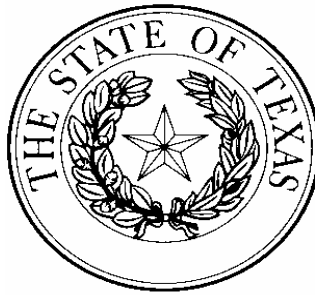


Texas Department of Insurance

Agency Strategic Plan

**For the
Fiscal Years 2009-2013 Period**



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July 11, 2008

Texas Department of Insurance
FY 2009-2013 Strategic Plan

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Texas Department of Insurance - FY 2009-2013 Strategic Plan Overview

Mission	<p>To protect insurance consumers by:</p> <ul style="list-style-type: none"> Regulating the insurance industry fairly and diligently Promoting a stable and competitive market Providing information that makes a difference 									
Goals	<p>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 Goal 4: Reduce Loss of Life and Property Due to Fire Goal 5: Promote Safe Workplaces Goal 6: Encourage the Appropriate Delivery of Workers' Compensation Benefits</p>									
Challenges	Availability and Affordability	Disaster Readiness and Response	Enforcement	Information Management	Outreach and Educations	Workers' Compensation				
						Delivery of Benefits	Dispute Resolution	Access to Care	Return-to-Work	Workplace Safety
	<ul style="list-style-type: none"> increase competition improve availability prevent excessive, inadequate and unfairly discriminatory rates ensure company solvency 	<p>ensure preparedness of:</p> <ul style="list-style-type: none"> insurers consumers providers TDI 	<ul style="list-style-type: none"> restore market balance protect the public deter future non-compliance 	<ul style="list-style-type: none"> enhance processes and technology improve collection, management, security and exchange of information 	<p>keep pace with:</p> <ul style="list-style-type: none"> market changes product innovations demographics technological advances 	<ul style="list-style-type: none"> improve benefit delivery 	<ul style="list-style-type: none"> limit disputes assure speedy resolution address indemnity and medical disputes 	<p>access to medical care must be:</p> <ul style="list-style-type: none"> prompt high-quality cost-effective appropriate 	<ul style="list-style-type: none"> system participant awareness effective outreach early referral for RTW training 	<ul style="list-style-type: none"> leveraging resources optimizing technology for training delivery
Strategic Response	<ul style="list-style-type: none"> encourage voluntary market participation enhance consumers awareness of product and pricing options increase TDI flexibility for monitoring marketplace 	<ul style="list-style-type: none"> emphasize industry, consumer, and provider readiness educate industry and consumers on loss reduction assist consumers "remotely" monitor industry business continuity following disaster implement disaster "tool kits" for TDI employees 	<ul style="list-style-type: none"> promote compliance improve communication streamline case management 	<ul style="list-style-type: none"> consolidate records management systems integrate databases optimize Internet use for two-way communication with stakeholders 	<ul style="list-style-type: none"> provide information in a variety of mediums, languages, levels solicit consumer input to ensure information is meaningful empower consumers to make informed decisions help regulated entities understand how to comply 	<ul style="list-style-type: none"> improve decision support systems facilitate electronic benefit fund transfers expand disability management education increase stakeholder collaboration target solutions to cost drivers 	<ul style="list-style-type: none"> identify frequent medical fee dispute areas educate on how to on request medical service payments promote communication among parties 	<ul style="list-style-type: none"> use evidence-based guidelines and quality assurance processes monitor and revise underserved area designations 	<ul style="list-style-type: none"> use disability management guidelines enhance health care provider RTW capabilities encourage carrier development of RTW resources for policyholders 	<ul style="list-style-type: none"> identify other state best practices develop partnerships analyze claims and target training as appropriate

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Introduction

Strategic Plan Overview

The *FY 2009-2013 Agency Strategic Plan* for the Texas 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 Fiscal Years (FY) 2010-2011 appropriations request and budget structure.

As required by Government Code §2056.002, TDI prepared its strategic plan in accordance with the *FY 2009-2013 Instructions for Preparing and Submitting Agency Strategic Plans* developed by the Legislative Budget Board (LBB) and the Governor's Office of Budget, Policy and Planning (GOBPP). TDI's *FY 2009-2013 Agency Strategic Plan* includes all required elements set forth by the instructions, including the state and agency planning elements, the internal and external factors affecting the agency, the workforce plan, and other statewide and agency strategic planning elements.

TDI begins its *FY 2009-2013 Agency Strategic Plan* with an overview of the challenges impacting the agency, followed by this introduction. Additionally, in an effort to make the agency strategic plan more accessible and comprehensible to its readers, TDI presents the challenges identified during the agency's internal and external assessment early in the document. The challenges begin with a brief description of Principles-Based Regulation. Following this brief account, TDI provides an overview and narrative for each challenge impacting the agency. The challenges include:

- Availability and Affordability
- Outreach and Education
- Information Management
- Enforcement
- Disaster Response and Readiness, and
- Workers' Compensation:
 - Delivery of Benefits
 - Dispute Resolution,
 - Medical Care
 - Return-to-Work, and
 - Workplace Safety.

TDI evaluated the possible effects of these challenges on the ability of the agency to provide effective and efficient regulation of the insurance industry and workers' compensation system. The agency has identified issues and trends for each of these challenges and explains how the agency is responding to these challenges.

Continued on next page

Introduction, Continued

**Strategic Plan
Overview,**
continued

Other required elements of the plan are presented in the appendices, and include:

- Agency Planning Process
 - Organizational Chart
 - Five-Year Projections for Outcomes
 - Performance Measure Definitions
 - Technology Initiative Alignment
 - Implementing the Texas Transformation
 - Workforce Plan, and
 - Survey of Organizational Excellence.
-

Statewide Planning Elements

**Statewide
Vision, Mission,
Philosophy**

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 government, and a statement of values underlying Texas state government service. It also includes statewide priority goals and benchmarks.

**Statewide
Vision**

The Texas Statewide Vision is as follows:

- assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;
 - creating and retaining job opportunities and building a stronger economy to secure Texas' global competitiveness, leading our people and a stable source of funding for core priorities;
 - protecting and preserving the health, safety, and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend to harm us; and
 - providing disciplined principled government that invests public funds wisely and efficiently.
-

**Statewide
Mission**

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

**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.
-

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Statewide Planning Elements, Continued

Statewide Philosophy, continued

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
 - Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
 - Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. 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.
 - State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
 - 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.
-

Relevant Statewide Goals and Benchmarks

The following priority goals and benchmarks from *Securing Our Future* link TDI's strategic plan and goals to the statewide mission.

Priority Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by implementing clear standards, ensuring compliance; establishing market-based solutions; and reducing the regulatory burden on people and business.

Benchmarks

- Average annual homeowners and automobile insurance premiums as a percent of the national average.
 - Number of utilization reviews conducted for treatment of occupational injuries.
 - Percent of new and renewed professional licenses issued via Internet.
-

Agency Planning Elements

Agency Vision, Mission, Regulatory Approach, and Core Values

The agency planning elements include the vision, mission, regulatory approach, core values and assessment of challenges impacting 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 TDI develops internally through its business planning process.

In fiscal year 2007, the Commissioners of Insurance and Workers' Compensation convened a cross-agency team to articulate TDI's mission, core values, and long range goals with the forethought that the mission and core values preserve the agency purpose, while long range goals stimulate progress. The results of the team's work sessions generated a new agency mission and core values, as reflected below. The long range goals are connected to the agency's mission and core values and appear in TDI's strategic response to the challenges impacting the agency.

Agency Vision

The Texas Department of Insurance envisions a financially stable and fair marketplace and an effective and efficient workers' compensation system.

Agency Mission

The Texas Department of Insurance mission is to protect insurance consumers by:

- regulating the insurance industry fairly and diligently
- promoting a stable and competitive market
- providing information that makes a difference.

Agency Regulatory Approach

The Texas Department of Insurance will exemplify friendly, courteous, ethical, and professional behavior in all areas of performance by:

- providing the best value in services to the people of Texas
- applying the law and the agency policy fairly and consistently throughout the state
- communicating openly and providing timely and accurate information to the public we serve, and to all our fellow employees, and
- communicating internally and externally, we evaluate and adjust the course of the agency in response to changes in conditions.

Continued on next page

Agency Planning Elements, Continued

Core Values

- The Texas Department of Insurance has a passionate commitment to service in the public interest. We are:
 - Responsible Stewards
 - accountable, efficient, effective
 - “Using resources wisely”
 - Professional
 - knowledgeable and fair
 - “Adhering to the highest ethical standards”
 - Collaborative
 - cooperative, inclusive, diverse
 - “Respecting others’ opinions and expertise”
 - Resilient and Creative
 - open-minded and proactive
 - “Learning from the past to enhance our future”
 - Balanced
 - fulfilled and well-rounded
 - “Celebrating personal and professional successes”
-

Assessment of Challenges Impacting the Agency

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Principles-Based Regulation

Introduction

The Texas Department of Insurance (TDI) is the regulatory agency for the state's insurance market. The TDI mission is to protect consumers by regulating the industry fairly and diligently, promoting a stable and competitive market, and providing information that makes a difference.

The role of the regulator has changed over the past several years. TDI is more than a disseminator of information and a monitor of solvency and compliance. TDI's statutory duties now include development of new and innovative insurance solutions and more direct consumer assistance.

In addition, the merger of the Texas Workers' Compensation Commission with TDI created opportunities to provide effective and responsive service in administering the Texas workers' compensation system. TDI is undertaking this role by seeking input from all stakeholders, engaging in comprehensive enforcement and compliance efforts with the goal of changing behaviors, providing effective customer service, prompt and fair resolution of disputes, and promoting safe workplaces with effective return-to-work outcomes.

TDI will continue to examine its regulatory role in light of new legislative directives and difficult market issues – for example, finding innovative ways to effectively promote competition in the market, addressing the number of uninsured Texans, securing funding for the Texas Windstorm Insurance Association, effectively administering the Texas workers' compensation system, and providing Web site resources that help consumers make informed insurance choices.

The changing demographics of Texas, the continued explosion of technology, a dynamic economic climate, and pressing environmental concerns require TDI's role as the regulator to adapt to meet the needs of Texans, both now and in the future.

Principles-Based Regulation

One approach to meeting the needs of Texans, both now and in the future may be to change the current regulatory scheme. Because the insurance market is constantly changing, regulation must be flexible enough to keep up with this changing market and with insurer responses to the changing market. To do so, the Legislature and the Commissioner of Insurance could consider whether it is in the best interest of Texas to promulgate broad regulatory principles that would allow regulators to adapt regulation to the risk posed to consumers by individual insurers and agents.

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Principles-Based Regulation, Continued

Principles-Based Regulation
(continued)

This concept is known as “Principles-Based Regulation.” Principles-Based Regulation is a regulatory philosophy that focuses on outcomes, which allows regulators to use more judgment in assessing the risks posed by an insurer and develop the best, most effective response to protect consumers. Benefits of principles-based regulation include:

- eliminating loopholes and gaps from rules that could allow activities that harm consumers or mislead regulators
- focusing regulatory action on key areas of risk, while promoting competition and innovation
- targeting and delivering regulatory outcomes that align to statutory objectives
- fostering more regulatory expertise in company management, and
- developing more business judgment expertise in regulators.

The United Kingdom currently practices this regulatory approach and the State of New York is in the process of developing it. As other countries consider this approach, Texas should also review its regulatory scheme with respect to future trends.

Principles-Based Regulation is different from most forms of regulation currently practiced in the United States. TDI staff as well as TDI licensees will require training in principles-based regulation. For TDI staff, the simple fact that insurers are following the statutes and rules will not suffice; staff will need to investigate further to determine the risks and outcomes of the insurers’ strategies. Similarly, insurers will be required to look beyond the Texas Insurance Code and the Texas Administrative Code in order to comply with the principles. Insurers must consider the effects of their strategies on consumers and the insurance market.

Enforcement of Principles-Based Regulation will be challenging. Principles-Based Regulation centers less on punishment and more on outcome. If insurers are unwilling to accept TDI’s interpretation of a broad principle, litigation may ensue and the result of the litigation is uncertain.

TDI plans to cautiously explore a Principles-Based Regulation approach. In doing so, TDI will consider :

- stakeholder input
 - phased in implementation, and
 - legal standards for courts to take into account.
-

Challenge: Availability and Affordability Overview

Issue	Reduce impediments to competition, improve insurance availability and ensure rates are not excessive, inadequate or unfairly discriminatory, while assuring companies are financially sound.			
Strategic Response	Pursue creative policy solutions that encourage voluntary market participation, enhance consumers' awareness of product and pricing options and increase TDI's flexibility in monitoring the marketplace.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • reviews filings • analyzes rates • conducts examinations • maintains texashealthoptions.com • supports three-share programs • partners with stakeholders • explores options for expanding coverage • works with state agencies • proposes TWIA requirements • monitors carriers • implements workers' compensation fee guidelines • develops market analysis tools 	<ul style="list-style-type: none"> • growing population • rising health care costs • medical advances • increasing coastal property development • cycle of hurricane activity • data mining • lack of competition in the title market • downturns in real estate and lending markets • workers' compensation system reforms • weak U.S. economy 	<ul style="list-style-type: none"> • rising health insurance costs • large immigrant population • limited coverage in coastal counties • expected hurricane losses • TWIA exposure • data mining and potential for severe rate differentials • title marketplace inefficiencies • title rate adoption • workers' compensation market share • workers' compensation coverage not mandated • impact of economy on insurer investment earnings 	<ul style="list-style-type: none"> • seek legislative direction and evaluate need for legislation • collaborate with health insurance industry • increase employer incentives • increase price transparency • strengthen municipality windstorm requirements • establish windstorm reinsurance facility • promote voluntary market entry • establish alternate funding means for TWIA and FAIR Plan • study title rating practices • adopt alternative rating structures • develop early warning criteria • monitor rule impact • develop plans to encourage competition

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Challenge: Availability and Affordability

At a Glance

Issue: Reduce impediments to competition, improve insurance availability and ensure rates are not excessive, inadequate or unfairly discriminatory, while assuring companies are financially sound.

Strategic Response: Pursue creative policy solutions that encourage voluntary market participation, enhance consumers' awareness of product and pricing options and increase TDI's flexibility in monitoring the marketplace.

Availability and Affordability

The affordability and availability of insurance is a key challenge facing TDI. Several regulatory activities throughout the agency promote the availability and affordability of insurance products, which include:

- reviewing filings for compliance
- analyzing rates and calculation methodologies
- participating in rate hearings, and
- conducting financial and market conduct examinations to ensure carrier solvency.

Additionally, TDI has launched several new initiatives to promote availability and affordability in the marketplace, which include:

- creating texashealthoptions.com to improve Texans' awareness of health insurance opportunities
 - supporting community driven "three-share programs" that would divide premium costs among the employee, the employer, and a source of subsidy
 - partnering with stakeholders to collect and disclose insurance and healthcare costs to the public for improved price transparency
 - analyzing options to expand Texas Health Insurance Risk Pool coverage
 - exploring health care coverage options for small employers
 - participating with the Governor's office in a grant to develop a program that would expand health coverage for Texans
 - working with the Health and Human Services Commission to implement the Health Opportunity Pool
 - proposing requirements for Texas Windstorm Insurance Association (TWIA) coverage that allow homeowners and commercial entities to pay a premium surcharge in lieu of receiving a windstorm certificate
-

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Challenge: Availability and Affordability, Continued

Availability and Affordability (continued)

- monitoring workers' compensation carrier claims practices through complaints, monthly monitoring teleconferences with carriers, periodic enforcement management conferences, biennial Performance Based Oversight, and data calls
 - implementing workers' compensation medical fee guidelines, and
 - developing new procedures and tools to analyze market trends, identify financially troubled companies and initiate corrective actions.
-

Trends

The following external factors and trends are likely to impact the availability and affordability of insurance coverage.

