a claim and has received or is expecting payment or reimbursement from a claim. A "provider" is a person or entity who charges for providing goods or performing services for which compensation is sought under a policy of insurance. Examples of providers are hospitals, physicians, pharmacies, and automobile repair shops. A consumer or provider fraudulent act means any act by a consumer or provider that is a violation of any penal law, federal law, and that: A) is committed or attempted to be committed as a part of or in support of an insurance transaction; or B) is part of an attempt to defraud an insurer. A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance.

Method of Calculation: The number of subjects and/or entities associated with fraud cases that are referred by the Texas Department of Insurance for legal action to the District Attorney or other law enforcement authorities which allege consumer & provider fraud (claim fraud). "Legal action" includes the filing of a charging document (e.g. indictment, criminal complaint or information) by a court of competent jurisdiction against one or more parties. A case can be initiated from an external or internal report of fraud or request. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities. "Law enforcement" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement authorities or the Texas Attorney General.

Data Limitations: A case that may identify more than one individual or entity will count each individual or entity referred as a separate referral. Referrals made to multiple agencies from the same case will be counted independently as additional referrals. Separate cases that involve the same party will be counted as separate referrals.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

3.1.2 EF 1 Average Number of Days per Consumer or Provider Fraud Enforcement Case Referred

Short Definition: Average number of Days per Consumer or Provider Fraud Enforcement Case Referred The number of days from the date the consumer and provider fraud enforcement case is opened (including the date opened) to its referral (including the referred date), aggregated for all referred cases, divided by the total number of referred cases. Cases closed and not referred are not counted in this measure.

Purpose/ Importance: To measure the average number of days from the date the consumer or provider fraud case is opened to its referral A "provider" is a person or entity who charges for providing goods or performing services for which compensation is sought under a policy of insurance. A consumer or provider fraudulent act means any act by a consumer or provider that is a violation of any penal law or federal law and that is: a) committed or attempted to be committed as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer.

Source/ Collection of Data: Only the date of the first referral of an individual or entity will be included in the calculation. The average number of days to completion will be obtained from a query of the Fraud Program's case management system calculating the number of days from the date a case is opened to the date a case is referred and concluded. When multiple referrals are made, the query will select the date a case is first referred and closed. A consumer (claimant) is an insured, beneficiary, third party, or representative such as an attorney or public adjuster who has filed a claim and has received or is expecting payment or reimbursement from a claim. A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. "Law enforcement" includes, but is not limited to, state district and county attorneys, United States attorneys, other state or federal law enforcement authorities or the Texas Attorney General.

Method of Calculation: Measure is calculated by dividing the total number of days for each consumer and provider fraud case referred by the total number of consumer and provider fraud cases referred during the reporting period. A case can be initiated from an external or internal report of fraud or request. "Consumer (claimant) and provider fraud" is defined as any act that is a violation of any criminal provision of the Texas Insurance Code or any Texas penal law or any federal law and that is A) committed or attempted to be committed as a part of or in support of an insurance transaction, or B) is part of an attempt to defraud an insurer. A case is concluded for the purpose of this measure when it is referred, as evidenced by a letter from the case owner to a law enforcement authority, in which the case is described. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authority regarding one or more individuals or entities.

Purpose/ Data Limitations: A consumer and provider enforcement case, initiated from a complaint, begins on the date on which the case is opened ("date opened" in the Fraud Program's case management system). A single Fraud Program case, in which more than one person or entity is investigated may result in more than one referral being made to one or more law enforcement authorities on each individual or entity. If more than one referral is made from a single Fraud case, each individual or entity will count as a separate referral. A case is concluded upon the date of the first referral to a "law enforcement authority."

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

3.1.2 EX 1 Number of Reports of Possible Consumer and Provider Fraud Received

Short Definition: The number of reports of possible consumer/provider fraud received.

Purpose/ Importance: To measure the number of reports of possible consumer and provider fraud received.

Source/ Collection of Data: The source of the data is the Fraud Program's case management system. The number of written or electronic communications received by the Fraud Program of the Texas Department of Insurance alleging possible consumer or provider fraud during the report period. All reports of consumer and provider fraud from any source will be entered into the Fraud Program's case management system and the total will be calculated by a query on that system.

Method of Calculation: The number of written or electronic communications received by the Fraud Program of the Texas Department of Insurance alleging possible consumer or provider fraud.

Data Limitations: A "consumer (claimant)" is an insured, beneficiary, third party, or representative such as an attorney or public adjuster who has filed a claim and has received or is expecting payment or reimbursement from a claim. A "provider" is a person or entity who charges for providing goods or services for which compensation is sought under a policy of insurance. Examples of providers include hospitals, physicians, pharmacies, and automobile repair shops. A consumer or provider fraudulent insurance act means any act by a consumer or provider that is a violation of any penal law or federal law and that: (a) is committed or attempted to be committed as a part of or in support of an insurance transaction; or (b) is part of an attempt to defraud an insurer.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

3.1.2 EX 2 Estimated Dollar Amount (in Millions) of Consumer and Provider Fraud Referred

Short Definition: The dollar amount of fraud identified within the referral report, following submission to law enforcement by TDI in connection with suspected consumer/provider fraud.

Purpose/ Importance: To measure the estimated dollar amount of consumer and provider fraud referred.

Source/ Collection of Data: The source of the data is obtained from a Fraud Program referral report to law enforcement, generated from the Fraud Program case management system. A "consumer (claimant)" is an insured, beneficiary or third party who has filed a claim and has received or is expecting payment or reimbursement from a claim. A "provider" is a person or entity who charges for providing goods or services for which compensation is sought under a policy of insurance. Examples of providers include hospitals, physicians, pharmacies, and automobile repair shops. A consumer and provider fraudulent insurance act means any act by a consumer or provider that is a violation of any penal law or federal law that: a) is committed or attempted to be committed as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities.

Method of Calculation: The dollar amount of fraud referred, will be calculated and recorded in the initial referral report to law enforcement and included in the Fraud Program case management system. A "case" is a legal matter, issue, investigation or work performed or reviewed by the Fraud Program of the Texas Department of Insurance. A case can be initiated from an external or internal report of fraud or request. "Referral" is defined as a Fraud Program investigation submitted to one or more law enforcement authorities regarding one or more individuals or entities. "Law enforcement" includes, but is not limited to, state district attorneys, state county attorneys, United States attorneys, Federal Bureau of Investigation, Office of Postal Inspection Service, other state or federal law enforcement authorities or the Texas Attorney General. The dollar amount of fraud referred will be calculated and recorded in the referral report to law enforcement and the Fraud Program case management system.

Data Limitations: The dollar amount of fraud referred is limited to the total amount of fraud committed or attempted to be committed in conjunction with one scheme or continuing course of conduct for all parties involved in a case.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OC 1 Percent of Referred State Fire Marshal's Office Criminal Investigations Resulting in Enforcement/Legal Action

Short Definition: The "Percent of referred SFMO criminal investigations resulting in enforcement/legal action represents the percentage of referred criminal investigations that lead to an enforcement or a legal action.

Purpose/ Importance: To track the percent of the criminal investigations submitted by SFMO result in an enforcement or legal action.

Source/ Collection of Data: The source of the data is collected in official "fire investigation" and "supplemental" reports completed by field investigators. These reports are reviewed and verified through proper documentation by division supervisors, then entered and stored on the SFMO Case Management System. "Enforcement/legal action" includes the filing of a charging instrument (e.g., indictment or information) or other legal action (e.g., confinement, fines, community service, etc.) taken by the court system (federal, state, county, juvenile) during the criminal process. For this measure, a SFMO criminal investigation is initiated when, during a fire investigation (known as a "case"), evidence of criminal activity has been discovered. This could be arson, murder, criminal mischief or any other violation of Texas Criminal Laws. A "case" is initiated when a request for a fire investigation has been received and a "case number" has been assigned. A single case can include multiple criminal investigations.

Method of Calculation: The "Percent of referred SFMO criminal investigations resulting in enforcement/legal action represents the percentage of referred criminal investigations that lead to an enforcement or a legal action. This measure is calculated by dividing the total "Number of SFMO criminal investigations resulting in enforcement/legal action" during the current fiscal year (numerator), by the total "Number of criminal investigations referred for prosecution" reported in Strategy 4.1.1 OP 4 and the number of referrals in effect at the beginning of the fiscal year (denominator). At the end of each fiscal year, those cases which have been referred, that have not resulted in legal action will be carried over to the next fiscal year, with the exception of those cases that have been closed due to lack of action by the prosecuting agency.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OC 2 Percent of Registrations, Licenses, and Permits Issued, After Receipt of a Completed Application, Within 20 Days to Fire Alarm, Fire Extinguisher, Fire Sprinkler, and Fireworks Firms, Individuals, and Other Regulated Entities

Short Definition: Percent of Registrations, Licenses, and Permits Issued, After Receipt of a Completed Application, to Fire Alarm, Fire Extinguisher, Fire Sprinkler, and Fireworks Firms, Individuals and Other Regulated Entities.

Purpose/ Importance: To track efficiencies in the issuance of registrations, licenses and permits.

Source/ Collection of Data: Both initial and renewal certificates of registration, licenses, and permits are issued to firms, individuals, and other entities, upon request, after the applicant provides all the requirements of Articles 5.43-1, 5.43-2, and 5.43-3; of the Texas Insurance Code and The Occupations Code, Title 13, Subtitle D, Chapter 2154. The dates from receipt of a completed application, as determined by the date of the Texas Department of Insurance Division Cash Receipt Report for correspondence including fees or by the State Fire Marshal's Office "received" date stamp on correspondence without fees, to the issuance of the registration, license or permit, as signified by the date printed on the registration, license or permit, or the date fireworks permit booklets are picked up or mailed, are entered into a database located on the agency's computer network.

Method of Calculation: The percent is calculated as the number of registrations, licenses, and permits issued within 20 days or less divided by the total number of registrations, licenses, and permits issued within the reporting period.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 1 Number of Fire Prevention and Fire Safety Presentations Conducted

Short Definition: The sum of all presentations coordinated by the SFMO public education and information division that SFMO staff makes to external customer groups.

Purpose/ Importance: To track the number of presentations conducted by SFMO Fire Prevention and Outreach Services staff.

Source/ Collection of Data: The source of the data comes from the public presentation report forms, and the public education booth exhibition log. A presentation is any event where SFMO staff educates and/or informs external customers on ways to protect their lives and property from fire and fire-related hazards using one or more of the following methods of communication: speeches, training, exhibits, seminars, teleconferences, and/or TV, radio and print interviews. External customers include educational, business, religious and civic organizations; government agencies and legislators; fire service and law enforcement agencies; and individuals. The source of the data comes from the fire safety house weekly activity log. The sum of these presentations is calculated monthly in the SFMO monthly public education and information report.

Method of Calculation: The sum of all presentations coordinated by the SFMO public education and information division that SFMO staff makes to external customer groups.

Data Limitations: A presentation counts as "one" even though it may include more than one of the methods of communication listed above. A presentation also counts as "one" regardless of the number of staff involved; the number of days involved; or the number of times the presentation is given a the same event. However, if more than one SFMO staff appears at the same event, but makes presentations on different topics, each presentation is counted separately. The public presentation report forms are forwarded to the public education division upon completion by SFMO staff, and the Fire Prevention and Outreach Services Director maintains the public education booth exhibition log. The totals of all forms and all public education booth exhibitions with dates on or between the first and last day of the month are added. A fire safety house presentation is counted as one presentation for each group that goes through the fire safety house.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 2 Number of Fire Investigations Completed

Short Definition: This number represents the total number of fire investigations completed.

Purpose/ Importance: To track the number of fire investigations completed by the SFMO.

Source/ Collection of Data: The source of the data is collected in official "fire investigation" and "supplemental reports" and stored on the SFMO Case Management System. A fire investigation includes all cases investigated whether the cause is "arson (incendiary)", "accidental" or "undetermined". A "Case" is initiated when a request for a fire investigation has been received and a "Case Number" has been assigned. "Completed" refers to an "Accidental or Undetermined" case being closed. An arson (incendiary) case, which is considered a criminal investigation, is considered completed when referred for prosecution.

Method of Calculation: This number represents the total number of fire investigations completed. The total number of completed cases will be obtained by conducting a query utilizing the "date completed" field. A case is considered "closed" upon a supervisory review of the details of the case to determine if additional follow-up activity is necessary. If no additional activity is necessary, the supervisor signs and dates (completes) a "Supervisory Review Sheet" and closes the case. The date signed is considered the "closed date." The date the supervisor closes the case is entered into the "date completed" field in the case management system. The total number of completed cases will be obtained by conducting a query utilizing the "date completed" field.

Data Limitations: An arson (incendiary) case which has not been referred for prosecution but has been recommended closed by a field investigator, would be counted the same as the Accidental or Undetermined cases. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, juvenile, etc.) and document their activities in fire investigation reports or through supplemental reports. The fire investigation or supplemental reports are then forwarded to headquarters for supervisory review. If the supervisor determines no additional case preparation is needed, the supervisor completes a "Supervisory Review Sheet." For the purposes of calculating this measure, the date the supervisor signs and dates the "Supervisory Review Sheet" is the date the investigation is considered completed. This date is then entered into the "date completed" field in the case management system. Field investigators also "recommend" cases to be closed when they expect no further activity on a case.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 3 Number of Samples Analyzed in the Arson Lab

Short Definition: The total number of items (samples) analyzed as evidence by the Forensic Arson Laboratory in a month.

Purpose/ Importance: To track the number of samples submitted to the Arson Lab to be analyzed for the presence of accelerants.