- Population is expected to increase, especially among aging baby boomers.
 - Health care costs are rising at a considerable rate. In less than four decades, annual healthcare costs have grown from \$365 to \$6,697 per person.¹
 - New treatment options resulting from medical advances drive up utilization and costs of healthcare services.
 - The cycle of very active Atlantic hurricanes may continue for several years.
 - Coastal property development continues despite a tightening coastal property insurance marketplace.
 - Sophisticated data mining and pattern recognition tools allow industry to more precisely predict differences in the expected losses of insureds.
 - Texas' regulatory scheme does not allow price competition for title insurance.
 - Downturns in the real estate and lending markets impact the volume of real estate activity, and accordingly, title industry profitability.
 - Workers' compensation system reforms are anticipated to reduce hospital fee disputes, lower medical costs, and improve access to and delivery of healthcare.
 - A weak U.S. economy negatively impacts industry investment earnings.
-

Challenges

External factors such as the growing aging population, the dramatic growth in TWIA exposures and the possibility of an economic recession compound the insurance availability and affordability challenge and require TDI to explore innovative solutions to the problem.

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¹ Health Care Costs: A Primer. Key Information on Health Care Costs and Their Impact. The Henry J. Kaiser Family Foundation. August 2007.

Challenge: Availability and Affordability, Continued

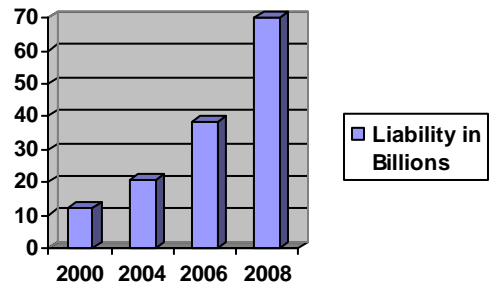
Challenges
(continued)

Health - Nearly one-quarter of all Texans lack health coverage. Rising health insurance costs, large immigrant population, and low participation rates in employer-based insurance and in government-sponsored plans contribute to Texas’ growing uninsured population.

Property - Approximately 30 percent of Texas’ population resides in coastal and adjacent counties. Ensuring available and affordable coverage to this population is particularly challenging in light of recent and expected hurricane losses. A number of major insurers have filed for rate increases, restricted wind coverage, and/or indicated that they will not offer coverage along the coast.

The tightening coastal property insurance market and continued coastal development have contributed to the rapid growth of TWIA. TWIA provides windstorm insurance for property owners who are unable to obtain it from the voluntary market in designated catastrophe areas. TWIA losses are funded by premiums, investment income, assessments to member insurers, and reinsurance. By the end of 2008, TWIA’s exposure is expected to reach \$70 billion, placing state revenues at considerable risk.

Texas Windstorm Insurance Association liability exposure has skyrocketed from \$12.1 billion in 2000 to an estimated \$70 billion in 2008.



Data Mining -The use of data mining and pattern recognition tools may encourage niche marketing for previously underserved markets. But the potential for exponential increases in the number of risk tiers could result in severe rate differentials among insureds at the ends of the pricing spectrum, effectively making insurance unavailable to many.

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Challenge: Availability and Affordability, Continued

Challenges (continued)

Title - In contrast to other insurance lines, title insurance rates in Texas are promulgated. Consumers do not have the ability to shop for coverage on the basis of cost and the limited competition results in marketplace inefficiencies. Moreover, title rates are set at biennial rate and rule hearings, and rates may not be indicative of the current market once the final rate and rule are adopted.

Workers' Compensation - Workers' compensation claim costs continue to be high, even as medical costs per claim have decreased almost 20 percent between 2003 and 2006. Additionally, Texas is the only state that does not require all employers to obtain workers' compensation coverage for employees, and 28 percent of the Texas market is written by a single insurance carrier, which also serves as the "insurer of last resort."

Solvency - Current economic trends, including the sub-prime mortgage crisis, deflated U.S. dollar, and threats of recessionary times adversely impact insurer investment earnings. TDI may see an increase in solvency-related interventions for financially unsound companies and premium increases from insurers to compensate for losses in investment revenue.

Strategic Response

To address the availability and affordability problems in Texas, it is crucial that the agency think strategically and creatively. TDI's strategic response considers initiatives and possible legislative recommendations as follows.

Health

- Seek legislative direction to identify ways to expand health insurance coverage for Texans.
- Collaborate with the health insurance industry to find market-based strategies for reaching more Texans.
- Restructure and seek funding for the Texas Health Reinsurance System to provide market stability to the uninsured population.
- Increase employer incentives to provide health insurance.
- Increase price transparency in the insurance and healthcare industries by collecting and disclosing claims, performance, and pricing data.

Property

- Allow TDI greater flexibility when designating catastrophe areas for coverage written through TWIA.
-

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Challenge: Availability and Affordability, Continued

Strategic Response (continued)

Property, continued

- Require municipalities and counties in coastal regions to adopt and enforce windstorm building codes.
- Require municipalities to develop windstorm inspection programs to ensure compliance with the wind resistant provisions of the building code.
- Establish a windstorm reinsurance facility to fund a portion of hurricane losses incurred by insurers, TWIA, and the Texas FAIR Plan Association (FAIR Plan).
- Promote voluntary entry into the market through creative policies, such as phasing in potential TWIA assessments over several years for new writers, and automatically approving rate increases of less than five percent in a 12-month period following a storm.
- Establish alternative funding mechanisms for TWIA and FAIR Plan to allow for growth in areas subject to catastrophic loss.

Data Mining

- Expand TDI's statutory authority for requiring disclosure and monitoring of insurers rating, underwriting, and actuarial practices.

Title

- Conduct a comprehensive study of title industry rating practices in Texas.
- Adopt alternative rating structures to encourage price competition.
- Develop early warning criteria for identifying and responding to financially troubled title agents.

Workers' Compensation

- Monitor impact of adopted Disability Management and Medical Fee Guideline rules on workers' compensation claim costs.
- Encourage penetration of workers' compensation provider networks, and monitor effects of networks on workers' compensation claim costs through the annual workers' compensation network report card.
- Develop a plan to encourage competition among workers' compensation carriers to prevent monopolistic market share behavior.

Solvency

- Communicate to the public TDI's role in monitoring industry market conditions and solvency.
- Evaluate need for legislation and provide an appropriate statutory framework to protect public interests in cases of carrier insolvencies.

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Challenge: Outreach and Education Overview

Issue	To provide effective outreach and education programs that keep pace with insurance market changes, product innovations, consumer demographics and needs, and advances in technology.			
Strategic Response	To provide information in a variety of mediums and languages at a level appropriate for multiple audiences so consumers are empowered to make informed decisions and regulated entities can understand how to comply with the law, and to solicit consumer input to ensure information is apt and meaningful.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • publishes multi-lingual information • maintains www.texashealthoptions.com • maintains www.helpinsure.com • provides targeted outreach • hosts stakeholder meetings • develops fire safety and prevention public awareness campaigns • provides worksite hazard assessments • partners with other state agencies 	<ul style="list-style-type: none"> • greater complexity and variety in products • increasing use of the Internet and other technologies • increasing diversity of customers • aging of the population • varying levels of English proficiency • varying levels of insurance knowledge 	<ul style="list-style-type: none"> • public need for information will remain high • Texas population is aging and becoming increasingly more diverse • the way customers will want to receive information will change as technology evolves 	<ul style="list-style-type: none"> • explore alternate information distribution methods • provide additional foreign language publications • expand targeted outreach • seek stakeholder input • collect relevant data and post to TDI Web site • enhance Texas HealthOptions and HelpInsure • leverage relationships with other entities • expand SFMO outreach through grants

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Challenge: Outreach and Education

At a Glance

Issue: To provide effective outreach and education programs that keep pace with insurance market changes, product innovations, consumer demographics and needs, and advances in technology.

Strategic Response: To provide information in a variety of mediums and languages at a level appropriate for multiple audiences so consumers are empowered to make informed decisions and regulated entities can understand how to comply with the law. Solicit consumer input to ensure information is apt and meaningful.

Outreach and Education

TDI provides outreach and education to various customers. The complexity and variety of insurance products requires TDI to provide accurate and timely information to consumers to help them make informed decisions. Education is key to protecting consumer rights, fostering a stable and competitive insurance market, creating safer workplaces, and reducing the potential for fire- and disaster-related loss of life and property. Every TDI program contributes to this function.

TDI offers a variety of education, outreach, and customer assistance activities, such as toll-free telephone lines, educational publications in multiple languages, newsletters, Web resource pages, presentations to consumers and various interest groups, fire prevention and safety training to local authorities and the public, and compliance and educational workshops for industry representatives and workers' compensation system participants.

To best serve its diverse customer base, TDI provides information through hard copy publications, video/DVD loans, and the Internet. Additionally, TDI provides live face-to-face outreach and training, stakeholder meetings and public hearings, as well as collaborative partnerships with outside entities. Specifically, TDI:

- publishes information in English, Spanish, Chinese, Korean, and Vietnamese
- provides foreign language translation software on TDI's Web site
- identifies emerging issues and creates Web resource pages to address needs
- maintains www.texashealthoptions.com and www.helpinsure.com to help consumers find health and homeowners insurance coverage
- provides outreach to the public and targeted audiences, such as Texas seniors, historical minorities, workers' compensation system participants, law enforcement personnel, and insurance and fire industry representatives

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Challenge: Outreach and Education, Continued

Outreach and Education (continued)

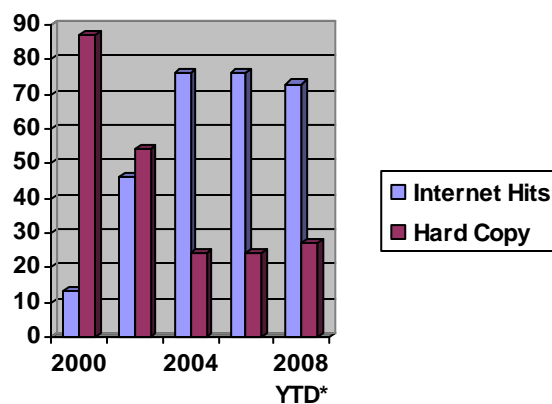
- hosts stakeholder meetings, including public hearings, workshops, educational conferences, and brown bag sessions to discuss regulatory changes and trends
- develops public awareness campaigns on fire safety and prevention, as well as workplace safety for all employers and employees
- provides worksite hazard assessments, air sampling, and noise monitoring to help prevent occupational injuries, illnesses, and fatalities
- works with a variety of task forces, industry groups, and state and federal agencies to inform the public about agency policy and outreach efforts, and
- partners with other state agencies to facilitate injured employee return-to-work training and to promote long-term care insurance via the *Own Your Future, Texas* campaign.

Trends

TDI has observed recent trends in the marketplace that require the agency to adjust its approach to delivering outreach and education services. The trends are:

- greater complexity and variety in products
- increasing use of the Internet and other technologies
- increasing diversity of customers
- aging of the population
- varying levels of English proficiency, and
- varying levels of insurance knowledge.

Remarkably, the percentage of publications distributed through “hits” to the TDI website has increased from less than 20 to more than 70 percent.



*As of 2/28/2008

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Challenge: Outreach and Education, Continued

Challenges

The challenge to the agency is to continue to provide effective outreach and education programs as the nature of the market and insurance products change. Compounding this challenge are the projected shifts in the state's demographic makeup and continued advances in technology. Future challenges include:

- The public's need for information will remain high.
 - Texas population is aging and becoming increasingly more diverse.
 - The way consumers will want to receive information will likely change as technology evolves.
-

Strategic Response

TDI's strategic responses for these challenges will be to:

- explore alternate information distribution methods as technology changes
 - provide additional foreign language publications based on demographic needs
 - expand outreach to young Texans, seniors, and Spanish-speaking audiences
 - seek stakeholder input to publish meaningful, accessible information that meets customers' diverse needs
 - collect industry and provider health data and post to TDI's Web site
 - enhance texashealthoptions.com and helpinsure.com to help consumers find coverage
 - leverage relationships with regulatory agencies, professional organizations, and trade organizations to expand outreach and education opportunities, and
 - expand State Fire Marshal's Office outreach through grants to increase resources and by forming partnerships with fire prevention educators throughout the state.
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Challenge: Information Management and Technology Overview

Issue	To identify opportunities to enhance processes and technology for improved collection, management, security, and exchange of information.			
Strategic Response	To formulate and implement unified strategies for managing regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing use of the Internet for two-way communication with stakeholders.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	Feasibility studies include: <ul style="list-style-type: none"> • automating processes • consolidating databases • exploring e-filing solutions • reviewing “paperless office” hardware needs • comparing document management methods • identifying obsolete records and systems • looking at alternatives for automating paper forms 	<ul style="list-style-type: none"> • increased demand for electronic information access • increasing infrastructure needs • TDI outpaced by industry technology solutions • legislative move toward Web-accessible data • global market regulation • need for timely access to information • enhanced employee retention through technology optimization 	<ul style="list-style-type: none"> • keeping pace with technology advancement and proliferation • meeting stakeholder demands • facilitating and advancing the exchange of information and regulatory effectiveness 	<ul style="list-style-type: none"> • improve data integration and compatibility • identify ways to share information across programs • evaluate options for cost-effective document management technologies • offer new e-filing and e-government solutions • replace manual processes with automated solutions • eliminate obsolete filing requirements • commit resources to managing electronic information • obtain bandwidth • improve connectivity • develop infrastructure to meet information management needs

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Challenge: Information Management and Technology

At a Glance

Issue: To identify opportunities to enhance processes and technology for improved collection, management, security, and exchange of information.

Strategic Response: To formulate and implement unified strategies for managing regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing use of the Internet for two-way communication with stakeholders.

Information Management and Technology

TDI collects and maintains large volumes of data, documents, and information. Statutory regulation relies on the collection of information through required/requested filings, examinations, subpoenas, and requests for information from licensed and unlicensed insurance entities (i.e. admitted carriers, surplus lines, and unauthorized entities). The Division of Workers' Compensation (TDI-DWC) also collects various claims information to support compliance, research, and system monitoring efforts.

Information collected and generated exists within various divisions throughout the agency and TDI-DWC. Data and documents are not centrally organized or managed, which complicates requests for records, disaster recovery efforts, data management, and efforts to share information. The non-transparency of information also increases operational costs. Agency employees must coordinate with other programs to retrieve information, which increases the time required for processing transactions. Additionally, all program areas have not adopted e-filing and other e-government solutions for electronic exchange of information, although stakeholders may access and submit certain information electronically.

TDI programs recognize that technology offers an opportunity to improve regulatory effectiveness, which is evidenced by the fact that many agency business plan projects and initiatives relate to managing data or creating a paperless environment.

Currently TDI is conducting several feasibility studies to improve information management, which include the analysis of:

- existing software usage and potential software solutions (e.g., SIRCON for States) that automate processes and consolidate data management
 - agency wide e-filing solutions that replace paper-intensive processes and reduce scanning needs
-

Challenge: Information Management and Technology, Continued

Information Management and Technology (continued)

- hardware required to achieve a “paperless office” environment and facilitate the flow of information
 - document management methods for storage, retrieval, and workflow
 - obsolete records and systems that do not support current or new processes, and
 - alternatives for automating paper forms.
-

Trends

Trends influencing the need for improved information management are as follows.

- Stakeholders expect to access and submit information electronically.
 - Infrastructure requirements increase with the demand for electronic information.
 - Industry technology solutions for information management outpace TDI.
 - Recent legislation requires regulators to provide comparative analyses, report cards, and Web-accessible data so consumers may make informed decisions.
 - Regulation in a global market requires coordination and information sharing with other entities.
 - Agency operations and decision making necessitate timely access to and efficient flow of information.
 - Retention of skilled employees is enhanced when technology use is optimized.
 - Telecommuting is changing the way business is conducted.
 - Business needs should drive technology decisions.
-

Challenges

With the advancement and proliferation of technology, stakeholders have become more technologically savvy and their expectations for government have evolved. Increasingly, customers expect government to utilize technology to improve customer service and operational efficiencies. TDI strives to address the marketplace trends and meet customer expectations for service delivery and performance. The information management challenge is to facilitate and advance information exchange and regulatory effectiveness.

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Challenge: Information Management and Technology, Continued

Strategic Response

TDI's strategic response for the information management challenge will be to formulate and implement unified strategies for managing regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing use of the Internet for two-way communication with stakeholders. Strategic response initiatives will be to:

- implement recommendations from the TDI Systems and Data Consolidation project for improved data integration and compatibility
 - create an agency working group to identify ways to share information across programs and evaluate options for cost-effective document management technologies
 - post additional information on TDI's Web site while providing safeguards to protect confidential information
 - offer additional e-filing and e-government solutions to meet customer service expectations and reduce TDI staff data entry
 - continually identify and implement opportunities to replace manual or cumbersome processes with automated solutions that improve processing times and maintain or improve quality control
 - propose changes to current rules to eliminate obsolete filing requirements by system participants
 - commit Information Technology Services resources to facilitate managing electronic information, and
 - coordinate with the Department of Information Resources and the Team for Texas vendor to obtain bandwidth, improve connectivity, and develop infrastructure to meet TDI's increasing information management needs.
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Challenge: Enforcement Overview

Issue	To restore balance to the marketplace, protect the public, and deter future non-compliance through effective and efficient enforcement activities.			
Strategic Response	To promote compliance through improved communication and case management.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • communicates with stakeholders • identifies new insurance fraud trends and enhances investigative techniques • coordinates with other agencies • participates in a variety of antifraud task forces and organizations nationally • employs a special prosecutor attorney • uses computer resources to streamline the investigation reporting process 	<ul style="list-style-type: none"> • greater product complexity • use of Internet and other technologies • unauthorized health insurance • referral volume • case resolution timeframes • continued non-compliance 	<ul style="list-style-type: none"> • communication • case management 	<ul style="list-style-type: none"> • continue meetings • monitor industry trends • explore consolidating enforcement areas • explore principles-based regulation • promote education and public awareness • expand automation • prioritize activities • consider graduated penalties • expand initiatives between TDI and other authorities • adapt investigative processes • redesign processes • work with staff and stakeholders

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Challenge: Enforcement

At a Glance

Issue: To restore balance to the marketplace, protect the public, and deter future non-compliance through effective and efficient enforcement activities.

Strategic Response: To promote compliance through improved communication and case management.

Enforcement

TDI is responsible for ensuring compliance with and bringing enforcement actions for violations of Texas insurance laws and related statutes and rules.

The enforcement function resides in multiple locations within the agency. TDI's Enforcement Program investigates allegations and takes civil disciplinary actions, which include cease and desist orders, license denials, revocations and suspensions, administrative penalties, and/or restitution. The TDI-DWC Enforcement Program focuses on areas of non-compliance that have the greatest adverse impact on the workers' compensation system and pursues administrative action as appropriate. TDI's Fraud Unit investigates and refers cases involving allegations of criminal conduct to state and federal prosecutorial agencies. Upon request by local communities, TDI conducts fire and arson investigations under the direction of the State Fire Marshal, who serves as the chief arson investigator for the state.

To meet TDI's enforcement goals, the agency supports regular communication with internal staff and external stakeholders and coordinates with external entities to leverage knowledge and resources. Specifically, TDI:

- communicates with stakeholders to promptly detect and resolve noncompliance
 - identifies new insurance fraud trends and enhances investigative techniques
 - coordinates with other agencies to share information concerning individuals and entities subject to concurrent jurisdiction
 - participates in a variety of antifraud task forces and organizations nationally
 - employs a special prosecutor attorney through a Memorandum of Understanding with Dallas County DA to facilitate the effective prosecution of fraud cases, and
 - uses computer resources to streamline the investigation reporting process.
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Challenge: Enforcement, Continued

Trends

Recent trends in the marketplace that may require TDI to adjust its enforcement approach include the following:

- greater complexity in products
 - increased use of Internet and other technologies
 - insufficient remedies for consumers taken in by unauthorized health insurance plans
 - referral volume exceeds agency resources
 - lengthy case resolution timeframes, and
 - continued non-compliance in certain key areas.
-

Challenges

TDI regulates a diverse array of individuals, entities, products, services, and benefits. As Texas' population increases, the number of insurance transactions and the number of licensees will continue to increase. Also, the types of products and market players will continue to diversify, creating challenges for TDI's enforcement activities. Two primary challenges are communication and case management, which are discussed below.

Since TDI's enforcement function resides in multiple locations within the agency, diligent communication across program areas is required to ensure penalties are assessed fairly and consistently. Furthermore, as the Texas population increases and marketplaces become more complex, TDI must cultivate its external partnerships to better monitor the marketplace, identify and resolve noncompliance, and coordinate enforcement activities across jurisdictions. This coordination will also help to address the problem of insufficient remedies for consumers negatively impacted by the action of unauthorized health insurance plans.

Communication is further challenged by TDI's current information management technology. TDI maintains several non-integrated applications to capture information. A consolidated agency database would allow staff to easily research a company's history of regulatory actions prior to initiating communications or enforcement actions, thereby reducing the potential for inconsistent regulatory directions among programs.

Resource constraints are another major challenge for the agency. Currently, the volume of referrals exceeds agency resources and TDI must prioritize and focus its enforcement activities on areas of non-compliance that have the greatest adverse impact in the insurance market and the workers' compensation system.

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Challenge: Enforcement, Continued

Challenges (continued)

Additionally, TDI is challenged to improve its case resolution timeframes. Litigation and procedural timeframes, coupled with multiple appeals in some cases contribute to delayed resolutions, which adversely harm consumers who lack the economic resources to wait on court decisions.

Strategic Response

TDI's strategic response will focus on improving internal and external communication and ensuring effective and efficient case management. Specifically, TDI will:

- continue regular cross-divisional meetings and monitoring of industry trends
 - explore co-locating and/or consolidating enforcement areas
 - explore opportunities for implementing principles-based regulation to promote voluntary compliance
 - promote compliance and fraud prevention through education and public awareness
 - expand use of automation for more efficient case management and exchange of information
 - prioritize enforcement activities based on impact and likelihood of successful referral and prosecution
 - consider a graduated increase of overall penalties to address continued non-compliance
 - develop recommendations to offer speedier resolution of enforcement actions (e.g., reducing the number of venues and appeals available to regulated parties)
 - propose and/or amend rules to better facilitate the current enforcement process
 - expand cooperative initiatives between TDI and law enforcement, local fire officials and the industry
 - adapt investigative processes to keep pace with changing market and newly evolving insurance fraud schemes
 - evaluate alternatives to improve efficiency and effectiveness of small-dollar compliance cases, such as fire-protection-system installation infractions,
 - continue to inform workers' compensation carriers about complaints and compliance trends through monthly monitoring telephone calls, periodic Enforcement Management Conferences, and quarterly carrier compliance meetings, and
 - work with staff and stakeholders to refine methodologies and measures for Performance Based Oversight tiering.
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Challenge: Disaster Response and Readiness Overview

Issue	To ensure that insurers, consumers, providers, and the agency are prepared for all disasters, including natural disasters, pandemics, man-made disasters or terrorist acts, and technological disasters.			
Strategic Response	To monitor insurers' ability to respond to and pay disaster claims, educate consumers about coverage and assist them with claims, work with providers unable to bill during disaster circumstances, and expand TDI's business continuity planning efforts.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • surveying licensed and authorized insurers • reviewing industry business continuity plans and catastrophe plans • using real-time models to predict the potential impact of Gulf Coast hurricanes • distributing informational publications • analyzing disaster claims data • participating in NAIC Disaster Reporting Working Group • ensuring sufficient adjuster availability • waiving fees following a disaster • monitoring disaster complaints to ensure appropriate follow-up actions • updating TDI's disaster recovery plan to meet FEMA guidelines 	<ul style="list-style-type: none"> • geographically large state • growing Texas population • cycle of active hurricanes • coastal property development • anticipation of concurrent Texas disasters • increased risk of man-made disasters and pandemics • emphasis on compliance with NIMS and federal guidelines • migration to a state datacenter • redundant mirroring capabilities 	<ul style="list-style-type: none"> • natural disaster susceptibility in Texas • Texas' geography • complexity of mitigating losses • compliance with law during and after disasters • insurer financial resources and reserves • availability of disaster volunteers • mass relocations to or from Texas • insurer, provider, consumer, and agency disaster preparedness 	<ul style="list-style-type: none"> • emphasize disaster readiness • engage industry in disaster response discussions • work with industry on loss mitigation • target consumers about reducing risk • develop solutions for providing "remote" assistance • monitor business continuity after a disaster • work with carriers, providers, and agents whose business has been disrupted

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Challenge: Disaster Response and Readiness

At a Glance

Issue: To ensure that insurers, consumers, providers, and the agency are prepared for all disasters, including natural disasters, pandemics, man-made disasters or terrorist acts, and technological disasters.

Strategic Response: To monitor insurers' ability to respond to and pay disaster claims, educate consumers about coverage and assist them with claims, work with providers unable to bill during disaster circumstances, and expand TDI's business continuity planning efforts.

Disaster Response and Readiness

TDI provides a variety of activities to help the public, insurance industry, and the agency effectively prepare for and respond to disasters. Key activities include reviewing industry/insurers' catastrophe and business continuity plans, assisting customers impacted by disasters, monitoring company handling of disaster claims for compliance and solvency concerns, licensing agents who have relocated to Texas following a disaster in their state, and maintaining and testing the Agency Disaster Recovery Plan.

TDI recognizes the need for coordination among governmental and non-governmental entities to effectively and efficiently respond to disasters. TDI leads the Texas State Disaster Coalition, which consists of industry representatives, the Governor's Division of Emergency Management, Federal Emergency Management Agency (FEMA), and other organizations. Additionally, TDI's disaster response and recovery staff are certified in FEMA's National Incident Management System (NIMS), which provides a consistent nationwide approach for disaster response and recovery. Further, the State Fire Marshal's Office participates in the Texas Intrastate Fire Mutual Aid System, which mobilizes, deploys, organizes, and manages Texas fire-related resources.

Recent disaster response and readiness initiatives performed by TDI include:

- surveying licensed and authorized insurers on their disaster preparedness
 - reviewing insurers', HMOs', and workers' compensation health care networks' business continuity plans and catastrophe plans during routine examinations
 - using real-time models to predict the potential impact of Gulf Coast hurricanes and identify companies that may become financially hazardous
 - distributing informational publications on disaster-related topics
-

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Challenge: Disaster Response and Readiness, Continued

Disaster Response and Readiness (continued)

- analyzing disaster claims data to identify potentially hazardous companies
 - participating in the National Association of Insurance Commissioner's (NAIC) Disaster Reporting Working Group
 - monitoring the market to ensure sufficient adjuster availability for claim volume
 - waiving agent licensing fees for agents relocating to Texas following a disaster
 - monitoring disaster complaints and sharing information about issues and trends internally to ensure appropriate follow-up actions, and
 - updating TDI's disaster recovery plan to meet FEMA guidelines.
-

Trends

TDI has observed the following marketplace trends that underscore the importance of disaster planning and present new challenges for disaster response.

- Texas is geographically large and its population continues to grow.
 - The cycle of very active Atlantic hurricanes may continue for several years.
 - Coastal property development continues despite the risk of catastrophic loss.
 - Experts anticipate the possibility of multiple concurrent Texas disasters.
 - The risk of man-made disasters and pandemics appears to be increasing.
 - Governmental leaders are stressing that state agency disaster plans be NIMS compliant and adhere to federal planning guidelines.
 - TDI plans to migrate agency data to a state datacenter with redundant mirroring capabilities for enhanced disaster recovery capabilities.
-

Challenges

Due to its climate and geography, Texas is susceptible to more natural disasters – such as wildfires, floods, hail storms, tornadoes, hurricanes, ice storms – than other states. Pandemics, terrorist acts, or technological disasters may also occur. As the risk of huge losses and multiple concurrent disasters increases, the challenge to mitigate losses becomes more complex. HMOs and providers affected by disasters may have difficulty meeting state prompt pay requirements. Large-scale losses may strain insurers' resources and financial reserves, and TDI may not have sufficient disaster volunteers, funds, and other resources to staff disaster centers across the state. Additionally, catastrophes in neighboring states may result in mass relocation of both consumers and agents to Texas.

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Challenge: Disaster Response and Readiness, Continued

Challenges (continued)

TDI has maintained disaster and business continuity plans since 1999, but internal and external factors (e.g., 9/11, the Texas Workers' Compensation Commission merger, the state datacenter consolidation, and Hurricanes Rita and Katrina) have complicated agency planning efforts. Recent updates to TDI's disaster recovery plan have begun to address the TDI-DWC and Office of Injured Employee Counsel (OIEC) planning needs. Additionally, TDI incorporated new planning elements to align with FEMA's Continuity of Operation guidelines.

Despite recent enhancements, TDI recognizes the opportunity to further improve planning for natural or man-made disasters, pandemics, or similarly disruptive events that could affect field operations. Additionally, as the statewide datacenter assumes responsibility for storing and recovering electronic data, TDI's disaster planning will likely shift from data recovery to focus on connectivity, accessibility, and human capital needs.

The challenge to the agency is to ensure that insurers, consumers, providers, and the agency are prepared for *all* disasters, including natural or man-made disasters, including weather-related events, terrorist acts or similarly disruptive events.

Strategic Response

Disaster readiness requires that insurers have sufficient financial reserves, a catastrophe plan to pay large numbers of claims, and a business continuity plan to avoid service disruption; consumers need to have home and personal disaster plans and understand the insurance coverage they have purchased; health care providers need business continuity plans to continue providing necessary medical care and the ability to bill for these services. TDI has developed and continues to refine a catastrophe plan that defines the agency's role and response during a disaster, as well as a business continuity plan to ensure continuation of critical functions following a wide range of business interruptions. TDI's strategic responses to meet these needs will be to:

- continue to emphasize industry, consumer, and provider readiness
 - engage the industry in discussions on reducing losses and responding to disasters that result in mass casualties
 - target outreach and education efforts to inform consumers about reducing risk
 - develop creative solutions for assisting consumers "remotely"
 - monitor business continuity after a disaster is declared and work with carriers, providers, and agents whose business has been disrupted
-

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Challenge: Disaster Response and Readiness, Continued

**Strategic
Response**
(continued)

- implement disaster “tool kits” for TDI employees
 - expand telecommuting agency wide and update the disaster recovery plan to integrate work-from-home solutions
 - expand TDI’s and OIEC’s disaster and business continuity planning to better address natural or man-made disasters, pandemics, or similarly disruptive events that could affect field operations, and
 - train staff on plan enhancements and test disaster recovery plans annually.
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Challenge: Ensuring Appropriate Delivery of Workers' Compensation Benefits by System Participants Overview

Issue	To make use of available processes and technologies for monitoring the delivery of benefits to injured employees to ensure that system participants deliver benefits in a timely and appropriate manner.			
Strategic Response	To effectively monitor delivery of workers' compensation benefits and promptly respond to system issues, and to increase stakeholder collaboration implementing procedural and technological solutions to resolve obstacles to appropriate and timely delivery of benefits.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • implementing disability management • monitoring and enforcing stakeholder compliance • applying performance-based oversight • facilitating implementation of electronic medical bill processing 	<ul style="list-style-type: none"> • use of provider networks • geographic access to medical care • improved stakeholder compliance • improved emphasis on return-to-work • advances in technology and automation 	<ul style="list-style-type: none"> • educating all system participants • access to quality medical care • limited system data • eBill is not fully implemented system-wide • ensuring timely resolution of disputes 	<ul style="list-style-type: none"> • use available technologies available data • respond promptly to system problems • engage stakeholders • ensure system-wide compliance with eBill • continuing to work • expand educational opportunities

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Challenge: Ensuring Appropriate Delivery of Workers' Compensation Benefits by System Participants

At a Glance

Issue: To make use of available processes and technologies for monitoring the delivery of benefits to injured employees to ensure that system participants deliver benefits in a timely and appropriate manner.

Strategic Response: To effectively monitor delivery of workers' compensation benefits and promptly respond to system issues, and to increase stakeholder collaboration implementing procedural and technological solutions to resolve obstacles to appropriate and timely delivery of benefits.