Source/ Collection of Data: The data is stored in the laboratory database on the agency's computerized network. The final report is generated after the analysis is complete and the final results of a case submission are entered into the database. Each sample (item) from a submission is counted as a separate item; however, samples submitted together on a specific date will also share a common closed date. Please note that the laboratory may receive multiple additional submissions of evidentiary items days, or months later than the original submission date of the case. Items from an additional evidence (AE) submission are counted in the total for the month in which the AE is closed regardless of when the original submission occurred. Evidence samples are received from the agency's fire and arson investigators, and from other fire service and law enforcement agencies throughout the state.

Method of Calculation: The total number of items (samples) analyzed as evidence by the Forensic Arson Laboratory in a month. Calculation of this sample total is based on the "date closed" date, which is the date of the final report.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 4 Number of State Fire Marshal's Office Criminal Investigations Referred For Prosecution

Short Definition: This number represents the total number of SFMO criminal investigations referred to a prosecuting agency (Federal, State or Local) for legal action.

Purpose/ Importance: To track the number of SFMO criminal investigations that are referred to a prosecuting agency (Federal, State or Local) for legal action.

Source/ Collection of Data: The source of the data is collected in official "fire investigation" and "supplemental" reports completed by field investigators. For this measure, a SFMO criminal investigation is initiated when, during a fire investigation (known as a "case"), evidence of criminal activity has been discovered. This could be arson, murder, criminal mischief or any other violation of Texas Criminal Laws. A "case" is initiated when a request for a fire investigation has been received and a "case number" has been assigned. A single case can include multiple criminal investigations. The~~se~~ case reports are reviewed for accuracy by division supervisors, then entered and stored on the SFMO Case Management System. The total number of SFMO criminal investigations will be obtained by conducting a query utilizing the "date referred" field.

Method of Calculation: This number represents the total number of SFMO criminal investigations referred to a prosecuting agency (Federal, State or Local) for legal action.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 5 Number of Registrations, Licenses, and Permits Issued to Fire Alarm, Fire Extinguisher, Fire Sprinkler and Fireworks Firms, Individuals and Other Regulated Entities

Short Definition: Number of Registrations, Licenses, and Permits Issued to Fire Alarm, Fire Extinguisher, Fire Sprinkler and Fireworks Firms, Individuals and Other Regulated Entities.

Purpose/ Importance: To track the number of licenses issued to firms and individuals in the alarm, extinguisher, sprinkler and fireworks industries.

Source/ Collection of Data: Both initial and renewal certificates of registration, licenses, and permits are issued to firms, individuals, and other entities in accordance with Articles 5.43-1, 5.43-2, and 5.43-3~~,~~ of the Texas Insurance Code and The Occupations Code, Title 13, Subtitle D, Chapter 2154. The date of issuance or renewal, as signified by the date printed on the registration, license or permit or the date fireworks permit booklets are picked up or mailed, is recorded in a database located on the agency's computer network.

Method of Calculation: The number of each type of registration, license, and permit, issued or renewed, is totaled from the information in the database for the reporting period.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 6 Number of Licensing Investigations or Inspections Conducted

Short Definition: This is the number of licensing investigations or inspections conducted to determine possible violations by fire extinguisher, fire alarm, fire sprinkler, and fireworks firms and individuals regulated and licensed under Article 5.43-1, 5.43-2, and 5.43-3~~,~~ of the Texas Insurance Code and The Occupations Code, Title 13, Subtitle D, Chapter 2154.

Purpose/ Importance: To track the number of investigations of complaints and inspections of licensed entities.

Source/ Collection of Data: The date on the completed report is entered into a database on the agency's computerized network. Investigations/inspections are individually quantified by location and type of industry and assigned a specific case number. After the investigation/inspection is conducted the investigator files a report.

Method of Calculation: This is the number of licensing investigations or inspections conducted to determine possible violations by fire extinguisher, fire alarm, fire sprinkler, and fireworks firms and individuals regulated and licensed under Article 5.43-1, 5.43-2, and 5.43-3~~;~~ of the Texas Insurance Code and The Occupations Code, Title 13, Subtitle D, Chapter 2154. The number of licensing investigations and inspections is calculated from the sum of case numbers on the database for the reporting period.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 OP 7 Number of Buildings Inspected or Reinspected for Fire Safety Hazards

Short Definition: The number of buildings in which a physical survey of the structure is completed and recommendations for correction of hazardous conditions have been made, if noted, including all subsequent surveys for compliance with recommendations.

Purpose/ Importance: To track the number of buildings inspected, on an annual basis, for the protection of building occupants.

Source/ Collection of Data: The data is collected from reports submitted by the inspector and recorded in the agency database. A building is defined as an identifiable structure with fire or space separation containing its own exit facilities and includes inspections of retail service stations. An inspection is completed when the physical survey is conducted and documented on the inspection report. The date of inspection is recorded in the inspection report.

Method of Calculation: The number of buildings in which a physical survey of the structure is completed and recommendations for correction of hazardous conditions have been made, if noted, including all subsequent surveys for compliance with recommendations.

Data Limitations: N/A

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 EF 1 Average Cost per Fire Safety Inspection

Short Definition: The average cost per fire safety inspection is calculated by dividing the total number of inspections conducted by the total associated costs.

Purpose/ Importance: To track efficiencies of agency staff in conducting fire safety inspections.

Source/ Collection of Data: These costs are salary, longevity, professional fees, consumable supplies, postage, rent, telephone, utilities, travel, fuel and lubricants and other operating expenses as reported on the monthly DFAS report. The number of inspections is derived from data stored in the database system on TDI's computerized network.

Method of Calculation: The average cost per fire safety inspection is calculated by dividing the total number of inspections conducted by the total associated costs.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

4.1.1 EF 2 Average Time to Complete Fire Investigations

Short Definition: This number represents the average number of days from the date a fire investigation is initiated until the date the investigation is completed. After the investigator completes the fire scene examination, a case report is drafted and submitted to headquarters for supervisory review. The investigator will list in the investigation report the date of the investigation, which is then entered into the case management system under the "date of investigation" field. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, juvenile, etc.) and document their activities in fire investigation reports or through supplemental reports. The fire investigation or supplemental reports are then forwarded to headquarters for supervisory review. If the supervisor determines no additional case preparation is needed, the supervisor completes a "Supervisory Review Sheet".

Purpose/ Importance: To determine efficiencies of agency personnel in conducting fire investigations.

Source/ Collection of Data: The source of the data is collected in official "fire investigation" and "supplemental reports" reports and stored on the SFMO Case Management System. "The "average time to complete fire investigations" will be obtained by conducting a query utilizing the "date of investigation" field and the "date completed" field. This will give the date of investigation and completion date of each investigation completed within the reporting period.

Method of Calculation: The date of investigation will be subtracted from the completion date; the number of days will then be totaled, then divided by the total number of investigations completed. This will reveal the average time to complete a fire investigation. For the purposes of calculating this measure, the date the supervisor signs and dates the "Supervisory Review Sheet" is the date the investigation is considered completed. This date is then entered into the "date completed" field in the case management system. Field investigators also recommend cases be closed when they expect no further activity on a case. A case is considered "closed" upon a supervisory review of the details of the case to determine if additional follow-up activity is necessary. If no additional activity is necessary, the supervisor signs and dates (completes) a "Supervisory Review Sheet" and closes the case. The date signed is considered the "closed date." The date the supervisor closes the case is entered into the "date completed" field in the case management system.

Data Limitations: A fire investigation includes all cases investigated whether the cause is "arson (incendiary)", "accidental" or "undetermined". For the purposes of calculating this measure, a "Case" is considered initiated when a request for a fire investigation has been received, a "Case Number" has been issued and an investigator initiates an investigation of the fire. Completed" refers to an "Accidental or Undetermined" case being closed. "An Arson (incendiary) case, which is considered a criminal investigation, is considered completed when referred for prosecution. An arson (incendiary) case which has not been referred for prosecution but has been recommended closed by a field investigator, would be counted the same as the Accidental or Undetermined cases.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

4.1.1 EX 1 Percent of Fires Investigated by the Agency that Involve Insurance Claims

Short Definition: The number represents the percentage of fires investigated by the SFMO that involved insurance claims.

Purpose/ Importance: To determine the percentage of fires investigated by the SFMO that involve insurance claims.

Source/ Collection of Data: The data for this measure is collected from official agency reports on fires investigated by the agency and stored in the case management system on the agency's computerized network.

Method of Calculation: The percentage is calculated by dividing the number of fires in which insurance claims are involved by the total number of fires investigated in a given year, times 100.

Data Limitations: N/A

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

Texas Department of Insurance
Fiscal Years 2003-2007 Workforce Plan

Introduction

Overview

As specified in the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board *Instructions for Preparing and Submitting Agency Strategic Plans for Fiscal Years 2003-2007*, the Texas Department of Insurance (TDI) has conducted a strategic planning staffing analysis of its workforce. TDI's *FY 2003-2007 Workforce Plan* is the product of that analysis.

Workforce Planning at TDI

TDI recognizes the importance of workforce planning and uses analyses of its workforce to ensure the appropriateness of its staffing levels, workforce skills and workforce composition. In the past, these analyses generally have been targeted in scope and have not been formally linked to TDI's strategic planning process. Some of the workforce planning efforts previously undertaken by TDI include:

- comparing TDI staffing levels by function to those of other states' insurance departments
- gathering demographic data to further efforts to have a diverse workforce
- looking at turnover rates and identifying opportunities to retain qualified staff
- reviewing program vacancies for reallocation to other business areas
- reviewing exit interview information to determine reasons for separations, and
- reviewing potential retiree information to identify potential knowledge and experience deficiencies.

Methodology

To develop this workforce plan, TDI followed the planning guidelines issued by the State Auditor's Office (SAO). This process started with an assessment of the functional requirements identified through TDI's strategic planning and budgeting process. This assessment was conducted by a small team of human resource and planning professionals in consultation with TDI program areas.

Once the team had identified its strategic direction, it then gathered information about TDI's workforce and identified discrepancies between TDI's current work profile and its projected staffing needs. This "gap analysis" considered current and future staffing levels, demographics, employee skills, employment trends and program workload changes. Finally, the team developed strategies to mitigate potential staffing shortages and surpluses.

Report Components

TDI's Workforce Plan contains the following six sections:

- Agency Overview
- Current Workforce Profile
- Future Workforce Profile
- Gap Analysis
- Strategy Development, and
- Recommendation for Implementing Strategies.

Agency Overview

Introduction

TDI is headed by the Commissioner of Insurance. The Governor appoints the Commissioner for a two-year term, subject to Senate confirmation. The Commissioner regulates the Texas insurance industry by administering and enforcing the Texas Insurance Code and other applicable laws. The Commissioner also represents the state as a member of the National Association of Insurance Commissioners, which operates as a means for interstate coordination of regulation activity. TDI's regulatory authority is fully described in the Texas Insurance Code and its regulatory rules are contained within the Texas Administrative Code. Generally, TDI is charged with regulating the Texas insurance industry by:

- reviewing and processing certificates of authority and other filings from insurance companies and other related entities
- calculating reserves for companies transacting business in Texas
- enforcing laws related to fraudulent insurance acts
- enforcing solvency standards among insurers
- protecting Texas consumers
- promoting competition among Texas insurers
- reviewing certain policies and rates, and
- assisting in the prevention of fires and education on fire safety issues.

TDI's Organizational Structure

The functional organization chart shown in Appendix B of TDI's *FY 2003-2007 Agency Strategic Plan* demonstrates how TDI is organized to fulfill its regulatory charge. Currently, TDI has 1020.5 appropriated full-time equivalents (FTEs), with an operating budget of approximately $53.0 million in FY 2002 and $51.9 million in FY 2003. While the majority of TDI employees are located in Austin, there are 172 staff working in the field, including financial examiners, fire inspectors and investigators, title examiners windstorm inspectors and support staff. This allows the agency to better meet the statewide needs of consumers and industry representatives.

Agency Vision

TDI envisions a financially stable and responsive insurance industry that provides insurance at a reasonable cost to all consumers who need it.

Agency Mission

TDI regulates the Texas insurance industry firmly, fairly, effectively and efficiently.

- TDI supports a fair, efficient and productive industry dedicated to the long-term concept of insurance and its contributions to society.
- TDI works for the availability of quality insurance products for all Texans at reasonable prices and under reasonable terms and strives to protect consumers' insurance assets.
- TDI enforces solvency standards and promotes competition in the industry while protecting consumers from fraud, misrepresentation and unfair practices.
- TDI educates the public about insurance so that Texans can make informed choices, and TDI insists that the industry be responsive to its customers.
- TDI works to make Texas a place where industry will want to do business.
- TDI works to protect the lives and property of the citizens of Texas from fire and fire-related hazards.

Strategic Goals

TDI has identified six strategic plan goals in the *2003-3007 Agency Strategic Plan*. The four funded goals are:

- Goal 1: Encourage fair competition in the insurance industry
- Goal 2: Encourage the financial health of the insurance industry through monitoring and regulation
- Goal 3: Decrease insurance industry loss costs, and
- Goal 4: Reduce loss of life and property due to fire.

The two unfunded goals that are listed in the strategic plan are:

- Goal 5: Purchase from Historically Underutilized Businesses, and
- Goal 6: Value the Diversity of TDI's Workforce and the Contribution of Each Employee.

Strategic Goals and Objectives

Each of the above listed goals has objectives and strategies that help us meet the larger goals. The objectives and strategies are described in detail in TDI's *FY 2003-2007 Agency Strategic Plan*. The table below presents each strategic plan goal, the objectives associated with that goal, and the staffing levels (FTEs) TDI has been appropriated to support its goals.