Delivery of Workers' Compensation Benefits

A primary function of TDI-DWC is to ensure that income and medical benefits for injured employees are provided timely and efficiently, and at a reasonable cost to participating Texas employers. TDI-DWC supports timely and efficient delivery of benefits by:

- implementing disability management with a focus on evidence-based medical care and return-to-work outcomes
 - monitoring and enforcing stakeholder compliance with statutory and administrative guidelines to ensure appropriate delivery of benefits to injured employees
 - applying performance-based oversight of insurance carriers and health care providers to showcase high performers, while increasing oversight of poor performers, and
 - facilitating carriers' and providers' implementation of electronic medical bill processing.
-

Trends

Trends that influence more efficient delivery of benefits include:

- employers' increased utilization of provider networks
 - access to medical care issues in underserved areas of the state
 - improved stakeholder compliance due to regular and timely communication between TDI-DWC, carriers, and health care providers regarding complaints and system trends
 - improved emphasis on injured employees' early and medically appropriate return-to-work, and
 - advances in technology and automation, including implementation of eBilling.
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Challenge: Ensuring Appropriate Delivery of Workers' Compensation Benefits by System Participants, Continued

Challenges

Challenges that impact the efficient delivery of benefits include:

- educating all system participants about statutes and rules regarding appropriate and timely delivery of medical and income benefits
 - access to quality medical care is inconsistent across the state
 - limited system data is an impediment to fully evaluating carrier and provider performance
 - eBill is not fully implemented system-wide, and
 - ensuring timely resolution of disputes.
-

Strategic Response

TDI-DWC will develop unified strategies to enhance and ensure efficient delivery of benefits by:

- utilizing available technologies to monitor system performance and seek innovative ways to monitor performance with available data
 - responding promptly to system problems and issues and engage stakeholders in system enhancements and problem resolution
 - ensuring system-wide compliance with eBill requirements
 - continuing to work with stakeholders to enable electronic fund transfers – such as electronic indemnity payments to injured employees and electronic payment of medical bills
 - expanding educational opportunities on disability management (ensuring quality of healthcare and improved return-to-work), and
 - increasing stakeholder collaboration to identify and share best practices.
-

Challenge: Workers' Compensation Dispute Resolution Overview

Issue	To facilitate a reduction of indemnity and medical disputes to those that are appropriate and to assure speedy resolution of disputes.			
Strategic Response	To increase communication between parties, identify issues frequently disputed, educate parties on how to informally resolve misunderstandings prior to asking TDI-DWC for dispute resolution services, provide information about appropriate processes for requesting indemnity and/or medical dispute resolution, and identify opportunities for process improvement.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • benefit review conferences • indemnity and medical contested case hearings • appeal panel review • process analysis 	<ul style="list-style-type: none"> • declining number of proceedings • preparation by parties • resolution of legacy medical disputes • volume of incoming hospital fee disputes 	<ul style="list-style-type: none"> • revising administrative processes/rules • educating health care providers • ensuring resource adequacy • using technology • determining medical fee dispute adjudication 	<ul style="list-style-type: none"> • encourage communication • educate parties • require parties to exchange information • identify frequently disputed issues • re-design dispute resolution processes • update software • coordinate with medical associations

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Challenge: Workers' Compensation Dispute Resolution

At a Glance

Issue: To facilitate a reduction of indemnity and medical disputes to those that are appropriate and to assure speedy resolution of disputes.

Strategic Response: To increase communication between parties, identify issues frequently disputed, educate parties on how to informally resolve misunderstandings prior to asking TDI-DWC for dispute resolution services, provide information about appropriate processes for requesting indemnity and/or medical dispute resolution, and identify opportunities for process improvement.

Workers' Compensation Dispute Resolution

Dispute resolution at TDI-DWC includes the Hearings Program and the Medical Fee Dispute Resolution Program. The Hearings Program provides indemnity dispute resolution for benefit disputes regarding compensability of a work-related injury and eligibility for or the amount of income, death, or burial benefits. The three-tier administrative review process for indemnity benefit dispute resolution consists of a benefit review conference, a contested case hearing, and an appeal to the appeals panel.

Additionally, in accordance with House Bill 724 (80th Legislature, 2005 Regular Session), effective September 1, 2007, the Hearings Program began conducting medical contested case hearings to resolve medical fee disputes and retrospective medical necessity disputes (subject to certain monetary amounts), and prospective and concurrent medical necessity disputes.

The Medical Fee Dispute Resolution Program provides dispute resolution to non-network workers' compensation health care providers, insurance carriers, and injured employees with disputes regarding the payment of health care.

Currently, TDI-DWC is analyzing processes to improve dispute resolution timeframes.

Trends

Trends that impact timely resolution of indemnity and medical disputes include:

- declining number of proceedings, which facilitates earlier scheduling of benefit review conferences
-

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Challenge: Workers' Compensation Dispute Resolution, Continued

Trends (continued)

- level of preparation by parties in presenting their disputes at the BRC
- resolution of legacy medical disputes related to hospital charges, and
- reducing the volume of incoming hospital fee disputes resulting from implementation of the newly adopted hospital fee guideline rules.

Challenges

The primary challenge for TDI-DWC dispute resolution is to reduce indemnity and medical disputes to those appropriate and to assure efficient resolution of those disputes when filed. Other challenges include:

- revising administrative processes and rules to shorten indemnity dispute time frames
- ensuring health care providers are more familiar with *Official Disability Guidelines*
- ensuring sufficient number of contested case hearing officers and support staff to review and process the new and increasing number of medical contested case hearings
- establishing an electronic indemnity dispute docketing system in the Hearings Program to more efficiently schedule proceedings, and
- establishing a process to determine how legacy "fair and reasonable" medical fee disputes will be adjudicated.

Strategic Response

TDI-DWC's strategic response for the indemnity and medical disputes will be to:

- encourage and require increased communication between disputing parties
- educate parties about informally resolving misunderstandings prior to asking TDI-DWC for dispute resolution services
- require parties to fully exchange all information prior to requesting dispute resolution
- educate parties on appropriate processes for requesting indemnity and/or medical dispute resolution
- identify frequently disputed medical fee issues by monitoring data trends to develop appropriate educational programs for system participants
- re-design indemnity and medical fee dispute resolution processes to be easier and more efficient for disputing parties
- update medical fee dispute resolution software, and
- coordinate with medical associations for education.

Challenge: Ensuring Access to Quality Workers' Compensation Medical Care Overview

Issue	To ensure employees have access to prompt, high-quality, cost-effective medical care appropriate to their workers' compensation injury.			
Strategic Response	To support delivery of quality health care services using evidence-based treatment guidelines and medical quality assurance processes. Quality health care includes timely access to an accurate and objective diagnosis, and timely and appropriate testing and treatment (including medications) for the patient's medical condition based on nationally recognized, evidenced-based standards of care; and all at a reasonable cost.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • medical quality reviews • evidence-based standards • adopted treatment and return-to-work guidelines 	<ul style="list-style-type: none"> • improving compliance • increased health care provider reimbursement • repeal of approved doctor list • growing health care providers participation • expanded designated doctor review authority • lower median cost per claim • concentrating quality of care reviews 	<ul style="list-style-type: none"> • maintaining up-to-date standards • educating system participants • reducing administrative processes • attracting and retaining qualified health care providers 	<ul style="list-style-type: none"> • educate health care providers • analyze trends • conduct meetings with health care providers • focus on return-to-work and disability management outcomes • inform stakeholders about adopted guidelines • refer providers to appropriate resources • coordinate with medical associations • provide training

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Challenge: Ensuring Access to Quality Workers' Compensation Medical Care

At a Glance

Issue: To ensure employees have access to prompt, high-quality, cost-effective medical care appropriate to their workers' compensation injury.

Strategic Response: To support delivery of quality health care services using evidence-based treatment guidelines and medical quality assurance processes. Quality health care includes timely access to an accurate and objective diagnosis, and timely and appropriate testing and treatment (including medications) for the patient's medical condition based on nationally recognized, evidenced-based standards of care; and all at a reasonable cost.

Workers' Compensation Medical Care

The TDI-DWC monitors the quality of health care in the workers' compensation system by conducting medical quality reviews of health care providers to ensure that injured employees receive reasonable and medically necessary health care that is consistent with evidence-based standards of care, in a timely and cost-effective manner that facilitates recovery and appropriate return to work.

Each year, TDI- DWC selects categories of workers' compensation health care and system participants for review. The categories are based on recommendations from the Medical Advisor, the TDI Workers' Compensation Research and Evaluation Group, and other independent sources (e.g., complaints from system participants and/or legislative offices, referrals from licensing boards, etc.). Historically, categories for reviews have included physical medicine, spinal surgery, impairment ratings, peer reviews, required medical examinations, Utilization Review Agents (URAs), and Independent Review Organizations (IROs) handling network and non-network workers' compensation claims.

The Medical Advisor and the Medical Quality Review Panel (MQRP) conducts the reviews by applying nationally recognized, evidence-based standards of medical care that include the TDI-DWC adopted treatment and return-to-work guidelines.

Trends

Trends influencing timely access to prompt, high-quality, cost-effective medical care include:

- improving compliance with evidence-based medicine and adopted treatment and return-to-work guidelines
-

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Challenge: Ensuring Access to Quality Workers' Compensation Medical Care, Continued

Trends

(continued)

- increased reimbursement for health care providers
 - repeal of the approved doctor list, effective September 1, 2007
 - statutorily expanded designated doctor review authority and requisite designated doctor training, which now includes return-to-work, relatedness of disability, and extent of injury determinations in addition to maximum medical improvement and impairment rating evaluations
 - lower median cost per claim
 - ensuring the *Designated Doctor Matrix* is matched to the health care provider's education, training, and experience, and
 - MQRP concentrating on IRO, designated doctor and peer review.
-

Challenges

Challenges to ensuring employees have access to prompt, high-quality and cost effective health care include:

- maintaining acceptable and up-to-date standards of treatment based on recognized standards of care and evidence-based medical practice
 - educating providers, carriers, and other stakeholders on these standards
 - reducing the amount of paperwork and administrative processes specific to medical service delivery in the workers' compensation system, and
 - attracting and retaining qualified health care providers to the workers' compensation system to ensure that all injured employees have access to high-quality medical care.
-

Strategic Response

To address the challenges to ensuring appropriate medical care in the workers' compensation system, TDI-DWC will continue to refine current initiatives as described below.

- Educate health care providers about the role of the Office of the Medical Advisor in quality of care reviews.
 - Analyze and review trends in the workers' compensation system to determine categories of medical quality review that will be examined during the upcoming year.
 - Conduct informal meetings with health care providers to discuss and provide feedback to the provider regarding their patterns of care provided to injured employees.
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Challenge: Ensuring Access to Quality Workers' Compensation Medical Care, Continued

Strategic Response
(continued)

- Focus on return-to-work and disability management outcomes when reviewing cases or communicating with providers.
 - Effectively inform stakeholders about adopted treatment guidelines and provide them access to regularly updated information about the guidelines.
 - Refer providers to appropriate TDI-DWC resources and educational opportunities to keep them up-to-date about the preauthorization and medical necessity dispute resolution process.
 - Coordinate with medical associations, such as Texas Orthopedic Association and Texas Orthopedic Administrators Association
 - Provide training and outreach to health care providers.
 - Continue to educate health care providers around the state through seminars, conferences, and speaking engagements about the recent changes and improvements to the workers' compensation system in order to encourage more qualified and high-quality health care providers to provide medical services to injured employees.
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Challenge: Effective Monitoring and Improvement of Return-to-Work Outcomes Overview

Issue	Increase system participants' awareness of the importance of injured employees' early and medically appropriate return-to-work (RTW) and improve RTW outcomes.			
Strategic Response	Provide effective RTW education and outreach initiatives through a variety of mediums and at a level appropriate for multiple audiences that encourage all parties to a workers' compensation claim to work toward returning the injured employee to a productive role in the workplace.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • providing RTW training to staff and other agencies • partnering with other state agencies • monitoring compliance with recently adopted RTW guidelines • educating small employers • initiating earlier referral to DARS and TWC programs • ensuring access to information through the 2-1-1 Texas program • surveying carriers for RTW services 	<ul style="list-style-type: none"> • gradual RTW improvement from 2001 - 2005 • RTW outcomes vary by the type of injury, industry, and geographic location • for majority, initial RTW occurs within six months of injury 	<ul style="list-style-type: none"> • identifying RTW barriers • educating system participants • educating employers on RTW cost savings • encouraging full participation by all stakeholders 	<ul style="list-style-type: none"> • encourage carriers to develop RTW resources • educate stakeholders on cost benefits • educate stakeholders on RTW guidelines • ensure new rules encourage appropriate RTW and improve outcomes

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Challenge: Effective Monitoring and Improvement of Return-to-Work Outcomes

At a Glance

Issue: Increase system participants' awareness of the importance of injured employees' early and medically appropriate return-to-work (RTW) and improve RTW outcomes.

Strategic Response: Provide effective RTW education and outreach initiatives through a variety of mediums and at a level appropriate for multiple audiences that encourage all parties to a workers' compensation claim to work toward returning the injured employee to a productive role in the workplace.

Return-to-Work

A key goal of the workers' compensation system is the timely and medically appropriate return of injured employees to productive roles in the Texas workforce. Employers, employees, health care providers, and insurance carriers share responsibility for returning injured employees to the workplace. TDI-DWC encourages and facilitates RTW through various initiatives. Current RTW efforts include:

- providing RTW training to TDI-DWC field operations and customer service staff, Department of Assistive and Rehabilitative Services (DARS) counselors, and other system participants about the value of early and medically appropriate RTW
 - coordinating and partnering with other state agencies
 - monitoring compliance with recently adopted RTW guidelines
 - educating small employers about the availability of reimbursement for costs (up to \$2,500) associated with making workplace modifications to allow injured employees to an earlier return to full or modified duty (Small Employer Pilot Program)
 - initiating earlier referral of injured employees to DARS and the Texas Workforce Commission (TWC) programs
 - ensuring that injured employees have access to DARS, TWC, and OIEC RTW brochures and information through the *2-1-1 Texas* program, and
 - surveying carriers for return-to-work coordination services.
-

Trends

The TDI Workers' Compensation Research and Evaluation Group issued a survey report in August 2007, *Return-to-Work Outcomes for Texas Injured Workers*. The survey was based on TDI-DWC and Texas Workforce Commission data from 2001 through 2005.

Continued on next page

Challenge: Effective Monitoring and Improvement of Return-to-Work Outcomes, Continued

Trends (continued)

The report reflected the following trends:

- RTW outcomes have gradually improved from 2001 through 2005
 - RTW outcomes varied by the type of injury, industry, and geographic location, and
 - data collected from 2004-2005 suggests that the majority of injured employees who received temporary income benefits initially returned to work within six months of the injury and returned to work for the same employer they were working for at the time of the injury.
-

Challenges

TDI-DWC challenges include ensuring comprehensive participation in RTW efforts and overcoming misunderstandings among system participants about the value of injured employees' early and medically appropriate RTW. Specifically, these challenges include:

- identifying type of injury, industry, geographical location, and other factors that can inhibit injured employees' RTW
 - educating all system participants that RTW is a responsibility shared by employers, employees, health care providers, and insurance carriers
 - educating employers about the cost savings involved in returning an injured employee to work rather than incurring the costs associated with hiring and training a new employee, and
 - encouraging full participation by all stakeholders in RTW efforts.
-

Strategic Response

TDI-DWC will respond to the need to enhance RTW outcomes by:

- encouraging insurance carriers to fully develop their RTW educational resources for their employer policy holders
 - educating stakeholders about the economic benefits of developing RTW plans, offering modified duty opportunities, and benefits of retaining workers compared to the cost of training new workers
 - educating stakeholders on use of adopted disability management guidelines to improve RTW outcomes, and
 - ensuring new supplemental income benefits eligibility rules further encourage appropriate RTW and improve RTW outcomes for injured employees who have experienced extended off-work status.
-

Challenge: Workplace Safety Overview

Issue	To effectively and efficiently provide Texas employers and employees with guidance and education on occupational safety and health.			
Strategic Response	To identify industries and occupations with the highest rates of injury and illness in Texas, and deliver training, education, consultations, and inspections that effectively prevent occupational injuries, illnesses, and fatalities in Texas.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • collecting data • informing the public • providing free OSHA compliance assistance • reviewing written safety programs • providing worksite hazard assessments, • providing safety training and education • conducting compliance audits and inspections • administering Safety Violations Hotline 	<ul style="list-style-type: none"> • declining incident rate in Texas • fluctuating work-related fatalities • sprains/strains - leading type of non-fatal injury • transportation-related incidents - leading fatal injury • sustained activity in construction • workforce diversity • industry shift from goods producing to service providing • emerging health issues involving nanotechnology • increased need for non-traditional delivery of education 	<ul style="list-style-type: none"> • leveraging agency resources • using technology to meet education and service demands 	<ul style="list-style-type: none"> • identify best practices • partner with other entities • use available technology • analyze data to identify risks and target education • implement webinar and computer-based training technologies • explore grant opportunities

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Challenge: Workplace Safety

At a Glance

Issue: To effectively and efficiently provide Texas employers and employees with guidance and education on occupational safety and health.

Strategic Response: To identify industries and occupations with the highest rates of injury and illness in Texas, and deliver training, education, consultations, and inspections that effectively prevent occupational injuries, illnesses, and fatalities in Texas.

Workplace Safety

The TDI-DWC Workplace Safety Program provides Texas employers and employees with health and safety resources and services to help them prevent occupational injuries and illnesses. Through federal grant programs administered by the U.S. Department of Labor, Bureau of Labor Statistics and the Occupational Safety and Health Administration (OSHA), as well as state funding, the TDI-DWC Program initiatives include:

- collecting data on occupational injuries, illnesses, and fatalities that occur in Texas and providing the data to the public in newsletters and press releases
 - providing free employer compliance assistance regarding OSHA regulations to smaller Texas employers in high-hazard industries
 - reviewing required written safety programs
 - providing worksite hazard assessments, informal training, and industrial hygiene services such as air sampling and noise monitoring
 - providing safety training and education to Texas employers and employees through regional seminars, statewide conferences, industry-focused training, safety and health publications in English and Spanish, and free loans of safety training videos
 - conducting compliance audits of workers' compensation insurance carriers, on-site visits of policyholders to ensure appropriate and timely delivery of accident prevention services and inspections of policyholders of the Texas Mutual Insurance Company's START/Rejected Risk Program for implementation of effective accident prevention plans, and
 - administering the Safety Violations Hotline.
-

Trends

Trends impacting educational workplace safety services to Texas employers and employees are described below.

- The statewide incidence rate of occupational injuries and illnesses has shown a general decline since data collection first began in Texas in 1990.
-

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Challenge: Workplace Safety, Continued

Trends (continued)

- The number of work-related fatalities has fluctuated, with 486 deaths in 2006.
 - The leading type of non-fatal injuries is sprains/strains; and the leading event resulting in fatal occupational injuries is transportation-related incidents.
 - Parts of the state are experiencing sustained activity in construction, new business development, and high employment levels.
 - Texas' workforce is increasingly multi-cultural/multi-lingual.
 - An industry shift from goods producing to service providing is increasing.
 - Potential occupational health issues involving technologies, such as nanotechnology are emerging.
 - The need for non-traditional delivery of education and training is increasing.
-

Challenges

Two key challenges to effectively and efficiently provide these services include:

- leveraging agency resources to promote safe and healthy workplaces to the approximately 420,000 employers in this state, and
 - identifying and implementing new training and informational technologies to deliver health and safety training, education, and information to the public that can augment more costly face-to-face and instructor-led efforts.
-

Strategic Response

Maximize the resources within the Workplace Safety Program and coordinate education and public awareness efforts as follows:

- continue to evaluate other states' accident prevention programs and services to identify and develop best practices
 - partner with other state and federal agencies, local governments, and stakeholders to develop and identify opportunities to educate Texas employees and employers on safe work practices
 - utilize available technology to deliver cost-effective training
 - analyze workers' compensation claims, medical-only case data, and non-subscriber injuries and illnesses data to determine needs for future workplace safety training targets
 - develop and implement webinar and computer-based training technologies
 - explore additional grant opportunities to broaden resources and develop educational materials
-

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Challenge: Workplace Safety, Continued

**Strategic
Response**
(continued)

- develop educational materials and training curriculum that address emerging occupational safety and health issues, and
 - continue to analyze occupational injury, illness, and fatality data to identify the industries, occupations, and employee demographics with the greatest risks, and develop geographic or industry-focused training, safety and health training and publications for these high-risk employee populations.
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APPENDIX A
Agency Overview

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Agency Structure and Functions

Overview

The Texas Department of Insurance (TDI) is headed by the Commissioner of Insurance and the Division of Workers' Compensation (DWC) is headed by the Commissioner of Workers' Compensation. The Governor appoints both Commissioners to a two-year term, subject to Senate confirmation. TDI regulates the business of insurance in Texas (Texas Insurance Code, Chapter 31) and oversees the Texas workers' compensation system (Texas Labor Code, Chapter 402).

As described in TDI's Compact With Texans, agency functions and services are aimed at regulating insurers fairly and protecting consumers. Services important to TDI customers include:

- assisting and educating consumers and the public
- resolving insurance-related complaints
- conducting windstorm inspections
- licensing insurance agents/agencies and adjusters
- licensing insurance companies and HMOs
- certifying utilization review agents (URAs), independent review organizations (IROs) and workers' compensation networks and assigning requests to IROs
- registering viatical and life settlement entities
- financial monitoring and intervention
- assuring fair and efficient regulation
- enforcing insurance laws
- combating insurance fraud
- fire prevention, fire safety and fire industry regulation, and
- regulating and administering the Texas workers' compensation system.

Agency History

Texas began regulating the state's insurance industry in 1874. Texas' economy and population were growing, and wildcat insurance schemes were common. The 14th Texas Legislature (1874) passed a law to regulate company formation, activities, and coverage for life and health insurance. The Legislature gave the State Comptroller of Public Accounts supervisory authority over insurance – one of many duties imposed on that office by statute. There was, however, no insurance department in Texas at that time.

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Agency Structure and Functions, Continued

Agency History (continued) The legal foundation for a state insurance department was laid in 1876. The Texas Constitution adopted that year authorized the Legislature to create the office of Insurance Commissioner when it deemed it necessary. For additional information about key events in Texas insurance regulation, please visit TDI's Web site at www.tdi.state.tx.us.

Agency Structure and Programs TDI is organized into ten functional areas, in addition to the Commissioner's Administration. Each functional area is led by an Associate Commissioner, Senior Associate Commissioner, or the State Fire Marshal, who report directly to the Commissioner of Insurance. The Commissioner of Workers' Compensation administers and exercises rule-making authority for DWC in close coordination with the Commissioner of Insurance.

The agency's ten functional areas include:

- Consumer Protection
- Division of Workers' Compensation
- Enforcement
- Financial
- Insurance Fraud Unit
- Legal Services
- Life, Health and Licensing
- Property and Casualty
- State Fire Marshal's Office, and
- Administrative Operations

A brief description of each program follows. For more information, see TDI's Organizational Chart in Appendix E.

Commissioner's Administration The Commissioner's Administration supports the activities of the Commissioner. As the agency's chief administrator, the Commissioner enforces state insurance laws, establishes agency operating procedures, and oversees agency regulatory activities. The office includes: General Counsel and Chief Clerk, Public Affairs, Executive Services, Commissioner's Ombudsman, Internal Audit, Government Relations, the Public Information Office, and the Workers' Compensation Research and Evaluation Group.

Continued on next page

Agency Structure and Functions, Continued

Consumer Protection Consumer Protection answers general insurance inquiries, resolves consumer complaints, reviews insurance advertising, and educates consumers about insurance. The program provides information to consumers through a consumer help line, TDI's website, publications, and presentations. It also helps to identify unfair practices through the review of consumer complaints and industry advertisements.

Division of Workers' Compensation Division of Workers' Compensation is administratively supported by TDI. The Commissioner of Workers' Compensation is appointed by the Governor, with the advice and consent of the Senate, to administer DWC within TDI. The primary duties of DWC are to regulate and administer the business of workers' compensation in Texas; and ensure that the Texas Workers' Compensation Act and other laws regarding workers' compensation are implemented and enforced. DWC is organized into five functional areas, which include the Commissioner's Area, Operations, Legal Services, Hearings and Policy and Research. A General Counsel and a Medical Advisor also advise and support the Commissioner and DWC functions.

Enforcement Enforcement investigates allegations of illegal activities by insurance agents, insurance companies, HMOs, and other licensed entities and brings disciplinary actions that may result in cease and desist orders, license denials, license revocations and suspensions, monitored agent probations, administrative penalties and/or restitution. Enforcement primarily impacts individuals and entities regulated by TDI.

Financial Financial enforces licensing, registration and solvency standards for insurance companies and other regulated entities. This enforcement encompasses an entity's entire life cycle from initial formation/licensure through subsequent surveillance, to implementing regulatory interventions for troubled entities. The Financial Program seeks to identify breaches of solvency standards through surveillance, monitoring, analysis and examination activities; to rehabilitate companies that fall short of solvency standards, and through a court-sanctioned receivership process, liquidate the few that cannot be rehabilitated. Financial's main objective is to ensure that insurance companies are financially capable of paying claims owed to policyholders when the claims come due. Financial promotes competition in the industry while identifying suspected fraud, misrepresentation, and unfair practices. Financial is responsible for oversight of four guaranty associations, which help protect policyholders and claimants of insolvent insurance companies.

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Agency Structure and Functions, Continued

**Insurance
Fraud Unit**

Insurance Fraud Unit is a law enforcement agency, employing commissioned licensed peace officers pursuant to Texas Insurance Code, Chapter 701 and the Texas Code of Criminal Procedure, Article 2.12 (28), and non-commissioned civilian investigators. Insurance Fraud professionals investigate fraudulent acts for referral to criminal district attorneys and federal prosecutors. Insurance Fraud staff also include lawyers, Certified Fraud Examiners (CFE), and criminal analysts.

Legal Services

Legal Services counsels the agency on all matters, including operations, personnel, contracts, open records, and policymaking. The program interprets statutes; drafts rules, opinions, and bulletins; and assists the Financial Program with financial and receivership matters. The division has three sections, Agency Counsel, Financial Counsel, and Policy Development Counsel.

**Life, Health
and Licensing**

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 non-profit pre-paid legal plans. The program licenses and regulates utilization review agents (URAs), insurance agents, adjusters, third-party administrators (TPAs), workers' compensation networks, and other entities. The program licenses independent review organizations (IROs) and viatical/life settlement providers, provider representatives 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, the program investigates and resolves complaints related to HMOs and workers' compensation networks, as well as conducts examinations of HMOs, workers' compensation networks, and other regulated entities. Finally, the program is responsible for collecting and analyzing extensive data related to various types of insurance and conducting research studies related to the uninsured and options for expanding coverage.

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Agency Structure and Functions, Continued

Property and Casualty

Property and Casualty regulates policy form and rate filings for property and casualty lines, including workers' compensation; assists in promulgating title rates and forms; is responsible for oversight of the residual markets, Texas Medical Liability Insurance Underwriting Association (JUA), Texas FAIR Plan Association (FAIR Plan), Texas Windstorm Insurance Association (TWIA) and the Texas Automobile Insurance Plan Association; 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 consumers with finding insurance coverage.

State Fire Marshal's Office

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

Administrative Operations

Administrative Operations supports the agency's regulatory duties through planning, accounting, and budgeting; information technology services; 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.

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Service Locations

Overview

The Texas Department of Insurance maintains two central offices located in Austin. All TDI programs, except workers' compensation programs under the Division of Workers' Compensation are located at the William P. Hobby State Office Building located at 333 Guadalupe Street. DWC's central office is located at 7551 Metro Center Drive. In addition to the central offices, DWC administers a record center in Austin, which provides safe storage and maintenance of more than 1.4 million workers compensation claim files in paper form, approximately 37,800 reels of microfilm and 1 million microfiche with claim file information, and over 467,000 employer insurance coverage files in paper form, and approximately 4,350 reels of microfilm with employer insurance coverage file information. TDI also maintains a training and disaster recovery center in Austin.

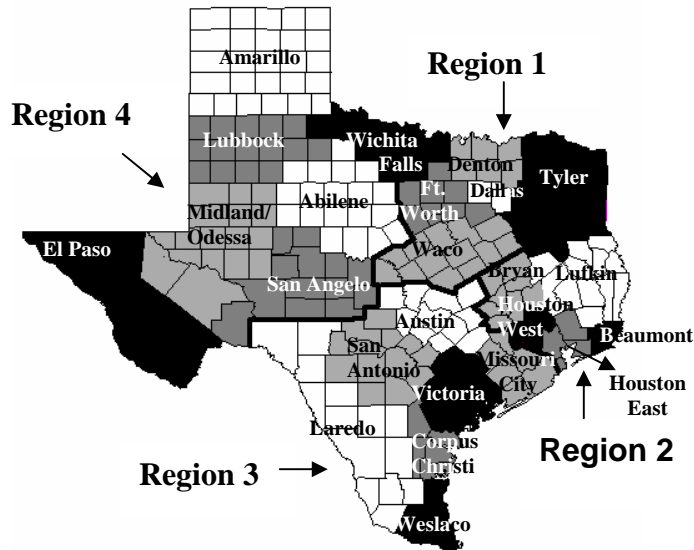
The agency serves all geographic areas of Texas, although the services required in different regions may vary. Insurance consumers throughout the state purchase basics such as automobile or homeowners insurance. However, the Texas Gulf Coast region may require additional services on windstorm-related protection, which were realized during the 2005 hurricane season, and North Texas may require additional services due to weather-related events that cause tornados or hailstorms that may lead to roof damage claims, or other types of services, such as fire protection, as seen with the wildfires during the 2006 drought. For these reasons, some TDI employees work in the field offices located throughout the state as required by various agency programs. TDI maintains offices in Dallas, Houston, San Antonio, Corpus Christi (serving the Gulf Coast), the Rio Grande Valley, and satellite offices throughout the state.

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Service Locations, Continued

DWC Field Offices

DWC has 24 field offices strategically located across Texas, as depicted in the map below. Field office locations are determined by claim activity and demand for services in the geographic area.



DWC field offices provide claims services, customer services, and dispute resolution services. Ombudsman services are also located in each field office and are provided by the Office of Injured Employee Counsel. Employees responsible for health and safety assistance are located in 19 field offices.

Additionally, DWC has two facilities, located in Uvalde and Mount Pleasant, for the sole purpose of holding dispute proceedings. The Uvalde and Mount Pleasant facilities assist in ensuring that injured workers will have to travel no more than 75 miles from their residence to a benefit review conference or contested case hearing.

A customer service issue that is unique to all of the bordering areas of the state is how best to serve the needs of employees who were working in Texas when injured but now reside in other bordering states. If an injured employee lives in a bordering state and in a county or parish that is contiguous to the Texas border, the closest field office handles the workers' compensation claim. The Victoria Field Office handles claims for injured workers living outside Texas in counties that do not adjoin the Texas border.

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Service Locations, Continued

State Fire Marshal's Office Field Personnel

SFMO has 41 field employees working throughout the state. Field staff members are equipped to go to any areas that historically have demonstrated a need for services. The SFMO hires 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 ensure that fire alarm, sprinkler systems, extinguishers, and fireworks stands comply with adopted safety standards. The unit has four licensing investigators located in Houston, Corpus Christi, Crandall, and Spicewood.

Employees in the Fire Safety Inspections section are charged with inspecting public and private buildings. A total of 14 field staff are located in the areas of Austin, Clute, Abilene, College Station, Corpus Christi, Lufkin, McDade, Midland, Mexia, and Troup.

The Fire and Arson Investigation section maintains a significant presence across the state with approximately 22 field staff. This section is responsible for investigating fire scenes upon request from local law enforcement agencies, and it maintains three canine teams available for all investigations. Fire and Arson Investigation staff are located in Abernathy, Alpine, Anson, Caldwell, Corpus Christi, Fort Worth, Gonzalez, Henderson, Houston, Leander, Longview, Lubbock, Lufkin, McAllen, New Braunfels, and Rockport.