Strategic Plan Goals		Objectives	FTEs
Goal 1	Encourage Fair Competition in the Insurance Industry	• Reduce impediments to competition and improve insurance availability • Reduce unfair and illegal practices	434.9
Goal 2	Encourage the Financial Health of the Insurance Industry through Monitoring and Regulation	Regulate insurance industry solvency in each fiscal year	217.9
Goal 3	Decrease Insurance Industry Loss Costs	Reduce losses by assuring that 88 percent of insurance companies provide adequate loss control services, that 40 percent windstorm inspections result in "approved" status, and that 55 percent of consumer and provider fraud referrals to other entities result in legal action by FY 2005	91.1
Goal 4	Reduce Loss of Life and Property Due to Fire	Protect the public against loss of life and property resulting from fire and related hazards by: increasing public awareness of fire safety and prevention, and enforcing statutes and rules relating to fire investigations, fire safety inspections, and fire protection and fireworks industries	80.0
Goal 5	Purchase from Historically Underutilized Businesses (Unfunded goal.)	To make a good faith effort to increase the utilization of historically underutilized businesses	0
Goal 6	Value the Diversity of TDI's Workforce and the Contribution of Each Employee (Unfunded goal.)	• Ensure that appropriate training is available for all employees • Recruit and retain a diverse workforce of qualified individuals • Create and maintain a supportive work environment for all employees	0
LAR Goal 5	Support Agency Operations Through Indirect Administration	• Central Administration • Information Resources • Other Support Services	196.6
Total			1020.5

TDI Business Functions

TDI's regulatory and administrative responsibilities can be categorized into the five broad functions described below.

Function	Explanation
Regulation	TDI is responsible for regulating the insurance industry. TDI's involvement begins at the moment of incorporation and continues throughout a company's entire life cycle. The regulatory function includes the following: • granting regulatory authority • reviewing rates and policies • monitoring for company solvency, and • taking action in those relatively few cases where an insurer is insolvent to mitigate the harm to the greatest extent possible.
Enforcement	The agency has authority to take administrative, civil and/or criminal action against companies, agents and other entities that break the state's insurance laws. TDI has the authority to enact rules for clarification, administration and proper implementation of insurance laws. Enactment of administrative rules can be used to curb or correct industry-wide deficiencies or improper practices.
Fire Prevention and Industry Regulation	The State Fire Marshal's Office function of TDI provides assistance to local governments and other entities to improve fire suppression and fire prevention capabilities.
Consumer Services	TDI assists consumers in a variety of ways, such as aiding in the resolution of complaints, responding to information requests and providing consumer education.
Agency Support	As with any agency, TDI has administrative functions to support its regulatory duties. Support operations include human resources, budget, accounting, planning, purchasing, building maintenance, copying, mail service, and acquiring, operating, and maintaining automated information systems.

Anticipated Changes in Environment

Through the strategic planning process, TDI has identified the following environmental factors that are likely to impact the agency's missions, strategies and goals.

- automation and access to the Internet
- federal and state legislative changes
- participation in NAIC initiatives
- changing economic conditions and their impact on the insurance industry and consumers
- availability and affordability of insurance coverage, and
- demographic changes.

Automation and Access to the Internet

Customers expect faster turnaround time with the expansion of Web and email services. It has also increased their access to information, making consumers more knowledgeable than ever. In response, TDI will continue to implement new automation and provide more efficient service. The agency will also continue to train staff so that they will be capable of answering more sophisticated questions.

TDI plans to implement automation technology that makes the agency more effective in responding to customers' regulatory needs, and that supports making the national regulatory process more uniform. Some recent initiatives to improve service and lower costs to customers through automation include:

- online renewals of agents' licenses through a TexasOnline pilot project
- installation of technology to scan, store, retrieve and manage documents in an electronic format
- enhancements to TDI's Web site, and
- adoption of automation-based processing initiatives as part of the Uniform Regulation Through Technology (URTT) program.

Federal and State Legislative Changes

While it is difficult to predict the scope of future legislative changes, TDI can anticipate that the following areas may be a focus in upcoming legislative sessions:

- uniformity in regulation among the states
- possible regulation of homeowner and automobile rates
- bi-national insurance
- windstorm oversight
- privacy in health and financial information, and
- electronic commerce and government.

Legislative changes may require reallocation of staff resources and where appropriate, may require additional FTEs.

Participation in NAIC Initiatives

The National Association Insurance Commissioners (NAIC) continues to address the need to coordinate regulation of multi-state insurers. TDI is committed to working with the NAIC to create and implement more uniform standards for insurance regulation, when appropriate. TDI continues to monitor activities at both the state and national level.

Changing Economic Conditions

Recent experience has demonstrated that TDI's workforce and workload are affected by changes in the overall economic environment. In a strong economy, turnover increases because of competition created by higher salaries in the private sector and greater demand for job-seeking employees. During times of slow growth, turnover will likely decrease but staff workload may increase due to a rise in consumer complaints regarding insurance rates and overall satisfaction.

Also, changing economic conditions may impact the insurance industry. Declining economic conditions would require greater vigilance on the part of TDI to monitor solvency of insurers. Incidents of consumer fraud may also rise along with those taking advantage of consumers looking for less expensive insurance rates.

Availability and Affordability of Insurance Coverage

In the first half of FY 2002, TDI's Consumer Protection program received 26 percent more complaints than the same time period in FY 2001. The influx of complaints was a consequence of several factors that simultaneously affected the insurance market, including claims resulting from tropical storm Allison, mold-related claims, rising homeowner and automobile rates, and complaints by health care providers regarding timely payment of covered claims. It is unusual for so many insurance issues to affect the market simultaneously. TDI expects that the number of complaints will stabilize over time.

If consumers continue to face difficulty in affording and finding coverage for health, auto, and homeowners insurance, it will impact various areas of TDI's operations. Consumer dissatisfaction will mean increased inquiries and complaints. TDI will also have to perform more educational efforts for consumers in order to keep them informed of changes to insurance products in the marketplace.

Demographic Changes

The United States 2000 Census showed continued population shifts to the South and the West and to large metropolitan and suburban areas.[1] Between 1990 and 2000 the population of Texas grew by almost 23 percent to a total of 20.85 million and the Austin/San Marcos area grew by 47.7 percent.

The Texas Comptroller of Public Accounts estimates that the population of Texas now approaches 21.7 million. Projections indicate that the 2003 population will rise to over 22 million and by 2007 will be close to 23.3 million.[2]

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[1] Population Change and Distribution, Census 2000 Brief, April 2001, U.S. Census Bureau.
[2] Texas and the U.S. Economic and Population Forecast, FY 1998-2007, Fall 2001 Forecast, Texas Comptroller of Public Accounts.

Demographic Changes, continued

Like the rest of the nation, the Texas population is aging. Between 2002 and 2007, the Texas population over 65 is expected to grow by more than 10.5 percent.

Changes in the size and composition of the population will affect the insurance industry, Texans' insurance needs, and, consequently, TDI. The demand for state services will increase as the population grows. Additionally, an aging population will likely mean greater need for health care and increased healthcare costs associated with elder care.

Current Workforce Profile

Overview

To meet its strategic plan goals, TDI relies on competent and knowledgeable staff. This section of TDI's *FY 2003-2007 Workforce Plan* describes TDI's current workforce, including its:

- demographic profile
- eligible retirees
- employer turnover
- projected attrition rates, and
- critical workforce skills.

Demographic Profile

TDI is committed to equal employment opportunity and strives to maintain a workforce that reflects the diversity of Texas. As of April 2002, TDI's workforce is comprised of 38 percent minority employees, and 57 percent of TDI's workforce is female. Of particular significance, minorities and females are well represented in TDI's management positions. Fifty-five percent of TDI's managers are minority or female. In reviewing the positions of Senior Associate Commissioner, Associate Commissioner and the State Fire Marshal, seven of these nine positions are minority and/or female.

Eligible Retirees

According, to a report on the State Classification Office Web site, *Agency Prosperity or Failure Depends on Workforce Planning,* the Texas workforce is aging, just as the national workforce is. According to Samuel M. Ehrenhalt, a senior fellow at the Rockefeller Institute of Government, "The aging workforce is one of the greatest problems the public sector faces today." The average age of TDI employees is 45, with an average of 9 years of state service. The US Census Bureau reports that the average age of the population in Texas is 32.3.

Eligible Retirees, continued

Given the tenure of the agency's workforce, TDI faces the potential for numerous retirements within the next five years. Twenty-four percent of TDI's total workforce and 32 percent of managers will be eligible for retirement within the next five years. This is significantly higher than the 10 percent eligible to retire in the next five years in Texas state government workforce as a whole, according to the Employees Retirement System.

TDI has experienced increased numbers of retirees over the past few fiscal years. Approximately 20 percent of eligible retirees have chosen to return to TDI after retirement, as allowed by state law. A recent change in the law removed a cap on the salary that can be paid to returning retirees and allowed them to work a full year instead of only nine months without suspension of annuity payments. In our estimation, these changes may encourage more eligible employees to retire and return to the workplace.

Most retirees who returned to TDI were managers or staff with highly specialized skills. If retirees were to choose not to return to TDI, the agency could face a severe loss of institutional knowledge and experience. Most importantly, TDI would lose valuable management experience.

Employee Turnover

The FY 2002 turnover rate is estimated at less than 10 percent, which is the lowest turnover rate since 1996. As shown in the table below, TDI's turnover rates have been lower than those of other state agencies.

	FY 1999	**FY 2000**	**FY 2001**
TDI	16.21%	16.20%	14.49%
Texas State Agencies	17.58%	18.93%	17.60%

The decline in employee turnover can be attributed to several factors.

During this period TDI undertook initiatives to reduce turnover rates and retain qualified staff. Among these initiatives were:

- management training
- employee and manager roundtables
- careful management of limited budget funds to equitably distribute salary increases
- continued Reality Check meetings, and
- continued participation in the Employee Assistance Program.

Employee Turnover, continued

The cooling labor market also has had an impact on turnover. The "dot.com" bust and layoffs in the Austin labor market have resulted in rising unemployment rates since 2000. The Austin/San Marcos unemployment rate nearly doubled from March 2001 to March 2002, increasing from 2.7 percent to 5.2 percent. This in turn has contributed to lower turnover rates because employees have fewer employment opportunities and less confidence in the local job market.

Another factor affecting turnover rates is employees' levels of satisfaction with their workplace. Each biennium, TDI participates in the University of Texas, School of Social Work*, Survey of Organizational Excellence*. TDI employees respond to questions about their satisfaction on five workplace dimensions. Employees continue to report increased levels of satisfaction with the agency. In FY 2002, employees showed increased levels of satisfaction in almost all areas about which they were surveyed. Areas where employees reported the greatest increases in satisfaction were with empowerment, supervisory effectiveness, fairness in the workplace, and a reduced sense of burnout. When compared to other agencies of any size, TDI scored above average on all workplace dimensions. Employee satisfaction has helped keep TDI's turnover rates lower than those of other state agencies.

Positions with High Turnover Rates

Despite the high levels of satisfaction, certain TDI positions experienced turnover rates greater than 15 percent within the past three years. More recently, turnover rates for some of these positions declined dramatically.

Even though turnover rates have declined, some positions remain difficult to fill once vacant. Therefore, given past experience, retention and recruitment of the following positions remains a cause for concern:

- actuaries
- attorneys
- information technology staff
- financial examiners
- fraud investigators
- engineers, and
- budget analysts.

For employees with these specialized skills, salary and perceptions of fair pay directly impact turnover rates. According to the results of the *Survey of Organizational Excellence*, employees ratings on fair pay declined in FY 2002 and fair pay was the only service area where employees were more dissatisfied than satisfied.

Actuaries

Actuaries are highly specialized employees who play an important role in TDI's regulatory functions. Management reported that it is very difficult to fill vacant actuarial positions due to the competitive salaries in the private sector. Historically, turnover for this group has also been an issue. As staff gain experience and earn professional designations, they are often recruited into better paying jobs in the private sector. Fortunately, turnover in this area has experienced a downward trend from 29 percent in 1999 to 6 percent in 2001. This is in part due to the 77^{th} Legislature approving the creation of a new actuarial classification, Actuary VI, pay group B21. This new classification should assist in recruiting and retention for these positions.

Attorneys

Turnover rates for attorneys in FY 1999, FY 2000 and FY 2001 were 25 percent, 24 percent and 29 percent respectively. Unlike other TDI employment categories, turnover for attorneys did not decline in FY 2001. Only one attorney has left TDI in FY 2002, possibly because of the slowing economy and lay-offs that have occurred in law firms. The reduction in turnover in attorney positions is consistent with the agency-wide drop in turnover.

TDI attorneys on average continue to make less than their counterparts in the private sector. According to a June 2001 article in the Texas Lawyer, the average 2001 salary for first-year associates in the Austin/San Antonio area was $75,000 and in Texas the average salary was $81,776. TDI’s average salary for attorneys in FY 2001 was $51,216. Due to budget limitations, TDI is usually unable to post attorney positions at the upper end of the range for their classification series. Once an attorney has gained valuable experience at TDI, that attorney is immediately more marketable in the private sector, so the agency's investment in training and guiding a new attorney is often lost.

Information Technology Staff

Information technology (IT) staff reported high turnover rates during FY 1999 and FY 2000. For example, turnover rates for programmer analysts positions were 40 percent in FY 1999 and 20 percent in FY 2000. Recognizing a need to recruit and retain information technology staff, TDI has addressed salary issues, implemented formal and informal succession planning and developed personalized training for staff. Since implementing these retention strategies, TDI’s turnover rates for programmers dropped to nine percent in FY 2001, and is projected to remain at that level in FY 2002. With several private sector and state competitors in the area, TDI will continue to focus on finding ways to retain qualified IT staff, including those eligible for retirement. However, with the “dot.com” slowdown, we do not expect turnover to rise to the levels of FY 1999 and FY 2000.

Financial Examiners

As for other specialized staff, the turnover rate for financial examiners was the highest during the economic boom, with 22 percent turnover during FY 2000. Insurance companies offer financial examiners higher salaries, thereby making it difficult for TDI to recruit and retain experienced financial examiners. However, turnover for financial examiners declined in FY 2001 to 11 percent. This was due in part to efforts by TDI to address concerns regarding financial examiner salary levels utilizing available funds. TDI, along with other state agencies, brought the issue of financial examiner salaries to the attention of the Legislature during the 77th session. The Legislature appropriated TDI and these other agencies funds for targeted salary increases for the financial examiner classification series. TDI implemented the appropriate salary increase for all employees classified as financial examiners as of September 1, 2001. The turnover rate for financial examiners is projected to be 13 percent in FY 2002.