Texas- Louisiana Border

The Texas-Louisiana border region is the area defined by the Texas Legislature as encompassing the following 18 Northeast Texas counties: Bowie, Camp, Cass, Delta, Franklin, Gregg, Harrison, Hopkins, Lamar, Marion, Morris, Panola, Red River, Rusk, Smith, Titus, Upshur, and Wood.

These counties are included as Commissioner-designated underserved areas for residential property insurance. As underserved, they are determined to encompass populations with difficulties obtaining insurance through the standard market. Residents of these areas and in the remainder of the state are eligible to apply for coverage through the FAIR Plan, the insurer of last resort that provides residential property insurance to qualified individuals.

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Service Locations, Continued

Texas-Louisiana Border (continued)

The Texas-Louisiana border area is prone to weather-related events somewhat different from those experienced in other parts of the state. Hurricanes, tornados, ice storms, and hailstorms include the types of weather-related events that may occur in the area. TDI's Disaster Recovery Team is prepared to provide assistance anywhere in the state when disasters occur.

To serve the DWC customers located along the Texas-Louisiana border, the DWC has field offices in Tyler, Beaumont, and Lufkin and a dispute proceeding facility in Mount Pleasant.

Texas-Mexico Border

The Texas-Mexico border region is the area defined by the Texas Legislature as encompassing the following 43 South Texas counties: Atascosa, Bandera, Bexar, Brewster, Brooks, Cameron, Crockett, Culberson, Dimmit, Duval, Edwards, El Paso, Frio, Hidalgo, Hudspeth, Jeff Davis, Jim Hogg, Jim Wells, Kenedy, Kerr, Kimble, Kinney, Kleberg, La Salle, Live Oak, Maverick, McMullen, Medina, Nueces, Pecos, Presidio, Real, Reeves, San Patricio, Starr, Sutton, Terrell, Uvalde, Val Verde, Webb, Willacy, Zapata, and Zavala.

In addition to the issue of assessments by TWIA, there are a number of other insurance issues in this border region. Legislation from the 78th Session addressed many of the issues related to rising medical malpractice costs both statewide and in the border region, and the agency is researching the technical and legal issues involved in developing cross-border health insurance coverage. In addition, TDI serves on the North American Free Trade Agreement (NAFTA) committee of NAIC and communicates with Mexico's insurance regulatory body, the Comisión Nacional de Seguros y Fianzas (CNSF).

A growing Hispanic workforce and its concentration in the high-growth border region has created unique challenges in the provision of services and injury prevention programs. To meet that challenge, DWC contracts with Spanish-speaking translators as needed for the most complex dispute resolution proceedings, and provides workplace safety and health training courses in Spanish. In addition, DWC requires Spanish-speaking proficiency of job applicants for particular positions; however, it is becoming increasingly difficult to find Spanish-speaking persons with the necessary training and education to meet job requirements in particular health and safety positions.

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Service Locations, Continued

**Texas-Mexico
Border**
(continued)

To meet the needs of DWC customers along the Texas-Mexico border, DWC has seven field offices and one dispute proceeding facility located in Uvalde. Field offices serving counties located along the Texas-Mexico border include Corpus Christi, El Paso, Laredo, Midland, San Angelo, San Antonio, and Weslaco.

**Texas-New
Mexico Border**

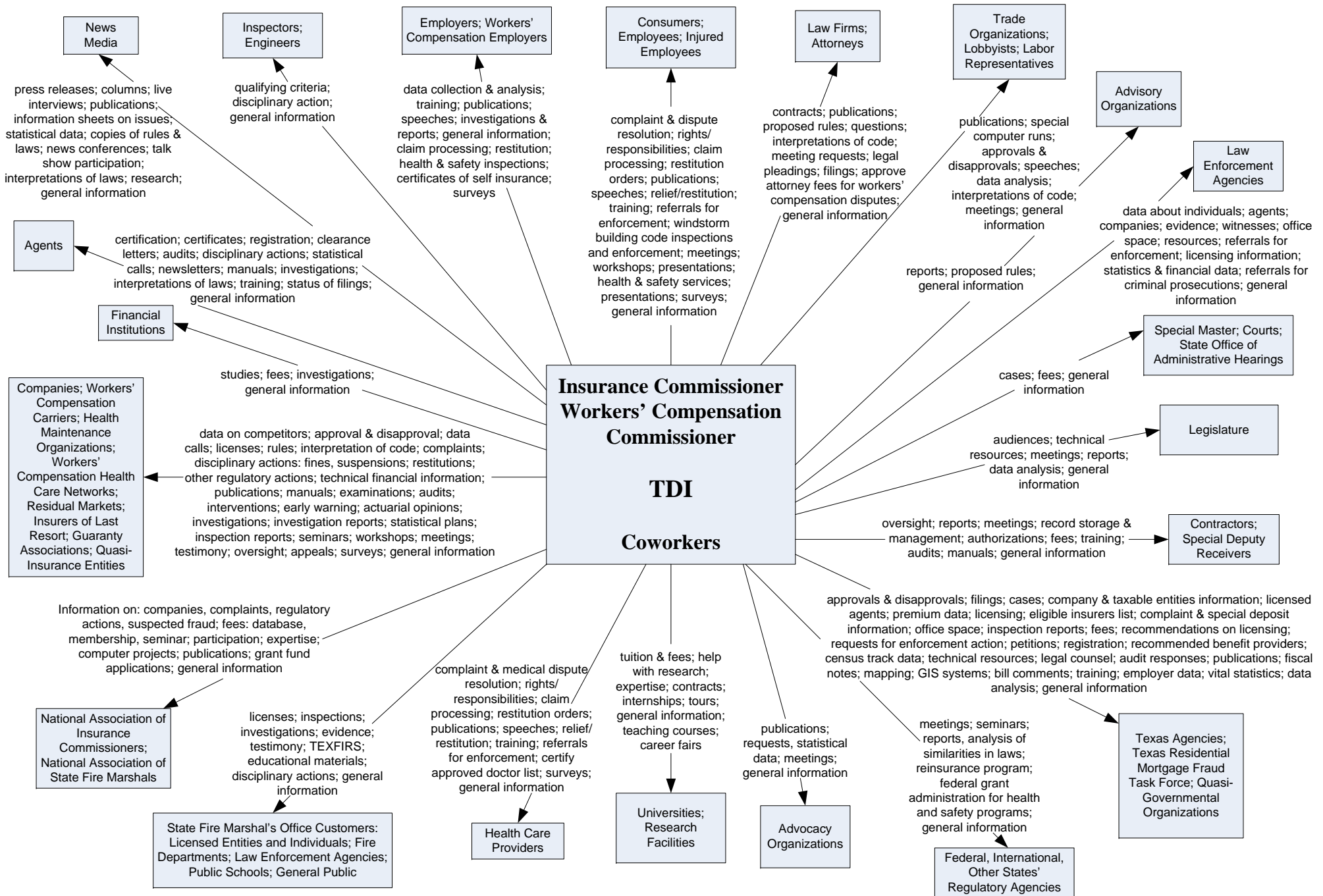
The Lubbock, Amarillo, Midland and El Paso field offices serve workers' compensation customers along the Texas-New Mexico border.

**Texas-
Oklahoma/
Arkansas
Border**

Field offices located in Amarillo, Wichita Falls, Tyler and Denton serve workers' compensation customers along the Texas-Oklahoma border.

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Populations Served: Figure A-1



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Populations Served

Overview

The Texas Department of Insurance (TDI) serves a large number of customers representing diverse populations and provides a wide array of services. As part of its customer service assessment process, TDI considered its customer populations and services provided to external customers, which resulted in identification of 21 customer groups for whom the agency provides a variety of services, as seen in Figure A-1.

The external customer groups in Figure A-1 can be grouped into four main categories:

- Consumers
- Industry representatives
- Workers' compensation customers, and
- State Fire Marshal's Office customer.

A brief description of the services TDI offers to its four main customer populations is provided below.

Consumers

Consumers largely contact TDI for assistance with complaint resolution or to obtain publications. In addition, TDI provides outreach and education services to consumers. Some of the services TDI targets to specific groups of consumers are described below.

- Seniors
With the state's population aging, TDI continues to provide special outreach to Texas seniors through the Health Information, Counseling, and Advocacy Program (HICAP). This outreach is in cooperation with the Department of Aging and Disability Services through an interagency contract. Other HICAP partners include the Texas Legal Services Center and the 28 area Agency on Aging offices throughout the state. TDI also works with the Centers for Medicare & Medicaid to share complaint information about agents who may be misrepresenting Medicare Advantage and Medicare prescription drug plans. In addition, TDI provides a variety of educational materials for Texas seniors and conducts more than 50 outreach events annually on topics such as long-term care, Medicare supplement insurance, Medicare Advantage plans, and Medicare prescription drug coverage.
-

Populations Served, Continued

Consumers (continued)

- ***Texans Seeking Health and Property Insurance***

TDI assists Texans with their insurance needs through a variety of services, such as publications, presentations, Web site(s) resources, programs, and toll-free telephone numbers. In addition to these resources, the 80th Texas Legislature passed several bills for improving the availability and/or the affordability of insurance in Texas. Current agency activities for assisting Texans with finding insurance as well as TDI legislative initiatives resulting from bills passed during the 80th session are described by line of insurance.

- ***Health Insurance***

In August 2005 TDI launched a Web site, texashealthoptions.com, as a resource to help Texans find health care coverage. Additional outreach activities for Texans seeking health insurance include presentations, publications, and coordinated education efforts with the Health Coverage Awareness and Education Task Force. TDI conducts more than 100 health coverage presentations each year. Moreover, to promote greater transparency in the costs of health care services, TDI will begin collecting reimbursement data from health benefit plans, aggregating this data by geographical region, and presenting it in a uniform format on TDI's Web site, as required by Senate Bill (SB) 1731, 80th Legislature.

Additionally, in accordance with House Bill 1, Rider 18, 80th Legislature, TDI has developed a grant administration process for the purpose of awarding, grants to local government entities for the research, planning, and development of "three-share" premium assistance programs to increase access to private healthcare coverage for the uninsured. TDI is already working with applicants to award the first grants for this important premium assistance program.

Continued on next page

Populations Served, Continued

Consumers (continued)

• *Property Insurance*

TDI works to increase property insurance availability in Texas through www.helpinsure.com. This Web site helps Texans shop for homeowners insurance. The Web site allows consumers to search for an agent and provide contact information for response from an agent or insurance carrier. In addition to these services on the HelpInsure Web site, TDI will be adding information regarding residential property insurance and personal automobile insurance as a result of SB 611, 80th Legislature. The additional information includes rate comparisons for the top 25 national insurance carriers as well as policy comparison and credit scoring information. Texans will have access to this information September 1, 2007.

Through the FAIR Plan, TDI assists consumers with finding residential property insurance. The FAIR Plan is a market of last resort for Texans living in underserved areas and who need residential property insurance, but have been unable to obtain it. Likewise, Texans living in the 14 coastal counties along the Gulf of Mexico who are unable to obtain windstorm and hail coverage may apply for coverage through the Texas Windstorm Association (TWIA). TDI employs windstorm inspectors who verify a structure's insurability through TWIA.

The agency also conducts a number of outreach events at home and garden shows, neighborhood association meetings, homebuyer fairs, and other community events. TDI also produces publications related to homeowners and renters insurance, including a homeowner insurance price comparison guide and publications to help consumers shop for insurance, file claims, and protect their homes from damage.

• *Disaster Victims*

When disaster strikes, TDI ensures that the insurance industry promptly responds to consumer claims and concerns. TDI answers inquiries, assists consumers at the disaster sites, and updates web resource pages to provide timely and disaster-specific information.

For additional information, please see the *Agency Internal and External Assessment* analyses on insurance availability and affordability and disaster response and readiness.

Continued on next page

Populations Served, Continued

Workers' Compensation Customers

Workers' compensation customers include health care providers, injured employees and employers. A few services provided to these customers are described below.

- ***Employers and Employees***

- ***Safety Training***

DWC educates employers and employees across the state through on-site company training, regional seminars and statewide conferences, safety and health videos and publications, and other forms of outreach. These outreach efforts include consultations regarding workplace safety. Texas employers also use the DWC Resource Center Library to check out free safety and health training videos and DVDs and download free safety and health publications from the agency's Web site.

DWC provides free safety and health consultations to Texas employers through the Occupational Safety and Health Consultation (OSHCON) Program. The program is largely funded by a grant from the Occupational Safety and Health Administration (OSHA) but is non-regulatory in nature. OSHCON safety and health professionals help employers understand OSHA safety regulations, identify and correct workplace hazards, establish required written programs, address industrial hygiene issues, and provide hands-on training. The focus of the program is on smaller employers in high-hazard industries.

- ***Return-to-Work***

DWC provides seminars, training and consultations to employers on return-to-work (RTW) best practices. The focus is on smaller employers that are less likely to have a RTW process. Partnering with business and trade organizations, human resource associations, small business development entities, and Texas Workforce Commission allows DWC to reach approximately 8,000 employers annually.

Information about the benefits of early RTW is distributed through seminars and training events such as safety and prevention presentations and publications. Articles are placed in newsletters published by business organizations and carriers to encourage employers to provide return to work opportunities for their injured employees. RTW information is available on the DWC Web page and generates thousands of hits monthly.

Continued on next page

Populations Served, Continued

**Workers’
Compensation
Customers**
(continued)

- ***Health Care Providers***

DWC uses a number of outreach efforts to inform health care providers on the delivery of medical benefits to injured employees in the workers’ compensation system. Outreach efforts include:

- proactive e-mail announcements
 - newsletters
 - publications
 - a dedicated Web resource page
 - seminars
 - educational programs
 - impairment rating training, and
 - designated doctor training.
-

**Industry
Representatives**

Industry representative include agents, insurance companies, fraud investigators, windstorm inspection engineers, and workers’ compensation insurance carriers. Types of agency activities with regard to industry representatives are described below.

- ***Insurance Companies***

TDI performs on-site financial and market conduct examinations of insurance companies, HMOs, and other regulated entities to determine financial condition and compliance with the Texas insurance laws. These examinations are similar to audits by Certified Public Accountant firms, though usually broader in depth and scope, to ascertain compliance with applicable 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 agency examination activity employs approximately 80 staff, including approximately 70 financial examiners, working out of three field offices in Houston, Dallas, and San Antonio, and TDI headquarters in Austin. In addition, 53 financial analysts monitor insurance companies’, HMOs’, and other regulated entities’ quarterly and annual financial statements for solvency compliance; and review and approve certain holding company and reinsurance transactions. TDI also performs on-site activities for companies requiring regulatory intervention.

Continued on next page

Populations Served, Continued

Industry Representatives

- ***Special Investigative Units***

Although the Fraud Unit is centrally based in Austin, its investigators conduct extensive fieldwork, outreach and training for insurance company staff, law enforcement agencies and others with an interest in combating insurance fraud across the state. Each year, TDI holds an insurance fraud conference providing training for insurance company Special Investigative Units (SIUs). The conference invitation is also extended to law enforcement agencies and other state agencies involved in fighting insurance fraud. TDI fraud investigators attend monthly SIU meetings held in Dallas, Houston, and San Antonio and participate in regional insurance fraud task forces. The Insurance Fraud Unit adopted an investigative liaison initiative in FY 2005 to enhance anti-fraud efforts and to assist local law enforcement agencies in the detection and prosecution of insurance fraud. TDI has investigators to serve as law enforcement liaisons across the state.

State Fire Marshal's Office Customers

Principal customers of the State Fire Marshal's Office (SFMO) include licensed alarm and extinguisher companies, fire chiefs and marshals, sheriffs, local fire departments, and recipients of fire safety services. Examples of SFMO duties and services are described below.

On September 1, 2001, the SFMO was charged with the responsibility of investigating all firefighter fatalities in Texas. The SFMO has been involved in 28 investigations since the inception of the program. The SFMO makes investigation reports available on the Internet to encourage fire departments to become aware of contributing factors to the fatalities and to take preventative measures.

Outreach programs include the distribution of grade-specific fire prevention learning modules, fire safety literature, and public service announcements. The fire safety house is deployed throughout the state, providing school children with home fire escape skills. Other outreach efforts include Public Protection Classification (PPC) Oversight and the Juvenile Firesetter Intervention Program. The PPC Oversight officer assists local fire departments, upon request, with Public Protection Classifications and the ISO Fire Suppression Rating Schedule. The Juvenile Firesetter Intervention Program assists fire departments, upon request, in establishing their own community-based programs for juveniles.

Human Resources

Equal Employment Opportunity

TDI is committed to equal employment opportunity and strives to maintain a diverse workforce reflective of the customers the agency serves. The TDI workforce reflects the fast-changing demographics of Texas. As of May 2008, TDI's workforce is comprised of 46 percent minority employees and 64 percent female employees. The 2006 Texas state agency workforce was 45 percent minority and 54 percent female.¹ Of particular significance is the minority and female representation in TDI's management positions. Sixty-six percent of TDI's managers are minority and/or female. Among executive staff positions, 74 percent are minority and/or female.

In fiscal year 2006, the average age of all state agency employees was 43.5.² As of May 2008, the average age of a TDI employee was 47.

TDI compares favorably with the latest Texas Workforce Commission, Civil Rights Division (CRD) state civilian workforce analysis. The chart below reflects the workforce utilization for the agency. This information is provided as factual data only and is not intended to coerce or pressure TDI managers with regard to hiring decisions, nor is it intended to create gender or racial preferences in hiring decisions.

EEO Category	State Civilian Workforce*			Texas Department of Insurance**			
	African Americans	Hispanic Americans	Females	African American	Hispanic Americans	Females	Total Positions
Officials, Administration (A)	7.1%	15.2%	44.1%	13.64%	15.15%	50.00%	132
Professional (P)	7.9%	14.4%	54.4%	11.54%	22.86%	58.76%	936
Technical (T)	10.4%	19.8%	47.5%	16.85%	17.98%	39.33%	89
Para-Professional (Q)	17.86%	31.78%	55.61%	18.36%	47.66%	87.11%	256
Administrative Support (C)	9.9%	23.2%	61.5%	20.16%	45.74%	83.72%	129
Skilled Crafts (S)	4.7%	34.1%	7.0%	0	100%	50%	2
Service & Maintenance (M)	8.7%	33%	39.9%	0	75%	0	4
							1548

*Commission on Human Rights Annual Report, FY 2005, www.twc.state.tx.us

**Provided by TDI USPS data as of May 31, 2008

Continued on next page

¹ State Auditor's Office - A Summary of The State of Texas Workforce for FY 2006.

² State Auditor's Office Online Systems, 2006 data.

Human Resources, Continued

Employee Satisfaction

The agency must retain quality employees in order to carry out its mission. TDI relies on employee input to continually improve services and increase employee satisfaction. The University of Texas Survey of Organizational Excellence is one method TDI uses to collect employee input and measure satisfaction. The survey is administered by the School of Social Work.

This survey uses five workplace dimensions including organizational features, accommodations, exchange of information, work group, and personal aspects. Seventy percent of TDI employees responded to the 2008 survey and indicated that they continue to view their workplace positively. Detailed survey information is included in Appendix J.

The Workforce Plan (Appendix I) lists other benefits which TDI provides in order to increase employee satisfaction and retention. This list includes employee and management training, employee exit interviews, and access to an employee assistance program.

Staffing Strengths and Challenges

The agency recognizes that the quality of its staff is critical to the organization's mission and success. TDI continually strives to maintain the staff competencies required to serve its customers and to assess skills to meet future needs. The agency Workforce Plan documents this assessment by requiring program areas to review key economic and environmental factors facing their areas, staffing challenges, customer demands affecting staffing, and skills and competencies needed for critical functions.

Agency staff understand the needs of the customers they serve and work to continually improve services. Responses to the recent UT Survey of Organizational Excellence indicate that TDI employees have a high degree of job satisfaction. TDI has an experienced and capable staff. Turnover at TDI continues to be lower than other state agency turnover rates. Thirty-nine percent of the agency's staff is currently eligible to retire or eligible in the next five years. However, some retirees have returned to employment and others who are eligible have elected not to retire. Potential turnover in critical positions has caused TDI to expand its succession planning efforts across the agency.

Continued on next page

Human Resources, Continued

**Staffing
Strengths and
Challenges**
(continued)

Fair pay for state employee continues to be an issue for TDI, as confirmed in the most recent UT Survey of Organizational Excellence where fair pay is the lowest scoring construct for the agency. This dissatisfaction with fair pay may negatively affect recruitment and retention in the future.

TDI has undertaken and is currently researching additional efforts to address recruitment issues related to certain hard to fill positions. These positions are described and recruitment efforts are discussed in the TDI Workforce Plan.

**Staff and
Workforce
Diversity**

TDI relies on a skilled workforce of administrators who set broad policies; 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.

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Fiscal Resources and Management

Overview The agency's adjusted appropriations for the 2008–2009 biennium total more than \$202 million, with 1,691.5 adjusted appropriated FTEs for FY 2008 and 1698.5 for FY 2009. The following information details TDI's operating fund Account 36, Subsequent Injury Fund Account 5101, and the agency's capital budget rider.

General Revenue Dedicated – TDI Operating Fund Account Number 36 The agency is primarily 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 and deposits insurance company maintenance taxes and fees into the Account; and 2) TDI, which collects and deposits self-insurer maintenance taxes, examination fees and other fees into the Account.

In FY 2008, the Comptroller deposited \$116 million and TDI deposited \$36 million, for a total of \$152 million of revenue into Account 36. The following chart reflects FY 2007 deposits into Account 36.

Amounts Deposited to Account 36 in FY 2007

Motor Vehicle Insurance Maintenance Tax	\$8,003,008
Fire Insurance Maintenance Tax	\$20,103,640
Workers' Compensation Insurance Maintenance Tax	\$2,777,154
Casualty Insurance Maintenance Tax	\$5,784,826
Title Insurance Maintenance Fee	\$1,170,065
Life, Accident and Health Insurance Maintenance Tax	\$10,773,977
Third Party Administrator Maintenance Tax	\$632,612
Health Maintenance Organization Maintenance Tax	\$2,792,526
Prepaid Legal Services Maintenance Tax	\$1,309
Domestic Valuation Fees/Life	\$10,829,903
Annual Statement Fees	\$229,739
Workers' Compensation Research & Oversight Center Maintenance Tax	\$0
Division of Workers' Compensation Maintenance Tax	\$53,153,292
Account 36 Total Deposited by Comptroller:	\$116,252,051
Examination Fees – Collected by TDI	\$10,956,297
Other Fees and Revenue- Collected by TDI	\$25,258,804
Account 36 Total Deposited by TDI:	\$36,215,101
GRAND TOTAL	\$152,467,152

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Fiscal Resources and Management, Continued

**General
Revenue
Dedicated –
TDI Operating
Fund Account
Number 36**
(continued)

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 Facilities Commission, the Texas Forest Service, the Department of State Health Services, and the Cancer Council.

Various revenues collected by the Division of Workers' Compensation (TDI-DWC), including maintenance taxes are deposited to Account 36. TDI-DWC Account 36 revenues totaled \$58.4 million in FY 2007.

In addition to funding from Account 36, the agency receives federal funds of which the majority relates to controlling and improving workplace safety and hazards. The agency also receives funding to pay lifetime benefits to injured workers. This fund, Subsequent Injury Fund 5101, is discussed below.

**General
Revenue
Dedicated –
Subsequent
Injury Fund
Account
Number 5101**

The agency receives funding for the Subsequent Injury Fund (SIF) through GR Dedicated – Subsequent Injury Fund Account No. 5101. This account receives revenue from compensable death benefits on claims in which there is no legal beneficiary. The primary purposes of the fund are:

- To pay lifetime income benefits (LIBs) to injured workers who become eligible for those benefits because of a subsequent compensable injury;
- To reimburse insurance carriers for benefits paid based on a Division decision or interlocutory order that is later reversed or modified by the Division or a court;
- To reimburse insurance carriers for income benefits paid to injured workers based on employment held at the time of injury other than the employment during which compensable injury occurred; and
- To reimburse insurance carriers for payment of pharmaceutical benefits provided during the first seven days after an injury if the injury is determined not to be compensable.

The cash amount of SIF as of May 31, 2008 was \$55.9 million. The agency has appropriation authority which authorizes estimated SIF payments of \$3.67 million each year of the FY 2008-2009 biennium. In the event that actual liabilities exceed the estimated amounts, the Comptroller is authorized to issue a finding of fact in support of a contingent appropriation to provide the additional funding, if there are sufficient balances in the fund.

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Fiscal Resources and Management, Continued

Capital Budget The agency's Capital Budget rider listed in Article VIII of the General Appropriations Act, includes funding for the acquisition of information resource technologies and transportation items.

Information Resource Technologies

Information resource technology includes projects which reflect the division's emphasis on partnering technology and business processes in order to achieve quality customer service. These information resource projects include:

- Developing Web-based processes to provide direct automated services to agency clients and the public via the Internet to fully participate in e-government initiatives.
- Implementing technological solutions to changes in state laws governing the regulation of the insurance industry.
- Increasing electronic document/records management technology to enhance the responsiveness of TDI's customer service.
- Participating in transformation and consolidation activities as one of the 27 state agencies migrating server and bulk print/mail operations to the Texas State Data Center.
- Implementing new technologies that would be more suitable for the rapidly changing business needs of the workers' compensation environment in Texas.

Transportation Items

The State Fire Marshal's Office (SFMO) field employees use state-owned vehicles to perform investigations and inspections throughout the state. TDI believes state-owned vehicles represent the best solution to SFMO's transportation needs, given the nature of work performed by the field staff. Some staff must carry fire scene investigation equipment in the vehicles, which raises the possibility of contamination with hazardous chemicals. It would be inappropriate to expose employees' families to the potential health and safety risks associated with the use of privately-owned vehicles.

The SFMO continues to have an aging fleet of high-mileage vehicles. Thirty percent of the fleet has over 100,000 miles and fifteen percent has over 150,000 miles. The average mileage per vehicle is 80,000 miles. Funding was appropriated for partial replacement of these high-mileage vehicles in fiscal years 2008 and 2009. Nine vehicles were purchased in FY 2008 and eleven vehicles will be purchased in FY 2009. SFMO must replace vehicles for field staff on a regular basis to ensure the safety of employees and its ability to perform mission critical activities.

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Historically Underutilized Businesses

**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.

**HUB
Participation**

The agency is continuously developing strategies to increase the agency's HUB participation and to ensure that TDI remains in compliance with all of the laws and rules established for the HUB program. Over the years TDI has developed and implemented various approaches to promote the HUB program to ensure HUB participation in all agency procurements. For example, the agency sponsors a HUB forum each year. The agency invites HUBs that can provide goods and services that will meet the agency's specific needs. TDI executive staff members participate in forums as presenters and participants in networking sessions with vendors.

In addition, TDI was recognized in FY 2007 by the Comptroller of Public Accounts as being one of the top 25 agencies spending more than \$5 million with the largest percentage spent on HUBs. Of the 25 agencies, TDI was ranked second with 30.84 percent of purchases going to HUB vendors.

HUB Outreach

The agency focuses on how awards are distributed among the various ethnic HUB groups. TDI'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. The agency distributes information on an ongoing basis to HUB vendors about the specific changes that affect the HUB program and the procurement process. Dissemination of this information ensures HUBs are well informed and better prepared when bidding on contract opportunities.

The agency participates in various HUB events focused on minority and women-owned businesses. This includes forums sponsored by local Chambers of Commerce, Business Development Centers, and forums sponsored by other state agencies. In addition, the Purchasing division 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.

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Historically Underutilized Businesses, Continued

**TDI Mentor
Protégé
Program**

The agency has established a mentor protégé program in accordance Section 2161.065 of the Texas Government Code. The purpose of the program is to assist in fostering long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract.

TDI's has two mentor protégé relationships. The first relationship established was with Dell Computers, the mentor, and Austin Ribbon and Computers (ARC), the protégé. The second mentor protégé relationship was with Amy Jeanne Welton, Attorney at Law, the mentor, and The Law Office of Margaret Uhlig Pemberton, the protégé. As a result of these relationships between Dell and ARC, the protégé was able to recognize increased procurement opportunities and gained knowledge in specific areas of the technology business. The Welton and Pemberton relationship is a new mentor protégé relationship. The goal in this relationship is to assist the protégé in becoming familiar with the specialized field of the Special Deputy Receiver (SDR) program.

Legislative Changes

Overview

New legislation may affect agency operations and regulatory authority. The 80th Texas Legislature passed House Bills (HB) 473, 724, 1005, 2935 and Senate Bills (SB) 1169 and 1731. Significant legislative changes related to these bills and TDI initiatives are discussed below

HB 473 SB 1169

Both HB 473 and SB 1169 restored authority to the Division of Workers' Compensation (TDI-DWC) benefit review officers to issue interlocutory orders, which allow TDI-DWC to order a carrier to pay or suspend workers' compensation benefits.

This legislation is important for injured employees. The benefit review conference is the first phase of the dispute resolution process, and the benefit review officers' ability to order carriers to pay benefits ensures injured employees will receive indemnity benefits as well as access to medical care. Prompt access to medical care is critical for an injured employee's recovery and return to a productive role in the workforce.

To implement the legislation, TDI-DWC revised pertinent forms and reinstated an internal process for monitoring all interlocutory orders issued by benefit review officers.

HB 724

Prior to HB 724, workers' compensation health care providers' only option for appealing medical dispute decisions was district court. This bill created medical contested case hearings (CCH) to resolve appeals of medical fee dispute decisions, retrospective medical necessity disputes, subject to certain dollar amounts, and all prospective and concurrent medical necessity disputes. An appeal to the State Office of Administrative Hearings (SOAH) is allowed for disputes where the dollar amounts for retrospective disputes exceed those allowed for contested case hearings.

TDI-DWC is working closely with the Chief Clerk's Office to track the weekly number of decisions appealed to SOAH and medical CCH. Additionally, TDI-DWC revised forms to include the new appeal options, drafted rules regarding the process, and modified decision notices to include the appropriate appeal language.

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Legislative Changes, Continued

HB 724
(continued)

Another provision of HB 724 is a reimbursement procedure for an accident or health insurance carrier to recover amounts paid for health care services provided to an injured employee in cases where an injury is determined to be compensable. Accident or health insurance carriers may access TDI-DWC dispute resolution services over a workers' compensation carrier's failure to respond to or a reduction or denial of a reimbursement request for a compensable workers' compensation injury.

When an employee is injured, he or she may seek medical care from a family physician or in some cases, an emergency care facility. These health care providers may bill the injured employee's accident or health insurance carrier if the workers' compensation carrier's information is not available or known. From these initial health care services, the injured employee may incur out-of-pocket expenses that are a condition of his or her health benefit plan.

The new requirements of HB 724 provide safeguards for injured employees, health care providers, and accident and health insurance carriers by ensuring appropriate reimbursement for compensable injuries by workers' compensation carriers. TDI-DWC has proposed rules regarding the process for recovering costs paid on compensable claims.

HB 1005

HB1005 provides important protections for health care providers treating injured employees; the bill clarified that a health care provider who fails to submit a medical bill within 95 days after the services are provided to the injured employee does not forfeit the right to reimbursement under certain circumstances. The right to reimbursement is not forfeited if the provider submits proof that the bill was timely filed with another carrier.

As mentioned above, health care providers, in error, may bill an injured employee's accident or health insurance carrier instead of the workers' compensation carrier due to lack of insurance information. HB 1005 protects health care providers who may submit a medical bill within 95 days of the service, but inadvertently submit it to the wrong carrier.

TDI-DWC will address these situations through medical fee dispute resolution processes to ensure health care providers, who attempted to comply with filing requirements are reimbursed for medically appropriate services.

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Legislative Changes, Continued

HB 2935

HB 2935 mandates that cigarettes sold in Texas meet fire safety standards. Health and Safety Code, Chapter 796, Cigarette Fire Safety Standards, requires TDI, through the State Fire Marshal's Office (SFMO), in consultation with the Texas Comptroller of Public Accounts (TCPA), to regulate the sale of Fire Standard Compliant Cigarettes (Fire-Safe Cigarettes) in Texas. The primary goals of HB 2935 are to reduce deaths, injuries, and property damage caused by cigarette-related fires. Fire-Safe Cigarettes are technically feasible to produce and are already on the market in ten states. Eighteen other states have passed similar laws.