Fraud Investigators

Turnover among fraud investigators continues to be higher than other job classifications within TDI. The FY 2001 turnover rate, based on an average of 15 fraud investigators, was 102 percent. This was a dramatic increase from the FY 1999 and FY 2000 turnover rates, which were 14 percent and 13 percent respectively. In part due to efforts of HR and TDI executive management to address fraud investigator turnover, the rate is projected to decline to 50 percent in FY 2002.

Because Fraud employs commissioned peace officers, the program has special staffing needs that affect recruitment and turnover. Additionally, insurance investigation differs from typical law enforcement duties in that it is “white collar” in nature and requires office work rather than field work. HR worked with the Fraud Unit to develop topics that Fraud managers can use in job interviews to fully and accurately describe the duties of the position. This has helped to attract candidates whose skills are more appropriate for the duties of an insurance fraud investigator.

HR has met with Fraud management to discuss this increase in turnover and information received during exit interviews indicating some dissatisfaction among separating employees. Fraud management has taken steps to address the turnover situation and resolve issues raised by exiting employees. TDI remains optimistic that this area’s turnover will continue to decline.

Budget Analysts

One group of TDI's Financial Services staff, budget analysts, experienced 92 percent turnover in FY 2000, compared to 50 percent in FY 1999. While this figure represents turnover of only 6 FTEs, it still creates a serious challenge for TDI's Administrative Services program due to the lack of tenured budget staff. There was no turnover in FY 2001, and there has not been any thus far in FY 2002, but retention remains a concern since it is difficult to find qualified budget analysts to fill the vacant positions. TDI competes with other state agencies to find knowledgeable budget analysts with state government experience. The State of Texas has discussed developing an academy for financial management professionals to help address the demand for qualified staff in this area. TDI's budget director participated in the initial class held during spring 2002.

Engineers

TDI has had difficulty recruiting engineers because they are paid significantly more in the private sector.

One of TDI's primary functions for engineers is in the Inspections division of TDI's Property and Casualty program area. These engineers play an especially important role in performing oversight audits of private engineers, who are appointed by TDI to inspect structures along the coast and to certify their compliance with the applicable code for wind resistant construction. This certification is necessary for a structure to qualify for the wind and hail insurance coverage made available by the state through the Texas Windstorm Insurance Association (TWIA). It is vital for TDI to be able to recruit and retain these engineers because at a certain level, claims against TWIA are backed by the State's general revenue fund.

In addition, the State Fire Marshal's Office was unable to fill an engineer position during FY 2001 because of the salary level, despite various attempts to advertise and recruit for the position.

Projected Attrition Rates

Changes in TDI turnover follow changes in the area's economy. In a growing economy, agency turnover rates tend to increase as demand for qualified workers rises. With the current slower economy, lower and more stable turnover can be expected, compared to the previous three fiscal years. While the economy is projected to undergo modest growth, turnover rates in the near term would not be expected to experience the significant increases seen in a "hot" job market.

Projected Attrition Rates, continued

In the next few years, the most significant staffing issue facing TDI is the retirement of key staff. As stated above, nearly one-fourth of TDI's workforce and one-third of managers will be eligible for retirement within the next five years. This exposes TDI to a significant loss of experience and institutional knowledge. So far, TDI has benefited from qualified retirees choosing to return to TDI's workforce.

If economic conditions remain similar to current levels, TDI might expect turnover to be about 10 percent. Assuming there is normal attrition and that all eligible retirees choose to retire, turnover would be approximately 15 percent. However, it seems unlikely that all eligible employees would choose to leave TDI. Therefore, TDI projects turnover within the range of 10 to 15 percent, with 12 percent a likely outcome.

Most importantly, employees responding to the UT survey were asked if they saw themselves working for TDI in the next two years and eighty-seven percent said they did, which was higher than average when compared to employees at other state agencies.

Critical Workforce Skills

The Equal Opportunity Employment Commission (EEOC) has established categories for workforce groups, including:

- Officials and Administrators
- Professionals
- Technicians
- Para-professionals, and
- Administrative Support.

Approximately three-fourths of TDI's workforce is classified as either officials/administrators or professionals. TDI positions included in these categories are listed on the table below.

Official/Administrator	Professional	
• Actuaries	• Actuaries	• Investigators
• Financial examiners	• Financial examiners	• Inspectors
• Executive staff	• Auditors	• Nurses
• Managers/Directors	• Attorneys	• Program specialists
	• Insurance specialist	• Program administrators
	• Engineers	• System analysts

Critical Workforce Skills, continued

TDI relies on a skilled workforce of administrators, who set broad policies, direct individual departments and supervise the agency's operations. The agency also employs professionals, defined by EEOC as individuals with specialized and theoretical knowledge usually acquired through college training or work experience.

TDI's Career Advancement Planning System (CAPS), developed by TDI's HR division, identifies the following skill requirements for TDI employees working in these areas. These competencies enable staff to effectively perform key business functions and are critical to TDI's mission.

- Effective oral and written communication
- Ability to explain complex technical material to consumers
- Ability to analyze and solve problems
- Time management
- Leadership and coaching skills
- Negotiation strategies and techniques
- Conduct investigations
- Interpreting and enforcing statutes and policies
- Actuarial expertise
- Computer literacy

Future Workforce Profile

Introduction

To determine TDI's future requirements, the project team interviewed TDI's Senior Associate Commissioners, Associate Commissioners, and the State Fire Marshal. TDI management identified the following key environmental factors affecting TDI operations:

- automation and access to the Internet
- federal and state legislative changes
- participation in NAIC initiatives
- changing economic conditions and impact on insurance industry and consumers
- availability and affordability of insurance coverage, and
- demographic changes.

Introduction, continued

Additionally, the Workforce Planning Guide, prepared by the State Auditor's Office, notes that within the next decade the State of Texas can expect to see the following workforce changes:

- an older and more diverse workforce
- a shift toward higher-skilled jobs
- increased competition for talent
- workers changing values and expectations
- an increasing number of employees retiring, and
- an increasing demand for government services due to population growth.

Workforce Trends

According to *Agency Prosperity or Failure Depends on Workforce Planning*, a report on the State Classification Office Web site, the state's workforce is becoming increasingly diverse and "by 2008, Texas will be less than half Anglo." As the populations changes, TDI will continue to seek ways to ensure that its workforce reflects the diversity of the Texas labor market.

The percentage of minority employees at TDI increased from 35 percent in March 2000 to 38 percent as of May 2002. Over the same period, the percentage of Hispanic employees increased from 20 percent to 22 percent.

In the April 2002 issue of its newsletter, the Texas Labor Market Review, the Texas Workforce Commission described recent changes in trends relating to women's participation in the workforce. After steadily increasing participation, by 1998 women comprised nearly half of the labor force, according to the US Bureau of Labor Statistics. At that point, women's participation rates began to level off. The Texas Labor Market Review article suggested that an explanation may be that a participation rate threshold had been reached, possibly due to child-rearing responsibilities or the ability of a family to survive on a single income during times of economic expansion.

In Texas, the participation rate of women in the workforce actually fell by 0.9 percent from 1999 to 2000, following a period of increasing average weekly wages. The US Census Bureau also noted a decline in the percentage of working mothers with infant children, from 59 percent in 1998 to 55 percent in 2000. In contrast, the percentage of women in TDI's workforce has increased from 55 percent in March 2000 to 57 percent currently.

Workforce Trends, continued

In the current and near-term economy, with lower growth, it is difficult to predict the impact on the percentage of women in the overall workforce. Even if the percentage declines in the overall Texas workforce, TDI does not anticipate decreases in the percentage of women working in the agency.

Job growth in insurance-related fields may mean increased competition for TDI in finding applicants for insurance-related positions. The table below shows jobs that are predicted to experience significant growth in the region from 1998 to 2008. The percentage growth is based on predicted annual average job openings.[3]

Job Category	Growth in Job Market
Insurance Policy Processing Clerks	100%
Insurance Adjusters/Examiners/ Investigators	100%
Computer Support Specialists	60%
Insurance Claim Clerks	50%
Human Resource Specialists	40%
Financial Specialists	33%

Critical Functions

Programs identified the critical functions that must be performed to achieve the strategic plan goals and objectives. They are as follows:

- Regulation – In the next few years there will be an increased demand on TDI to monitor company solvency. It is also possible that TDI will gain additional or altered responsibilities in the area of rate regulation and that TDI will be responsible for implementing efforts to increase uniformity in state insurance regulation.
- Consumer assistance – Consumer complaints and inquires are increasing and customer questions are more sophisticated, which makes this function ever more important to TDI customers.
- Enforcement – The downturn in the economy often results in increased malfeasance. TDI has the authority to take administrative, civil and/or criminal action against companies, agents and other entities that break the state's insurance laws.
- Fire prevention and industry regulation – TDI provides fire safety inspections, outreach and arson investigations to communities across the state.

[3] The Texas Workforce Commission Web site at http://www.twc.state.tx.us/lmi/lfs/type/projections/projectionshome.html.

Anticipated Increase/ Decrease in Number of Employees Needed

Population growth, customer demands and possible legislative changes may lead to increased or different workloads for TDI staff. To meet increased or different demands, without increasing the number of FTEs, TDI will have to develop efficiencies through automation and process improvement initiatives. In addition, TDI will continue to review its staffing allocation to make sure that staff resources are allocated efficiently.

TDI's strategic planning process allows us to assess current and future performance on TDI's key functions. TDI monitors its performance measures to determine if its workload is changing and whether the agency needs to reallocate staff to meet the demand for services.

Future Workforce Skills Needed

TDI management reported that analytical/problem-solving skills are essential to perform TDI's critical functions and that they anticipate a need for higher skilled staff. In general, TDI has found that it can train staff to be knowledgeable about technical insurance matters as long as they have good problem-solving skills and are receptive to learning. In 1995, TDI hired a technical insurance trainer to develop a training program focused on what was seen as the most critical training need at that time, property and casualty insurance. In FY 2001, technical insurance training was expanded to include life and health insurance. In addition, the Life, Health and Licensing program hired a trainer to assist with training for Life/Health division staff.

Computer skills are also critical in the modern workplace. Staff at all levels must be comfortable using computers. With the passage of the Uniform Electronic Transactions Act and other laws that promote electronic government, computers and the Internet have transformed agency processes. Staff with Web design and database design skills will be critical to TDI, as more information is collected and maintained electronically.

Other skills that will be important to target in TDI's recruitment plan and that are critical to its primary regulatory functions include engineering, actuarial science, and accounting. Staff with these skills are in high demand in the private sector. Moreover, these skills typically require formal training in a full-time university setting and they cannot be adequately learned through on-the-job training.

Future Workforce Skills Needed, continued

Finally, management identified a need for more bilingual (English and Spanish) staff. Texas has seen an increase in its Hispanic population and with that more consumers and industry professionals speak Spanish as their primary language. Additionally, the 77th Legislature passed laws authorizing a formal study of bi-national health care issues. Potentially, such legislation could result in TDI reviewing Spanish language insurance forms and/or working with Mexican insurance officials and consumers.

Staffing Needs

TDI anticipates a continued need for staff in the following areas. In addition to the above-mentioned skills the follow competencies will be essential.

Professional Positions/Designations	Competencies/Skills
• Attorneys • Actuaries • Accountants • Examiners • Management • Investigators • Database administrators and Web development staff	• Change management • Process analysis • Collaboration • Negotiation and facilitation • Project management • Performance management • Strategic planning

Gap Analysis

Anticipated Surplus or Shortage of Employees

After analyzing the workforce information, TDI has determined that there are three main gaps between the agency's current workforce and the demand for future workforce skills. They are:

- large number of retirees
- certain TDI positions are extremely difficult to fill, and
- high turnover in certain positions.

Each of these staffing shortages are explained in further detail below.

TDI is operating at an efficient staffing level at this time and does not anticipate staffing surpluses. TDI's business planning process creates a formal ongoing process for programs to examine opportunities for performing business operations more efficiently. Program business plan projects assess program strengths and weaknesses, identify opportunities for improvement and suggest technology and process improvements that result in program improvements. As efficiencies in operations are gained, programs will review workload and staffing for opportunities to reallocate staffing surpluses, if any, to a more efficient organizational structure.

Large Number of Retirees

HR tracks the number of TDI employees nearing retirement eligibility. Approximately 17 percent of the agency's current employees will be eligible for retirement within the next three years. Within the next five years, nearly one-fourth of TDI's current workforce and one-third of its managers will be eligible for retirement. In FY 2002, TDI lost or may lose to retirement the Chief of Staff, the Public Information Office director, the State Fire Marshal, the Associate Commissioner of Insurance Fraud, and key Life, Health and Licensing staff. Retirement of key staff creates the potential for loss of experience and institutional knowledge and is the most significant staffing issue facing TDI.

Of the staff eligible for retirement in the next five years, many are managers or individuals with highly specialized skills in the following positions:

- Senior Associate Commissioner of Financial
- Chief Financial Officer
- Information Resource Manager
- Internal Audit Director
- Staff Services Director, and
- several key positions in the Life Health and Licensing, Financial, Legal and Compliance and Property and Casualty programs.

Given the high percentage of potential retirees, TDI must take steps to ensure that the agency is prepared for these potential separations, vital knowledge is not lost when those employees retire, and that a smooth transition is assured. These steps are outlined in the Strategy Development section of this plan.

A number of recent retirees with key expertise have chosen to return to TDI to continue working in their respective programs. This has mitigated the potential loss of their significant experience. However, TDI cannot rely on this continued good fortune in the future. HR recommends that programs begin developing succession plans in order to ensure minimal disruption to program operations in the event of separation by managers or other key staff.

While the retirement of TDI managers will create a staffing void in certain areas of the agency, it will also create an opportunity to assess resource allocation. TDI recognizes the value of reviewing staffing and workloads and programs will consider opportunities to improve resource allocations as they develop their succession plans.

High Turnover in Certain Positions

As discussed in the Current Workforce section of this plan, certain TDI positions experienced turnover rates greater than 15 percent within the past three years.

TDI's gap analysis identified the following effects of employee turnover:

- the loss of experienced staff
- instability of program areas
- morale issues among remaining staff
- costs of hiring replacements
- costs of training the replacements
- reduction in productivity while the new staff members are on the "learning curve," and
- reduction in productivity by departing employees during their "lame duck" periods.

TDI's plan to lessen the effects of turnover is outlined in the Strategy Development section.

Salary levels remain a continuing concern to TDI employees, and salary increases through merit raises and promotions to eligible qualified employees should remain an important retention strategy. Unfortunately, TDI cannot merely budget additional funds for salaries, so the agency will have to seek creative ways to retain staff and manage employee turnover.

TDI programs have worked with the HR division to retain qualified employees. Some successful strategies have included:

- flexible work schedules
- mandatory management training
- employee and manager roundtables to facilitate discussions of workplace issues
- participation in the Employee Assistance Program
- TDI's Wellness Committee to promote emotional and physical well-being, and
- TDI's Reality Check meetings to empower employees and improve communication.

Certain TDI Positions are Difficult to Fill

In conjunction with finding solutions for employee turnover, TDI must seek creative ways to recruit employees for hard-to-fill positions. Recruitment efforts should address the entire pool of potential applicants from the private sector, the insurance industry, information technology companies, law firms, law enforcement organizations, staff in other state agencies, and universities. State employment has many advantages to offer to potential applicants, and TDI must find ways to communicate these advantages to potential hires. Positions that have been difficult to fill include:

- actuaries
- financial examiners
- budget analysts, and
- engineers.

Anticipated Surplus or Shortage of Skills

HR conducted a needs assessment in the summer of 2001 to determine which skills were priorities for TDI employees. Several methods were used to collect information including a needs assessment survey, focus groups made up of employees from particular classifications, and input from training liaisons.

TDI staff rated those skills that they use the most and the skills that they would like to improve. The difference between the two represents a skill shortage. The findings, contained in the table below, are sorted by whether the employee serves in a management or non-management capacity.

The survey process did not identify any areas of skill surpluses.

Anticipated Skill Shortages	
Management	**Non-Management**
Setting priorities, organizing and managing time	Setting priorities, organizing and managing time
Interpersonal skills/communication	Customer service
Coaching/developing staff	Interpersonal skills/communication
Managing productivity	Team building/teamwork
Decision making	Decision making
Leadership	File management/organization

Strategy Development

Overview

In order to address many of the deficits between the current workforce and future demands, TDI has developed several goals for the current workforce plan. These are based on a range of factors identified through analyzing the agency and its workforce. TDI's future workforce requirements can be grouped according to following key goals intended to address workforce needs:

I. Implement succession planning
II. Review allocation of agency resources
III. Develop and use recruitment plans, and
IV. Establish an effective agency retention program.

Each of these workforce goals the strategies are described in detail below.

I. Implement Succession Planning

Gap	Large number of retirees
Goal	Implement succession planning to assure that vital knowledge is not lost when key employees retire.
Rationale	A large number of retirees could result in loss of institutional knowledge. An organization should plan for the retirement of personnel, and knowledge should be shared among remaining employees. Succession planning ensures that knowledge of policies and procedures is not lost with the separation of key employees. The gap analysis in this workforce plan identified areas in TDI where attrition will have the greatest impact, which is in management and upper level technical positions. Succession plans that document policies and procedures and plan for training of the less experienced staff will help assure a smooth transition as retirees leave the workforce.
Current Activities	TDI has already implemented succession planning strategies to minimize the impact on the agency when tenured staff retire. Current succession planning activities are described below. TDI has developed internal procedure manuals for documentation of standard operational procedures to be used in cross-training and succession planning. This helps retain institutional knowledge and helps prepare staff for shifts in workload due to staff attrition. Additionally, TDI has implemented a comprehensive training program to educate current and future managers about employment laws and to prepare them to be more effective leaders. TDI identified potential internal candidates for management positions.

Future Action Needed	• Identify eligible retirees. HR will closely monitor positions nearing retirement. • Review job functions and identify staff for cross-training. • Continuously assess training needs for identified positions. • Identify training needs for less experienced staff. • Work with programs to prepare succession plans as part of the agency's overall workforce planning strategy. HR's Professional Development section will provide guidance to program areas on succession planning and assist in establishing specific training for developing needed skills. • Survey programs as to whether they have documented policies and internal operating procedures. • Develop internal operating procedures as needed.

II. Review Allocation of Agency Resources

Gap	Large number of retirees
Goal	Review allocation of agency resources.
Rationale	Because of the large number of eligible retirees, TDI will experience significant changes to its workforce. TDI plans to use this period of transition as an opportunity to evaluate staffing allocations and consider opportunities for improvements. TDI recognizes the value of reviewing staffing and workloads and has asked programs to consider opportunities to improve resource allocations as they develop their succession plans.
Current Activities	When appropriate, programs have taken advantage of opportunities to reallocate FTEs to create new efficiencies.
Future Action Needed	• Identify eligible retirees in management. • Review job function of business areas. • Assess opportunities for reallocating staff. • Involve retirees as well as affected staff in workload and organizational assessments. • Evaluate vacant positions with respect to agency's performance measures.

III. Develop and Use Recruitment Plans

Gap	Certain TDI positions are extremely difficult to fill
Goal	Develop and use recruitment plans to assure that vacancies for critical functions are filled in a timely fashion.
Rationale	TDI programs have had difficulty hiring for certain positions. Filling these positions can be difficult because qualified staff can do similar work in the private sector, and the private sector offers a higher salary level. Developing recruitment plans helps programs identify strategies for attracting qualified applicants for hard-to-fill positions. By planning for recruitment before a vacancy occurs, the agency is ready to fill a position as soon as it becomes vacant.

Current Activities	TDI's HR division has prepared an agency Recruitment Plan to recruit and hire qualified employees from all diverse backgrounds of the Texas labor market and to attain a workforce, which recognizes the diversity of the state. The Recruitment Plan encourages equal employment opportunity in recruiting, selecting and hiring individuals. The Recruitment Plan promotes identifying and recruiting a more qualified and diverse workforce to meet the needs of the agency. The Recruitment Plan will enhance coordination of agency recruitment activities and the development of partnerships with agency personnel to recruit and hire highly qualified individuals. An example of a successful recruitment strategy was the Property & Casualty program's recruitment of actuaries. By working with a professional recruitment organization, the program was able to successfully fill several actuarial positions. Salary increases are important to recruitment. Private sector jobs for specialized skills have much higher salaries, making it hard to attract experienced professionals. TDI is now more able to recruit for senior actuaries due to the 77th Legislature approving the creation of a new actuarial classification, Actuary VI, pay group B21. Legal and Compliance has been successful recruiting attorneys to TDI because many skilled workers are attracted to state government and because it offers other benefits that make it "family friendly." Also, TDI offers legal experience in the field of expertise that is generally not available in other state agencies. Another effective strategy has been to recruit individuals who have retired from the private sector or other state agencies. TDI has found applicants who are starting their second career as a viable recruitment source. This type of strategy for filling positions has saved training time and dollars.
Future Action Needed	HR will work with programs to develop recruitment plans, including identifying: • critical positions • sources for recruitment • features of state employment and the TDI workplace that attract candidates, and • budget opportunities to attract senior level employees.

IV. Establish an Effective Agency Retention Program

Gap	High turnover in certain positions
Goal	Establish an effective agency program to retain competent employees.
Rationale	Goal 6 of the strategic plan is to value the diversity of TDI's workforce and the contributions of each employee. TDI employees report high levels of satisfaction with their work environment. Still, certain TDI programs continue to struggle with employee retention.

<table>
<tr>
<td>Current Activities</td>
<td>
The strategic plan objectives that support Goal 6 are to:

ensure that appropriate training is available for all employees
recruit and retain a diverse workforce of qualified individuals, and
create and maintain a supportive work environment for all employees.

To meet these objectives, TDI has a comprehensive retention program to address employee satisfaction and help retain qualified staff. Components of this program are as follows.

Training. A well trained and educated workforce is TDI's greatest asset, and HR believes that this agency should continue to make every effort to invest in that asset. In order to promote this idea, TDI offers tuition reimbursement for eligible employees as well as education leave when appropriate. Although travel and budget restrictions limit TDI’s ability to send employees to external training, especially courses outside the Austin area there is a wide variety of training available at little or no cost offered through Professional Development. These courses can be an effective method of rewarding and motivating employees.
The Employee Assistance Program (EAP). The EAP is a confidential service provided to employees to offer counseling for emotional, financial, and other personal issues that may be encountered in the workplace or in an employee's personal life. This service is offered free to employees and may be utilized for up to five visits for each issue per year.
Benefits. The State of Texas has traditionally been a leader in providing attractive and comprehensive benefits programs to its employees. However, in recent years, the private sector has begun to catch up with and, in many cases, surpass the state in benefits packages.
Merit/Salary Increases. TDI management must continue to evenly distribute merit salary increases to qualified employees. HR has encouraged programs to plan out potential merit salary actions as part of their budget planning process and to periodically review their merit and promotion actions to ensure that deserving employees are being rewarded when possible.
Survey of Organizational Excellence. TDI participates in the University of Texas Survey of Organizational Excellence and shares findings with management. TDI uses this information to identify opportunities for improving employee satisfaction in the workplace.
Review of Employee Exit Interviews. In addition to completing the required SAO interview TDI asks employees to complete an internal exit interview form. Upon completion of the exit interview document, separating employees are encouraged to meet with a designated HR staff member to discuss their comments. This information is used to continually improve program operations.

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Current Activities, continued	• **Other Program Retention Strategies.** Other program retention strategies used by TDI have included creating career development programs, establishing flexible work schedules and using the 35/5 workplace strategy to reduce employee burnout. • **Management Training.** Some TDI employees have reported in their exit interviews that they left TDI due to concerns about their management. We have designed training to help managers be more effective in dealing with employees.
Future Action Needed	• Continue to assess employee satisfaction and address areas where satisfaction is lowest. • Continue to use effective retention strategies. • Research opportunities for flexible work arrangements including allowing staff to telecommute from their homes. • Identify appropriate retention strategies.

Recommendation for Implementing Strategies

Recommendation for Implementing Strategies

SAO recommends that agencies consider delegating workforce planning within the agency, and TDI will implement this by asking programs to prepare program-level workforce plans. This gives managers the flexibility to target issues pertinent to their work areas and impact those strategic planning outcomes for which they are responsible.

TDI's business planning process provides an appropriate structure for developing and tracking progress on program level workforce plans. Once programs have prepared their workforce plans, TDI will then compile individual workforce plans into its agency workforce plan.

Survey of Organizational Excellence

The University of Texas completed a confidential Survey of Organizational Excellence at the Texas Department of Insurance in November 2001. The purpose of the survey was for employees to express their individual viewpoints about the strengths and weaknesses of TDI. The survey rated TDI on twenty "core constructs" grouped into five workplace dimensions. The constructs are scored on a 500-point system. A score at or below 300 in an area indicates an opportunity for growth. A score above 300 means the construct is viewed more positively by employees. Some areas of strength for TDI include quality principles, strategic orientation, the flow of external information, physical environment and job satisfaction. The results from this year's survey indicated that overall, TDI employees have relatively high satisfaction.

TDI scored higher than dimension benchmarks scores for all survey respondents and similarly sized agencies. The TDI employee survey response was the highest of agencies in the same size category. The overall response rate for TDI was 71 percent up from a 61 percent response rate in the 1999-2000 survey. Overall, scores have continually improved since 1994 when the survey was first administered at TDI.

Detailed results of TDI's surveys for FY 1994-2002 are shown in tables on the following pages.

Comparison of Survey Results

Comparing the results of the 1994-2002 Surveys of Organizational Excellence, a positive trend is easily identifiable.

CONSTRUCT	1994	1996	1998	2000	2002
Supervisor Effectiveness	256	281	290	298	349
Fairness	291	300	306	318	371
Team Effectiveness	278	301	321	327	351
Job Satisfaction	301	331	340	350	374
Diversity	298	312	319	325	364
Fair Pay	294	301	301	286	258
Adequacy of Physical Environment	324	333	353	360	380
Benefits	363	367	373	366	374
Employment Development	304	331	335	343	371
Change Oriented	308	331	335	334	354
Goal Oriented	307	334	348	349	371
Consistency (Holographic)	277	303	319	323	358
Strategic Orientation	360	384	399	404	389
Quality	337	359	373	375	393
Internal Communication	na	302	320	330	341
Availability of Information	270	308	321	333	373
External Communication	326	347	365	375	380
Time and Stress Management	330	361	363	371	372
Burnout	290	310	328	331	373
Empowerment	255	285	299	309	364

Summary of Survey by Category
TDI 2002

Work Group		Organizational Features	
Supervisor Effectiveness	349	Change Oriented	354
Fairness	371	Goal Oriented	371
Team Effectiveness	351	Consistency (Holographic)	358
Diversity	364	Strategic Orientation	389
		Quality	393

Personal		Communication	
Job Satisfaction	374	Internal Communication	341
Time and Stress Management	372	Availability of Information	373
Burnout	373	External Communication	380
Empowerment	364		

Accommodations	
Fair Pay	258
Physical Environment	380
Benefits	374
Employment Development	371

Utilization Plan

The survey results were shared with the Commissioner of Insurance and each TDI Associate and Senior Associate Commissioner. The results included a detailed analysis of how program areas compare over time, with the rest of the agency, and with the state benchmarks. TDI also collected data on field staff in order to measure employee satisfaction among field staff. Human Resources continually works with areas to offer information and suggestions for maintaining high employee satisfaction levels and for improvement in surveyed dimensions where an opportunity for growth was indicated.

The agency-wide survey results were communicated to all employees via the Bulletin Board, TDI's employee newsletter. Each program area has agreed to share the survey results with their staff.

Information Resources Strategic Plan

Overview

This *Information Resources Strategic Plan* (IRSP*) for Fiscal Years 2003-2007* reflects the Texas Department of Insurance's (TDI's) commitment to implementing programs in direct support of Texas' statewide vision, mission and philosophy. TDI's IRSP details the department's technological strategic direction for the next five years, and supports the Insurance Commissioner's dedication to achieving the agency's stated mission and philosophy. The plan is consistent with the philosophy, goals, and objectives as published in the State Strategic Plan for Information Resources Management, *Transforming Government through Information Resources Management*, published in November 2001 by the Department of Information Resources (DIR). Each of the IR Objectives relates to one of the four State Goals.

This plan contains the information required pursuant to Government Code, Section 2054.095 through 2054.097. The required information is provided as instructed by the Legislative Budget Board (LBB) instructions issued in March, 2002.

1. Goals, Objectives, Strategies and Programs

The Texas Department of Insurance shares the statewide vision for information resources management, believing that:

- State government should leverage information services to deliver services to citizens irrespective of government boundaries;
- State government should enhance agencies' performance of their mandates and missions through the appropriate use of information resources;
- State government should ensure the privacy, security, integrity, and relevance of its data; and
- Citizens should have access to multiple information technology channels to interact with Texas government entities.

To these ends, TDI will implement innovative and useful e-commerce initiatives, and participate in Texas OnLine. TDI will work with the National Association of Insurance Commissioners (NAIC) and other states to bring a higher efficiency and effectiveness to the state insurance regulatory process. The agency will move into the future with a renewed emphasis on using technology wisely and efficiently, while at the same time, ensuring the privacy of our customers and the security of our data. TDI will work to provide increased opportunities for electronic interaction with citizens.

TDI's current goals, objectives, strategies and programs for the Information Resources (IR) function within the agency are listed below. This function is managed through the department's Information Services Division. Each IR goal has been formulated to support TDI's agency Strategic Plan, and also to support the 2001 State Strategic Plan for Information Resources.

IR Goal 1 Leverage information resources to deliver services to citizens irrespective of government boundaries.

IR Objective 1.A Participate in State and National initiatives to provide seamless government to citizens. (State Goal 1)

Agency Program affected: This objective supports TDI Goal 1, Objective 1.1 and 1.2.

IR Strategy 1.A.1 Continue to participate in the statewide Texas OnLine project (formerly the Portal Project) for web-based applications hosting and fee collection.

IR Strategy 1.A.2 Support the implementation of the National Association of Insurance Commissioner's (NAIC) Uniform Regulation Through Technology (URTT) initiative. We will implement information resource requirements to participate in the 12 URTT functional areas.

IR Objective 1.B Construct a pricing or cost framework that will provide the basis for determining services that should be outsourced or consolidated with those of other state agencies for greater cost benefits. (State Goal 1)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 1.B.1 Complete Total Cost of Ownership studies for equipment replaced under TDI's Obsolescence Plan.

IR Strategy 1.B.2 Continue to analyze current services, web hosting and e-mail services, for outsourcing opportunities to the WTDROC or other appropriate providers.

IR Strategy 1.B.3 Investigate cost-effectiveness and validity of leasing and seat management as a replacement alternative for equipment eligible for replacement through TDI's Obsolescence Plan.

IR Goal 2 Enhance TDI's performance of their mandates and missions through the appropriate use of information resources.

IR Objective 2.A Provide reliable computing and network capacity in a client/server environment maintaining a minimum 95 percent network availability during agency business hours. (State Goal 2)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 2.A.1 Develop principles and processes for capacity planning.

IR Strategy 2.A.2 Continue to conduct periodic tests of the agency's Disaster Recovery Plan.

IR Strategy 2.A.3 Continue server and other infrastructure equipment replacement schedules according to TDI's Obsolescence Plan.

IR Strategy 2.A.4 Conduct periodic review and evaluation of the Network Operating System (NOS) and implement the appropriate solution.

IR Objective 2.B Provide appropriate, cost-effective computing equipment for agency staff to perform or support TDI's regulatory functions. (State Goal 2)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 2.B.1 Continue replacing desktops, laptops, network-attached printers, portable printers and other selected equipment according to TDI's Obsolescence Plan.

IR Strategy 2.B.2 Evaluate options for Desktop Operating System and implement the appropriate solution. (Windows 95/98/2000 are currently used.)

IR Strategy 2.B.3 Analyze the use of key agency software and implement the most current version of software selected, including Microsoft Office software.

IR Strategy 2.B.4 Continue to evaluate the feasibility of providing the infrastructure for wireless connectivity and implement where appropriate.

IR Strategy 2.B.5 Evaluate other RDBMS products to provide the best value to TDI.

IR Objective 2.C Provide services and products that are of superior quality and meet or exceed customer expectations, through structures and processes that facilitate their delivery. (State Goal 2)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 2.C.1 Continue to improve and refine operational and production standards based on IS Quality Assurance principles for key IS functions and processes.

IR Strategy 2.C.2 Continue to improve completion of successful projects that are within time and budget.

IR Strategy 2.C.3 Continue to improve the customer satisfaction scores for completed Customer Service Requests.

IR Strategy 2.C.4 Continue to improve the percent of time IS resources spend on chargeable projects.

IR Strategy 2.C.5 Continue to improve the time for resolving help desk calls and customer service requests.

IR Objective 2.D Build, buy, and foster use of critical business applications based on a thorough analysis and understanding of agency-wide, integrated business requirements. (State Goal 2)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 2.D.1 Determine requirements for automated systems that meet business needs and then build or buy the system according to the best value for TDI.

IR Strategy 2.D.2 Maintain automated tools for managing the delivery of products and services so that customer expectations may be met.

IR Goal 3 Ensure the privacy, security, integrity, and relevance of TDI data.

IR Objective 3.A Maintain and enforce policies for data privacy, security, integrity and relevance. (State Goal 3)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 3.A.1 Continue the ongoing security awareness program to promote information security.

IR Strategy 3.A.2 Conduct periodic risk assessments to identify vulnerabilities for application data.

IR Objective 3.B Maintain the infrastructure to provide data privacy, security, integrity and relevance. (State Goal 3)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 3.B.1 Conduct periodic risk assessments to identify vulnerabilities within the networking environment, and conduct tests of for internal and external threats.

IR Strategy 3.B.2 Implement a managed Virtual Private Network (VPN) for secure remote connections to TDI.

IR Strategy 3.B.3 Expand on successful implementation of imaging technologies to assist agency with record retention and document management.

IR Goal 4 Provide citizens access to TDI through multiple information technology channels.

IR Objective 4.A Provide appropriate infrastructure to support electronic government solutions. (State Goal 4)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 4.A.1 Continue to analyze potential uses and requirements (hardware, software and personnel) for the Internet and other emerging technologies.

IR Strategy 4.A.2 Increase staff skills and expertise in new and emerging technologies and programming languages, building strong competencies in web-based technologies.

IR Strategy 4.A.3 Complete the implementation of Oracle Internet Development Tools, including application development standards.

IR Strategy 4.A.4 Move appropriate applications from client/server applications to browser-based applications.

IR Strategy 4.A.5 Determine the value and feasibility of providing video conferencing and web casts.

IR Objective 4.B Provide e-government applications for business functions based on agency priorities. (State Goal 4)

Agency Program affected: This objective supports all TDI Goals (1 through 6), by providing the appropriate automation environment to enhance the ability of TDI staff to contribute toward the fulfilling of TDI's mission.

IR Strategy 4.B.1 Migrate applicable forms and fees collection processes to the Internet, based on agency priorities.

IR Strategy 4.B.2 Explore new web opportunities for collecting information and/or making collected information available to TDI customers.

IR Strategy 4.B.3 Determine the feasibility of implementing a Career Center in the Hobby Building with electronic access, acceptance and processing of job applications.

2. Databases and Applications

Most applications listed below rely primarily on information stored in the agency's Oracle database and are used to support the agency's mandate to regulate the insurance industry in the State of Texas. The estimated physical storage requirements for this Oracle database are 52,010,534,912 Bytes. Applications that are part of this database will be noted as "Oracle Database" in the tables below. The applications manipulate key company-related financial information, agency and licensing data as well as insurance "business" requirements. The Texas Department of Insurance concentrates on ensuring the public's access to reasonably priced insurance coverage and makes it a priority to monitor insurance companies' solvency in Texas and worldwide.

The tables below list, in alphabetical order, all the applications currently in use at TDI which the IS division supports. The Size category for all Oracle applications is noted as N/A. At TDI, Oracle application tables are all located in one database and in many cases share the same tables. Therefore, it is not possible to determine the size of individual applications.

Name:	**Advertising System (ADV) - Consumer Protection Division**
Description:	Tracks insurance-related advertising received by TDI for review for compliance with applicable state statutes and rules.
Type:	Oracle Database / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Agent Licensing System (COSMOS) – Licensing Group**
Description:	Maintains information on all insurance agents, agencies, adjusters, etc. licensed to sell insurance in Texas. This information is used to issue, renew and report on insurance agents.
Type:	Oracle / PowerBuilder
Size:	Oracle Database
GIS:	N/A
Sharing:	This information is shared with insurance companies, agents, the Comptroller of Public Accounts, and Surplus Lines Stamping Office, via a web application through the Texas Online project. Portions of the data are also shared with NAIC via FTP process.
Future:	TDI has no plans to significantly modify, convert or discontinue use of this system.

Name:	**Annual Statement State Pages – Financial**
Description:	Captures general Texas premium and loss information appearing in Annual Statements, State Pages.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI receives some data for this system from the NAIC.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Arson Investigations System - State Fire Marshal's Office**
Description:	Tracks arson investigations
Type:	MS Access/Visual Basic Forms
Size:	21 Megabytes
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI may evaluate this application and suggest/perform any necessary/beneficial modifications and/or conversions during this planning period.

Name:	**Arson Lab System - State Fire Marshal's Office**
Description:	Tracks the analysis of fire scene debris
Type:	MS Access / Visual Basic Forms
Size:	15 megabytes
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Australian Special Information Systems (ASIS) Case Manager**
Description:	Tracks, monitors, and reports all insurance fraud cases handled by the Fraud Unit. This is the primary tool of the investigators in maintaining case records and the means by which management is able to monitor and report on performance measures and Unit activity.
Type:	MS Access/Visual Basic v.6.
Size:	2,640 KB resides on the hard drive of each workstation / laptop granted usage, attached to a database of 43,444 KB on Fraud's network drive. Growth estimated at a rate of 10-20% increase per year.
GIS:	N/A
Sharing:	ASIS for the most part is not shared, however, parts of the database are made available on a limited basis within the Agency. One or two people in Open Records are able to do searches in ASIS using the application to conduct their queries. A very limited snapshot is taken daily of the database and made available to the Oracle application Case Tracking System (CTS) in Legal.
Future:	Fraud is anticipating the release of an Oracle version of ASIS by the vendor sometime in the next twelve months. Fraud's database is planned for migration to the new database, but only after a thorough evaluation. The new Oracle application should have a web interface allowing for easier use by the investigators increased functionality for management and increased definitions of roles and security.

Name:	**Automap Access Database**
Description:	To collect data on drivers who apply for insurance through a market assistance program (MAP). Data collected assists in linking good drivers who live in "under served" areas with auto insurers that will consider them for coverage at rates lower than what they may now be paying. TDI staff updates this database when phone calls from the public are received. There is also a web application for use by the public. Data from the web is combined with the MS Access application.
Type:	MS Access / web application is in Active Server Pages (ASP).
Size:	16.5 Mb
GIS:	N/A
Sharing:	TDI shares driver data with insurance companies who participate in the program.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Automobile Locator System -Property & Casualty Division**
Description:	Locates files for commercial automobile policies
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Case Tracking System (CTS) – Legal/Compliance**
Description:	Tracks and reports on active, pending and closed legal cases filed with TDI.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Cash Receipt System (CARS)**
Description:	Records and tracks agency revenue transactions (remittances, allocations to appropriate funds, refunds, insufficient funds payments and warrant cancellations.)
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	CARS refund data is electronically transmitted to Northrop Grumman for processing and forwarding to the Comptroller. The remaining CARS data that is shared is manually entered into Northrop Grumman's GFAS system and the Comptroller's USAS system.
Future:	There are plans to make a number of enhancements to the CARS system, including: automation of the receipt and transmission of data from and to the USAS system; refine CRE code use and functionality; analyze and refine remittance entry process and review query/reporting functionality and needs.

Name:	**Classroom Learning System (CLS)**
Description:	Captures, stores, retrieves and reports on information about training for TDI employees. The system allows HR trainers to set up training classes, notify employees of scheduled classes and allows employees to register for classes electronically.
Type:	X-Base (a database developed by Pathlore for this system and self-contained within the application). This application is maintained on TDI's intranet.
Size:	Approximately 2 meg (as of 3/14/02)
GIS:	NA
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Company Biographicals – Financial**
Description:	Maintains and tracks information concerning company officers and directors.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	This application provides the Attorney for Service information for the PCCI application (Web application open to the public).
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Company License System – Financial**
Description:	Maintains information on all types of insurance companies, HMOs, etc. that are licensed to conduct business in Texas, or are regulated by the TDI. Facilities are included for printing company labels and listings upon request.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	Information such as HMO, URA/IRO, viatical settlements are made available from TDI's web site through an online query or download file. Texas Windstorm Insurance Association and Comptroller of Public Accounts also access data via the PCCI Web-Enabled application.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Complaints Inquiry System (CIS) – Consumer Protection Division**
Description:	Tracks complaints registered with the TDI related to agents, companies, or other entities.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI sends complaint data to the NAIC on a monthly basis. Complaint data is also available on the web.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Deadbolt/Burglar Alarm/Sprinkler - Property & Casualty Division**
Description:	Tracks certificates and renewals issued for the installation of deadbolts, burglar alarms and sprinkler systems.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Delegated Entities System(DE) – HMO Group**
Description:	Maintains information on the relationships between HMO's and functions performed by Delegated Entities in Texas.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Early Warning (EW) Information System**
Description:	Provides the accumulation of data to prioritize the evaluation of companies so problems may be identified and actions initiated to correct problems before they become serious.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Enterprise Project Management (EPM) – IS**
Description:	Records/tracks time accounting and project management for IS.
Type:	Client Server/Relativity
Size:	13MB
GIS:	N/A
Sharing:	IS does not currently share data generated by this application with other organizations.
Future:	The current version is not supported for maintenance and IS would like to upgrade the software to a current release that is supported.

Name:	**Examinations – Financial**
Description:	Provides access to the examination schedule, to the status of an exam, and to summaries of examination reports. The system also tracks audited reports and provides access to audited report summaries
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	The Financial division is planning a project to consolidate the current Examinations system into the Financial Invoices (FNIN) system to reduce redundancy, eliminate errors and enhance the functionality.

Name:	**Financial Analysis Statement Tracking – Financial**
Description:	Maintains and tracks data on the financial analysis of companies and special projects.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Financial Analysis System (Annual extract and spreadsheet analysis)**
Description:	Determines solvency of insurance companies based on an analysis of financial data downloaded from NAIC
Type:	MSAccess / Excel
Size:	30 Mb per/year, keep 5 years
GIS:	N/A
Sharing:	TDI receives most of the data for this system from the NAIC.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Financial Invoices (FNIN)– Accounting and Financial**
Description:	Records time and expenses of financial examiners and actuaries for the examination of regulated insurance companies, and bills those companies for the expense of the examination. The system is also used to bill insurance companies for the annual overhead assessment fee.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	FNIN data, billings and payments, is shared with the Comptroller of Public Accounts annually for use in adjusting premium tax payments.
Future:	The Financial division is planning a project to consolidate the current Examinations system into the FNIN system to reduce redundancy, eliminate errors and enhance the functionality.

Name:	**Fire Safety Inspections - State Fire Marshal's Office**
Description:	Tracks fire safety inspections of buildings
Type:	MS Access Database/ Visual Basic Forms
Size:	26 megabytes
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI may evaluate this application and suggest/perform any necessary/beneficial modifications and/or conversions during this planning period.

Name:	**Gateway Purchasing System**
Description:	Allows purchasing liaison to enter and track purchase requests, purchasers to prepare and track bid documents and purchase orders, receiving staff to verify goods received against goods ordered, and accountants to verify invoices against purchases.
Type:	Oracle / PowerBuilder
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period. However, AS does have a list of issues they are addressing with the vendor that may require IS assistance in the future.

Name:	**HMO Quality Assurance Audit System – HMO Group**
Description:	Allows the HMO Quality Assurance staff to record results of examinations or audits of HMOs, both in the field on-site and also at TDI. This information is used for regulating HMO companies in the state of Texas.
Type:	MS Access / Visual Basic.
Size:	Client/laptop C: drive: 4.26M; Server: 37.6M
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has plans to possibly migrate the data to an Oracle database and to share this data with other agencies.

Name:	**Holding Company System – Financial**
Description:	Maintains and tracks filings and information contained in Holding Company registration statements, and filings of acquisitions and other transactions for all insurance companies and their affiliates which are subject to the Texas Holding Company Act
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Human Resources Management System - HRMS**
Description:	Captures, stores, retrieves and reports on information about TDI employees and budgeted positions. It also tracks information on applicants. It includes basic personnel information such as addresses and EEO data, salary and job history, performance evaluations, hire and termination dates. It does not include currently leave balances or benefit information.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application electronically with any other organization.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period. However, there are plans to develop a leave accounting system. A system interface with a future automated state job application is also being planned.

Name:	**Internet Complaints Information System (ICIS) - Consumer Protection**
Description:	Provides basic information from CIS on closed complaints to the public via the internet. e.g.: Complaint number, received date, closed date, subject of complaint, correspondent, line of coverage, reason/disposition of complaint etc.
Type:	Web-enabled – Perl and flat files
Size:	Oracle Database
GIS:	N/A
Sharing:	Public
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Interactive Voice Response System (IVR) – Licensing Group**
Description:	Allows outside customers to call the agency to retrieve agent and agency license information over the phone.
Type:	Data: Oracle / PL/SQL
Size:	N/A
GIS:	N/A
Sharing:	This application provides agents' license data via phone to the public.
Future:	TDI has no plans to significantly modify, convert or discontinue use of this system.

Name:	**IS Authorized Software List**
Description:	To record/track all computer related software at TDI for inventory of licensed software and used for Disaster Recovery purposes.
Type:	MS ACCESS
Size:	2740KB
GIS:	N/A
Sharing:	IS does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of the application during this planning period.

Name:	**IS Computer Hardware Inventory system**
Description:	To record/track all computer related hardware at TDI for reporting /planning purposes.
Type:	MS ACCESS
Size:	2390KB
GIS:	N/A
Sharing:	IS does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of the application during this planning period.

Name:	**Juvenile Fire Intervention Program (JFIP) - State Fire Marshal's Office**
Description:	Tracks Juvenile Fire Setter activity
Type:	MS Access Database/Forms
Size:	7 megabytes
GIS:	N/A
Sharing:	Used by SFMO and participating fire department jurisdictions in Texas. TDI will provide the system to other states that request it for their own use.
Future:	Increase JFIP participation. TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**MAGIC – Information Services**
Description:	Records/tracks Help Desk problem calls and Customer Service Requests.
Type:	Client Server/Sybase SQL
Size:	200MB
GIS:	N/A
Sharing:	IS does not currently share data generated by this application with other organizations.
Future:	IS would like to upgrade the software version to a current release.

Name:	**Open Records Tracking System (ORTS) – Legal/Agency Council**
Description:	Tracks information regarding requests for information submitted to TDI pursuant to the Texas Public Information Act.
Type:	Oracle / Forms 6.0/ MS Access
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Policy Approval Tracking (PATK) – Life/Health Group**
Description:	Maintains records and information for all policy forms submitted to the Life Group and HMO section for filing, review and approval for use in Texas.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	A PC is currently available for the public to use to look at filings and images.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application, with some of the data open to the public.

Name:	**Policy Count (POLCOUNT) - Consumer Protection**
Description:	Allows internal staff to enter/query company policy data collected annually from insurance companies licensed to do business in Texas. Data collected includes policy counts by line of business for individual policies, group contracts and group certificates. The data is also used by PCCI to create company profiles accessible to the public on the internet.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share directly the data generated by this application with other organizations. Indirectly, policy counts are used to calculate the complaint ratios found in company profiles (PCCI) that are available to the public on TDI's Web site.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Practice and Claims Company Inquiry (PCCI) - Consumer Protection**
Description:	Provides company profile information from several TDI applications to the public. e.g., Complaints / company information.
Type:	Oracle / OAS-PL/SQL cartridge /Web-enabled
Size:	Oracle Database
GIS:	N/A
Sharing:	Public, Insurance Companies, Texas Windstorm Insurance Association and Comptroller of Public Accounts.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Rate/Form Filing System - Property &Casualty**
Description:	Tracks all Property and Casualty rate and form filings
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	A PC is currently available for the public to use to look at filings and images.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application, with some data available to the public.

Name:	**SFMO Licensing System - State Fire Marshal's Office**
Description:	Tracks Licensees for Sprinkler Installers and Fire Works Stands.
Type:	MS Access Database/Forms
Size:	66 Megabytes
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	Web-enable the Licensing System by providing on-line query access via the internet of specific SFMO Fire Industry Licensing information to the SFMO customers in Texas.

Name:	**Orders Database - General Counsel/Chief Clerk**
Description:	Tracks Commissioner's Orders and SOAH Hearing data
Type:	MS Access
Size:	34 MB
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	This database is currently being modified to normalize the data.

Name:	**Subscriptions (SUB) – Administrative Services**
Description:	Records subscriptions for agency publications, provides mailing labels for those publications, and provides for renewal of expired subscriptions. Subscriptions may be renewed online.
Type:	Internal: Oracle / Forms 6.0; Internet: Oracle OAS-PL/SQL cartridge
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Texas Fire Incident Reporting System (TXFIRS) - State Fire Marshal's Office**
Description:	Tracks, analyzes and reports fire incidents.
Type:	MS Access Database/ Java Forms
Size:	3 gigabytes (last 2 years only)
GIS:	N/A
Sharing:	Federal Emergency Management Agency (FEMA) and participating fire department jurisdictions in Texas
Future:	TDI has plans to implement a client server/Oracle database version of TXFIRS (state database) located at TDI facilities, or use a web-enabled/Oracle database version of the NFIRS (national database) located at FEMA facilities.

Name:	**Title System - Property & Casualty**
Description:	Tracks all title agents and escrow officers doing business in Texas
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Utilization Review Agents / Independent Review Agents (URA/IRA) system – HMO/URA Group**
Description:	Maintains records pertaining to the certification of utilization review agents.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	URA/IRO information is shared with the public on TDI’s web site via an online query and downloadable files.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Visiflow-Consumer Protection, Property & Casualty, and Life & Health Divisions**
Description:	Performs document management that incorporates both storage and retrieval and workflow. Consumer Protection uses the workflow function of Visiflow to automate work processes. Property and Casualty and Life and Health use Visiflow as a storage and retrieval application.
Type:	Oracle
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations. However, they do plan to implement a module that allows the sharing of complaint data with insurers and companies via the web.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period. However, implementation of a web module to share information with insurers and companies is planned.

Name:	**Worker's Compensation (WC) Locator System**
Description:	Locates board files for Workers' Compensation policies.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Worker's Compensation (WC) Stat Card**
Description:	Provides oversight of workers compensation experience rating.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does not currently share data generated by this application with other organizations.
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

Name:	**Worker's Compensation (WC) Detail Claim Information**
Description:	Collects data through a third party vendor for use by the Research and Oversight Council.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI shares this data with the Research and Oversight Council.
Future:	TDI has no plans to significantly modify, convert, or discontinue use of this application during this planning period.

Name:	**Windstorm - Property & Casualty Division**
Description:	Records the scheduling and performance of inspections of buildings in coastal areas for windstorm and hail insurance, and issues certificates of compliance for this type of insurance.
Type:	Oracle / Forms 6.0
Size:	Oracle Database
GIS:	N/A
Sharing:	TDI does plan to share data generated by this application with the Texas Windstorm Insurance Association (TWIA).
Future:	TDI has no plans to significantly modify or replace this application, although it will be a candidate for conversion to a browser-based application.

3. Information Resources Management Organizations, Policies, and Practices

Priorities:

Information resource planning and prioritization is accomplished on two levels: IR priorities are established by the Planning Work Group (PWG) and official planning and implementation are accomplished by the Information Services Division planning staff through coordination with agency business program areas. All TDI information resource planning is focused on providing the correct technology solutions to support the implementing of identified and prioritized agency business plans.

The PWG, coordinated by TDI's Business Planning and Redesign Division, functions to ensure, among other things, that information resources and technology are prioritized appropriately and are directly linked to TDI's strategic objectives. Each TDI program area's Senior Associate Commissioner is responsible for assigning an individual to represent program interests on the agency PWG committee.

For all potential projects, for both IS services and/or technology purchases, program area staff must prepare a formal justification and submit a Project Analysis Model (PAM). This justification includes a summary of the project scope and a cost/benefit analysis.

For development projects, the PWG decides project disposition and/or priority based on the overall agency impact and/or strategic direction and the IS division's resource availability/workload. All preliminarily approved projects requiring IS staff are prioritized and sent to the IS Project Manager to be scheduled for initiation. If a project is approved for initiation, but insufficient IS resources are available to satisfy scheduling requirements, the PWG determines whether previously approved work is to be placed "on-hold" in order to free up the required resources, or whether the project can wait for the staff to become available. Projects are prioritized and approved for scheduling on a quarterly basis by the PWG.

All program requests for technology purchases are also handled through the PAM process, and are approved by the IRM and Chief of Staff. Capital technology purchases must have previously been defined, planned, prioritized and documented through the Biennial Operating Plan (BOP).

Planning:

Individual agency program areas, including IS, identify potential projects through the business planning process that occurs on a biennial schedule. IS planning analysts review the agency business plans to determine which will require purchases or significant IS staffing resources. These business plans are reviewed and approved by the agency Chief of Staff. Purchases that are categorized as capital technology purchases and that receive initial approval are grouped into projects and become part of the Biennial Operating Plan. Once a program area is ready to implement a project, they will complete a PAM and a purchase requisition (if appropriate), and after approval, IS will schedule the project.

In addition to the formal planning process, IS planning staff studies the information technology marketplace and trends to assess existing and emerging technologies. IS uses both GigaGroup and Norex to help with information technology research and decisions. An information technology roadmap is maintained, with a five-year plan for technology. This information is used to analyze the application of these technologies to the agency's strategic and tactical needs. IR goals, objectives and strategies are then formulated after analysis by IS of the agency's business plans and roadmap. Meetings are held between IS planning staff, business analysts and the various program areas to assure that all IR needs have been identified and are understood by all staff. IS planning staff analyze and summarize the input from the program areas and prepare the agency's *Information Resources Strategic Plan* and *Biennial Operating Plans* as required.

Quality Assurance Practices:

TDI does not currently have or anticipate any projects that could be designated as major information resources projects (cost over $1,000,000, longer than 1 year, etc.). Quality Assurance practices therefore follow internal procedures, which attempt to meet DIR guidelines. These practices help assure that information resources technology projects will be successfully completed on time and within budget, and that the projects will provide the outcomes that were planned. Currently, the internal target for projects completing within 10% of stated completion date and budget is 85%. The rate for FY2000 was 83%, for FY2001 was 81%.

IS has tailored a proprietary product, STRADIS (STRuctured Analysis, Design and Implementation of Information Systems), to aid in developing consistently high-quality software solutions. Additionally, IS has a role/responsibility in the division's Project Charter which specifically addresses quality assurance, to ensure QA is integrated into the planning process as well as the implementation process. An assessment of risk is also a part of the Project Charter template.

TDI has developed and implemented quality assurance practices in accordance with DIR guidelines, and addresses each of the six areas included in the Internal Quality Assurance Guidelines.

1. Analyzing and Managing Project Risk: A project is initiated through the use of a Project Checklist, which assesses risk level as low, medium or high, before the project begins. The Project Charter has a section for identifying and mitigating risk in the project. Any issues that need to be addressed are incorporated into the Project Plan.

2. Project Planning: Each project begins with a Project Charter and Project Plan. The Charter specifies the goals, scope, risk, roles/responsibilities, deliverables, status reporting and change control procedures. The Charter is approved by the executive sponsor and the IS director. The Project Plan contains the detailed tasks, planned hours for each, and staff assigned to each task. Hours are charged and posted weekly to tasks. The project manager and IS Projects Manager monitor the project reports weekly to see that the project remains on schedule, and take mitigating action if problems occur.

3. Determining the Benefits and Costs of Information Resources Projects: A project is initiated by first completing a Project Analysis Model (PAM), which must receive approval before a project can be scheduled to begin. The PAM states the business problem, the proposed solution, the anticipated (quantified) benefits of the proposed solution, the cost or consequence of no action, the exploration of alternatives and costs/benefits of each, and a technical impact analysis. A detailed estimate of costs, including purchase price and staff hours, for both IS and the program area is also included in the PAM. At the end of the project, the cost in both hours and dollars for staff time is reported. The success of the project is based on being within 10% of the estimated hours and estimated completion date, as well as the overall success in meeting the project goal.

4. Project Monitoring and Control: Each project is monitored and controlled by the project manager from the area requesting the project, the IS technical project leader, the IS manager of the project leader, and the IS Projects Manager. Status reports are e-mailed weekly to all participants and managers, and include activities completed during the week, activities planned for the following week, issues requiring immediate attention, and percent complete. Reports are produced weekly to determine if the project is on schedule, by comparing planned hours/dates to actual hours/dates. For development projects, walkthroughs with signoff on deliverables are held at specified intervals. If any changes in the project are wanted, formal change control procedures must be followed, with approvals in writing.

5. Post Project Reviews: Projects usually have a post-implementation review, where all the participants document the successes and lessons learned. These may be scheduled at the end of a small project, or several months after a larger project. The IS manager reviews the project Checklist of Deliverables with the technical project leader to determine that all requirements were met, including proper documentation in the project file.

6. Evaluating the Effectiveness and Efficiency of Information Resources Projects: IS managers review projects with the technical project leader at the conclusion of the project, using time accounting reports for the project and documenting the results on the project Checklist. The project is then given a score based on schedule (meeting planned date within +/- 10%), budget (meeting planned hours within +/- 10%) and overall success, and a letter "grade" based on the total score. These Checklists are reviewed by the IS Projects Manager and IS Director. Results are carried into management level performance appraisals.

Personal Computer Replacement Schedule:

TDI has completed a study on PC Obsolescence, which includes sections on PC Life Cycle Decision, Replacement Schedule, and Total Cost of Ownership. This document was developed following DIR's *PC Life Cycles: Guidelines for Establishing Life Cycles for Personal Computers*.

At TDI, PCs are primarily assigned as personal workstations. A limited pool of PCs is available for loan to temporary employees or interns, or to be used temporarily while a PC is being repaired. A few additional PCs are designated as "special use" for functions such as the training lab, the network lab, the resource learning center in IS, and in the program areas where a PC needs to be available for multiple staff for a specific functional requirement.

The number of PCs purchased each fiscal year varies according to age of PCs and funds available. During the past two years, IS has attempted to make less frequent and larger purchases in order to move toward the established life cycle. This had the effect of providing fewer types of PCs to support, while ensuring a majority of PCs are still under warranty. In addition, since agency staff has been reduced during the last few years, some of the older PCs were salvaged and not replaced, reducing the number of PCs currently in use.

The TDI Technology Obsolescence Plan includes a schedule for replacing PCs within a four-year life cycle. Several factors were considered when creating the schedule, including: the need to contain support costs for older computers; the need to spread expenditures of capital budget more uniformly; the dates when warranties expire for current computers; the amount of time between agency PC acquisition projects; the length of time PCs remain in use before being replaced; and future technology projects and their hardware requirements.

This schedule removes equipment that is older than four years. Following is the PC replacement schedule for TDI:

TDI PC Replacement Schedule

Fiscal Year	Total PCs	No./type PCs (with warranty expiration date)	No./type PCs to be replaced
2002	887	224 IBM350 (5/2000) 1 IBM300XL (1/2001) 6 IBM300GL (7/2001) 2 IBM300GL (12/2001) 1 IBM300PL (2/2002) 60 IBM300PL (7/2002) 1 IBM Int ZPRO (9/2002) 3 IBM300PL (9/2002) 399 Dell500Cel (5/2003) 182 Dell500Cel (11/2003) 8 Dell800Cel (7/2004)	224 IBM350 Total: 224
2003	887	1 IBM300XL (1/2001) 6 IBM300GL (7/2001) 2 IBM300GL (12/2001) 1 IBM300PL (2/2002) 60 IBM300PL (7/2002) 1 IBM Int ZPRO (9/2002) 3 IBM300PL (9/2002) 399 Dell500Cel (5/2003) 182 Dell500Cel (11/2003) 8 Dell800Cel (7/2004) 224 new-02 (FY 2005)	1 IBM300XL 8 IBM300GL 64 IBM300PL 1 IBM Int ZPRO 161 Dell500Cel Total: 235
2004	887	238 Dell500Cel (5/2003) 182 Dell500Cel (11/2003) 8 Dell800Cel (7/2004) 224 new-02 (FY 2005) 235 new-03 (FY 2006)	235 Dell500Cel Total: 235
2005	887	3 Dell500Cel (5/2003) 182 Dell500Cel (11/2003) 8 Dell800Cel (7/2004) 224 new-02 (FY 2005) 235 new-03 (FY 2006) 235 new-04 (FY 2007)	193 Dell500Cel Total: 193
2006	887	224 new-02 (FY 2005) 235 new-03 (FY 2006) 235 new-04 (FY 2007) 193 new-05 (FY 2008)	224 new-02 Total: 224

This plan moves toward replacing approximately one-fourth of the agency's PCs each year and keeps PCs within warranty or moves toward a schedule with PCs no more than one year out of warranty.

Along with this replacement schedule, TDI will continue to implement its cascading PC redistribution plan. TDI replaces its power users' machines, re-images the old PCs, and then distributes them to standard users replacing their older machines, which are salvaged and removed from TDI's inventory.

Laptops are also primarily assigned as personal workstations. A limited pool of laptops is available for loan for employees that need to travel, or to be used temporarily while a laptop is being repaired. A few additional laptops are for functions such as testing or wireless use. The agency laptop replacement schedule is based on a three-year replacement cycle.

TDI Laptop Replacement Schedule

Fiscal Year	Total Laptops	No./Type Laptops (with warranty expiration date)	No./Type Laptops to be replaced
2003	291	1 Toshiba 510 (12/03/2000) 20 Toshiba 8000 (01/27/2002) 1 Toshiba 8000 (02/05/2002) 7 Toshiba 8000 (02/26/2002) 1 Toshiba 8000 (06/18/2002) 7 Toshiba 8000 (09/13/2002) 1 Toshiba 8000 (02/15/2003) 1 Toshiba 8100 (03/31/2003) 2 Toshiba 8100 (06/23/2003) 12 Toshiba 8100 (07/17/2003) 1 Toshiba 8100 (08/17/2003) 16 Panasonic Toughbook (09/22/2003) 20 Toshiba 8100 (09/22/2003) 17 Panasonic Toughbook (07/24/2004) 184 IBM ThinkPad (07/17/2004)	1 Toshiba 510 37 Toshiba 8000 36 Toshiba 8100 Total 74
2004	291	16 Panasonic Toughbook (09/22/2003) 17 Panasonic Toughbook (07/24/2004) 184 IBM ThinkPad (07/17/2004) 74 New	33 Panasonic Toughbook Total 33
2005	291	184 IBM ThinkPad (07/17/2004) 74 New 33 New Toughbooks	184 IBM ThinkPad Total 184

This plan provides for moving toward replacing the agency's laptops after three years of use and keeps them within warranty or moves toward a schedule of no more than one year out of warranty.

Procurement:

TDI has documented the total cost of ownership of PCs in order to evaluate the feasibility of leasing or seat management in place of purchasing PCs. A Lease vs. Purchase document is also complete, following *DIR's Guidelines for Lease vs. Purchase of Information Technologies*.

TDI has a written technology architecture that defines the principles of computing within the agency in terms of data, software, hardware, and standards. This document describes the fundamental underpinnings of information technology usage in the agency. A companion document to the technical architecture is the technology roadmap, which lays out the technological direction in which TDI is headed for the next five years.

TDI has had a written Obsolescence Plan for a number of years, which defines the replacement schedule for hardware and software at the agency. The purpose of this plan has been to provide the agency with predictability and stability in the acquisition of technology.

Prior to each replacement cycle, Program Areas do an assessment of their hardware needs based on the software they are running or require access to, projections of applications that they know they will be running within the next couple of years, and hardware with which they will have to interface. Acquisition of information technology is included in the Program Areas' and Information Services' Business Plans, which are prepared every two years for the upcoming biennium. Any special business requirements are approved through the Planning Work Group (PWG), the business group's high-level automation planning and prioritization body.

A Project Analysis Model (PAM) cost justification analysis is required for all technology acquisitions. The PAM process documents the business problem, proposed technical solutions, anticipated benefits, consequence of no action, alternatives explored, technical impact and detailed breakdown of costs.

PC and laptop procurement projects follow the same requirements and procedures as other automation projects. A formal project is set up with a project charter, plan, and approval process. Requirements are gathered and the state of technology both inside the agency and in the PC/laptop manufacturing industry is assessed. An ITN is issued for the actual procurement. Generally, one vendor is selected for the acquisition. Usually, the purchase contract is written to allow multiple purchases over a two-year period, but generally TDI makes two acquisitions per biennium. This process ensures that only two or perhaps three different brands of desktops are being used at a time. It also means that there is a high degree of uniformity of hardware within vendor brands.

Procurement of servers and network infrastructure follows much the same process, with purchases according to a three-year obsolescence plan and spread as uniformly as possible over each funding period.

Disaster Recovery:

TDI's Business Planning and Redesign (BPR) Division is responsible for developing, maintaining, and testing an agency-wide disaster recovery and business continuity plan. This plan provides for business continuity in the event of a disaster that disrupts agency services and displaces TDI staff. BPR is responsible for coordinating with all TDI program areas to establish and maintain official agency business priorities and requirements. Business impact analyses are completed for each program area and the overall impact reviewed by the PWG on a periodic basis.

The Information Services (IS) Division has a Disaster Recovery Planning Coordinator, assigned to work as a liaison with BPR, whose responsibility it is to develop, monitor, maintain, and coordinate testing of the Information Services Disaster Recovery Plan. The division also has a Recovery Coordinator who is responsible for overseeing all recovery efforts for IS, in the event of a disaster. The IS Division plan includes situation assessment, damage assessment, recovery of production vital records, recovery of applications, the database and the web site.

The Information Services Division plan is driven by business recovery requirements identified by TDI program areas through the agency *Disaster Recovery Plan*. IS conducts regular quarterly tests of various parts of the IS plan. The plan is updated to reflect the current personnel and procedure changes to the agency's business and distributed computing environment.

TDI currently contracts for disaster recovery services through the West Texas Disaster Recovery Operations Center, managed by Northrop Grumman Corporation.

Data Center Operations:

TDI's computer environment has evolved from a mainframe operation in the early 90's, to a large Unix server environment in the mid to late 90's, and then to a distributed Microsoft Windows/Novell environment that is currently in place. Approximately 40 servers, ranging from a 200 Mhz Pentium Pro to 700 Mhz Pentium III with 1 to 4 processors provide the variety of computing resources to support the agency. These servers are not all located in a "data center", but about 40% of them are in various locations such as the TDI warehouse/training facility, the PC lab, and in the user areas. Computing services for TDI users require a connection to the LAN, with the use of a desktop computer on which a significant portion of the client/server environment resides.

TDI currently has the application for renewing agent licenses running on Texas Online at the WTDROC facility, and uses the e-pay module for another application running on the TDI web server. TDI is interested in a cost-effective solution for hosting our agency web-server and applications.

It is the agency's intention to investigate moving appropriate applications to the WTDROC sometime in the current or next biennium, after the WTDROC establishes and stabilizes a mid-range applications server environment.

Standards:

Information Services executive management assures that all appropriate sections of the division are aware of existing and new releases concerning standards as posted in the Standards Review and Recommendations Publications (SRRPUB). These standards are incorporated into the agency's Information Technology Roadmap, a blueprint for agency technology acquisitions and deployment, as well as the agency Business Plan, and the Biennial Operating Plan. The web development team routinely posts the TDI Web Development Guidelines on the agency web site. In addition, the agency Accessibility policy addresses standards specific to the agency web site. Compliance with World Wide Web Design and Coding Guidelines is an ongoing process that requires constant effort to assure that TDI's more than 5,000 web pages will align with statewide standards.