To effectively administer the Fire-Safe Cigarette (FSC) Program, SFMO will approve or disapprove any package marking submitted by cigarette manufacturers. Cigarette manufacturers must also certify, with the SFMO, all cigarettes produced for sale in Texas. The SFMO will ensure all certification information provided is complete and maintain records of the certifications. The manufacturers are required to re-certify every three years.

In addition, SFMO plans to provide information to retailers, distributors, and wholesalers in Texas, about FSCs. The information provided to the retailers and distributors will inform them of the new law and how the law may affect their business.

Next, TDI and TCPA will inspect the stock of any manufacturer, distributor, wholesaler, and retailer that sells cigarettes in Texas. Funding was not provided to pursue laboratory testing of the cigarettes to ensure compliance with the cigarette fire safety law. Only package marking inspections can occur.

Finally, TDI will propose future legislation aimed at improving the effectiveness of the FSC program. The proposed legislation may include funding opportunities for enforcement and testing, as well as improving the wording of the seizure clause in Chapter 796 of the Health and Safety Code.

SB 1731

The primary goal of SB 1731 is to promote greater transparency in health care costs by ensuring consumer access to reimbursement information and consumer protection for services provided by health benefit plans, hospitals, ambulatory surgical centers, birthing centers, and other health care facilities.

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Legislative Changes, Continued

SB 1731
(continued)

To enable consumer access to health care information, TDI is required to collect data concerning PPO and HMO reimbursement rates paid to providers and hospitals for medical services in a uniform format and then publish aggregated data by geographical region on the TDI Web site. Further, TDI must collect a variety of additional data and publish company 'report cards' that will allow consumers to make direct comparisons between the plans offered by each HMO and insurer.

A major challenge to implementing this important legislation is access to the American Medical Association's copyrighted Current Procedural Terminology (CPT) codes, which are medical codes that health care providers use for billing professional services. CPT codes would provide TDI with a standardized means for comparing reimbursement data by professional service; however, the manner in which data will be displayed publicly for consumers will depend largely on TDI's ability to use the proprietary CPT codes.

TDI is involved in ongoing negotiations with the AMA to determine a satisfactory arrangement, but this challenge has created delays in implementation of the bill. TDI cannot publish a draft rule that includes the CPT codes for which data will be collected until the licensing agreement has been finalized.

TDI plans to involve stakeholders - including providers, payers and consumers - throughout this process in an effort to ensure the information collected is responsive to the intent of SB 1731 and provides data in a format that is informative and consistent. TDI appreciates the technical nature of the data being collected and the wide variations in consumer knowledge of these issues and will work to provide information that meets the needs of all stakeholders.

Based on ongoing interim studies and discussions with legislative offices, TDI expects that transparency in health care will continue to receive significant attention in the future and expects additional legislation on this issue in the coming years. Staff is working with legislators to provide information as requested and develop a higher level of expertise in a technological area that is constantly changing. Depending on future legislative requirements, TDI may need to focus additional resources on obtaining and maintaining staff with experience in this unique, specialized field of medical technology and information administration.

APPENDIX B
Agency Budget Structure

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Directly Budgeted Goals, Objectives and Strategies

GOALS	OBJECTIVES	STRATEGIES			
1: Encourage Fair Competition in the Insurance Industry	1.1: Reduce impediments to competition & improve insurance availability	1.1.1 Consumer education & market analysis		1.1.2 Rates, forms & licenses	1.1.3 Promote underserved coverage
	1.2: Reduce violations of insurance and insurance-related statutes and rules	1.2.1 Resolve complaints	1.2.2 Investigation & enforcement		1.2.3 Insurer fraud
2: Encourage Financial Health of Insurance Industry through Monitoring & Regulation	2.1: Regulate insurance industry	2.1.1 Insurers' financial condition			
3: Decrease Insurance Industry Loss Costs	3.1: Assure loss control services, windstorm inspections, consumer & provider fraud referrals	3.1.1 Inspect loss control programs & assure code & schedule compliance		3.1.2 Provider & consumer fraud	3.1.3 Workers' compensation insurance fraud
4: Reduce Loss of Life & Property Due to Fire	4.1: Protect the public from loss of life & property due to fire	4.1.1 Provide fire prevention through education & enforcement of regulations			
5: Promote Safe Workplaces	5.1: Promote safe & healthy workplaces	5.1.1 Provide health & safety services			
	5.2: Encourage safe & timely return of injured employees to the workplace	5.2.1 Provide education to stakeholders on disability management & return-to-work			
6: Encourage the Appropriate Delivery of Workers' Compensation Benefits	6.1: Ensure appropriate payment of health care for injured employees & reimbursement for providers	6.1.1 Ensure appropriate utilization of medical services & quality of medical providers			
	6.2: Promote compliance through performance-based incentives	6.2.1 Monitor stakeholder activity & take enforcement action			
	6.3: Educate & inform system participants on rights using technology	6.3.1 Implement processes to receive and maintain information electronically			
	6.4: Certify & regulate large private employers that qualify to self-insure	6.4.1 Process certified self-insurance applications			
	6.5: Minimize & resolve disputes promptly & fairly	6.5.1 Minimize & resolve disputes as informally as possible			
	6.6: Ensure proper financial administration of benefits through SIF	6.6.1 Pay authorized lifetime income benefits timely & appropriately			
7: Long Term Care Partnerships	7.1: Long-term care partnerships	7.1.1 Long-term care partnerships			
8: Three-Share Assistance Programs	8.1: Three-share assistance programs	8.1.1 Three-share assistance programs			

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Agency Goals

Agency Goals TDI has ten agency goals, eight that are directly budgeted goals and two indirect goals.

Directly Budgeted Goals

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.

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

Goal 5: Promote Safe Workplaces.

Goal 6: Encourage the Appropriate Delivery of Workers' Compensation Benefits.

Goal 7: Contingency Long-Term Care Partnerships.

Goal 8: Three-Share Assistance Programs.

Indirect Goals

Goal 9: Purchase from Historically Underutilized Businesses.

Goal 10: Value the contribution of each employee to TDI's mission and the diversity of the agency.

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Agency Budget Structure

Overview The Texas Department of Insurance (TDI) objectives identify clear targets for specific actions the agency will pursue to achieve its goals. Likewise, TDI has selected outcome measures that quantitatively demonstrate the agency's progress toward achieving its objectives and ultimately, agency goals.

TDI strategies describe how the agency plans to meet its objectives and goals, while the output, efficiency and explanatory measures provide data that illustrates the agency's performance toward meeting its objectives and goals.

The agency's budget structure begins with the agency goal, followed by the associated objective and outcome measures, and ends with related strategies, output, efficiency, and explanatory measures.

Goal 1: Encourage Fair Competition in the Insurance Industry

Objective 1.1 Reduce impediments to competition and improve insurance availability by fiscal year 2013 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 auto liability 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 auto liability policies as percent of total private passenger automobiles in underserved markets.
 5. Percent of personal auto and residential property rate and form filings completed within 60 days.
-

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Agency Budget Structure, Continued

Strategy 1.1.1 Collect and analyze market data, provide information to consumers and industry.

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.

1.1.1 Explanatory Measures

1. Aggregate overhead cost as a percent of premiums paid by consumers for all lines of insurance.
 2. Number of insured private and commercial passenger automobiles as a percentage of total registered passenger vehicles.
-

Strategy 1.1.2 Process rate, forms and other required filings.

1.1.2 Output Measures

1. Number of life/health insurance filings completed.
2. Number of health maintenance organization (HMO) form filings completed.
3. Number of property and casualty rate and form filings completed.

1.1.2 Explanatory Measures

1. Total number of licensed agents.
 2. Number of regulated companies and other carriers.
-

Strategy 1.1.3 Identify underserved markets, and create incentives and implement requirements for insurers to write in underserved areas.

Continued on next page

Agency Budget Structure, Continued

Objective 1.2 Reduce violations of insurance and insurance-related statutes and rules 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 2013; resolving consumer complaints; and reducing the dollar amount of harm to consumers.

1.2 Outcome Measures

1. Percent of insurer fraud referrals to state or federal prosecutors resulting in legal action.
 2. Percent of licenses who renew online.
 3. Percent of enforcement cases concluded within 365 days.
-

Strategy 1.2.1 Respond promptly to complaints against insurers, agents, and other regulated entities; assist consumers in recovering valid claims.

1.2.1 Output Measures

1. Number of complaints resolved.
2. Number of insurance advertising filings reviewed.
3. Dollar amount returned to consumers through complaint resolution.
4. Number of complaints against health maintenance organizations resolved.

1.2.1 Efficiency Measures

1. Average response time (in days) to complaints.
 2. Average time (in days) for health maintenance organization complaint resolution.
-

Strategy 1.2.2 Investigate apparent patterns of unlawful or questionable trade practices in the insurance industry and bring enforcement actions as appropriate.

1.2.2 Output Measures

1. Number of enforcement cases concluded with action.
2. Dollar amount of penalties assessed for violations of insurance and insurance-related statutes and rules.
3. Dollar amount of restitution assessed violations of insurance and insurance-related statutes and rules.
4. Number of quality assurance examinations conducted.

1.2.2 Efficiency Measure

1. Average cost per quality assurance examination conducted.

1.2.2 Explanatory Measure

1. Percent of contested cases finalized within 180 days.
-

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Agency Budget Structure, Continued

Strategy 1.2.3 Investigate potential insurer fraud and initiate legal action when appropriate.

1.2.3 Output Measure

1. Number of referrals of alleged insurer fraud to state and federal prosecutors.

1.2.3 Efficiency Measure

1. Average number of days per insurer fraud enforcement case referred.

1.2.3 Explanatory Measures

1. Estimated dollar amount (in millions) of insurer fraud referred.
 2. Number of reports of insurer fraud received.
-

Strategy 1.24 Texas on-line.

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 examinations completed within 18 months.
 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 to the date of solvency-related regulatory action.
 5. Percent of companies rehabilitated after Texas Department of Insurance solvency-related intervention.
-

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Agency Budget Structure, Continued

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 entities receiving Texas Department of Insurance solvency-related intervention.
2. Dollar amount (in millions) of net asset recoveries collected from receivership estates in liquidation proceedings.
3. Number of on-site examinations conducted.
4. Number of reviews of annual and interim financial statements conducted.

2.1.1 Efficiency Measure

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.
 4. Percent of insurers meeting statutory or risk-based capital and surplus requirements.
-

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 2013.

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 state or federal prosecutors resulting in legal action.
 5. Percent of consumer and provider workers’ compensation insurance fraud referrals to state or federal prosecutors resulting in legal action.
-

Continued on next page

Agency Budget Structure, Continued

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 provider fraud and consumer fraud and refer violations for prosecution when appropriate.

3.1.2 Output Measure

1. Number of referrals of alleged consumer and provider fraud to state and federal prosecutors.

3.1.2 Efficiency Measure

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

3.1.2 Explanatory Measures

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

Strategy 3.1.3 Investigate workers' compensation insurance fraud and refer violations for prosecution.

3.1.3 Output Measure

1. Number of referrals of alleged fraud relating to workers' compensation insurance to state or federal prosecutors.

3.1.3 Efficiency Measure

1. Average number of days per workers' compensation insurance fraud enforcement case referred.

3.1.3 Explanatory Measures

1. Number of reports of workers' compensation insurance fraud received.
 2. Estimated dollar amount (in millions) of workers' compensation insurance fraud referred.
-

Continued on next page

Agency Budget Structure, Continued

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

Objective 4.1 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 Outcome Measures

1. Percent of State Fire Marshal's Office criminal referrals 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 individuals attending fire prevention and fire safety presentations coordinated by the State Fire Marshal's Office.
2. Number of fire investigations completed.
3. Number of samples analyzed in the arson lab.
4. Number of State Fire Marshal's Office criminal referrals to 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 completed.
7. Number of buildings inspected or reinspected for fire safety hazards.
8. Number of communities accepting a State Fire Marshal Office (SFMO) fire prevention program.

4.1.1 Efficiency Measures

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

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Agency Budget Structure, Continued

Goal 5: Promote Safe Workplaces

Objective 5.1 To promote safe and healthy workplaces through appropriate incentives, education and other actions through 2013.

5.1 Outcome Measure

1. Percent change in the injury rate for employers provided consultations and inspection services.
-

Strategy 5.1.1 Provide health and safety services in Texas workplaces.

5.1.1 Output Measures

1. Number of consultations and inspections provided to employers.
2. Number of Texas employers receiving safety educational products/services.
3. Number of Texas employees receiving safety educational products/services.
4. Number of Division of Workers' Compensation presentations made.

5.1.1 Efficiency Measure

1. Average cost per consultation and inspection.

5.1.1 Explanatory Measure

1. Statewide incidence rate of injuries and illnesses per 100 full-time employees.
-

Objective 5.2 To encourage the safe and timely return of injured employees to productive roles in the workplace through 2013.

5.2.1 Outcome Measure

1. Percent of temporary income benefits (TIBs) recipients returning to work within 90 days of injury.
-

Continued on next page

Agency Budget Structure, Continued

Strategy 5.2.1 Provide education to stakeholders on disability management requirements and return-to-work programs.

5.2.1 Output Measures

1. Number of persons receiving return-to-work training.
2. Number of workers' compensation income benefit recipients referred to the Department of Assistive and Rehabilitative Services.

5.2.1 Efficiency Measure

1. Average number of participants per return-to-work seminar.
-

Goal 6: Encourage the Appropriate Delivery of Workers' Compensation Benefits

Objective 6.1 To ensure appropriate payment of health care for injured employees, and reimbursement for healthcare providers through 2013.

6.1.1 Outcome Measure

1. Percent of medical bills processed timely.
-

Strategy 6.1.1 Establish and maintain rules and programs that ensure appropriate utilization of medical services and the quality of medical providers.

6.1.1 Output Measures

1. Number of quality of care reviews of health care providers, insurance carriers, and independent review organizations completed.
2. Number of system participants who receive medical benefit training.

Efficiency Measure

1. Average number of days to complete quality of care reviews of health care providers, insurance carriers, and independent review organizations.
-

Continued on next page

Agency Budget Structure, Continued

Objective 6.2 To promote compliance through performance-based incentives, and promptly detect and appropriately address acts or practices of noncompliance with the workers' compensation law and rules through 2013.

6.2.1 Outcome Measures

1. Dollar amount of penalties and restitution assessed for workers' compensation violations.
 2. Dollar amount returned to workers' compensation system participants through complaint resolution.
 3. Average number of days for the required initial benefit payment to be issued after benefits begin to accrue.
 4. Percent of notices of violations issued within 60 days of the enforcement management conference notice.
-

Strategy 6.2.1 Monitor stakeholder activity and take enforcement action.

6.2.1 Output Measures

1. Number of complaints completed involving workers' compensation system participants.
2. Number of performance reviews completed.
3. Number of workers' compensation enforcement cases concluded with action.

6.2.1 Efficiency Measures

1. Average days to complete a complaint involving a workers' compensation system participant.
2. Average number of days to complete a performance review.

6.2.1 Explanatory Measures

1. Total number of administrative remedies issued for violations. Percent of first benefit payment timely made by insurance carriers.
-

Objective 6.3 To effectively educate and clearly inform each system participant of the person's rights and responsibilities, taking maximum advantage of technological advances to provide the highest levels of service possible to system participants through 2013.

Continued on next page

Agency Budget Structure, Continued

Strategy 6.3.1 Develop and implement processes to receive, provide and maintain information in an electronic format.

6.3.1 Output Measures

1. Number of documents received electronically by the Division of Workers' Compensation.
2. Number of reportable injury records created.
3. Number of injury records in which indemnity benefits are initiated.
4. Number of workers' compensation educational publications provided to system participants in an electronic format.

6.3.1 Efficiency Measure

1. Average number of days to create reportable injury records.
-

Objective 6.4 To certify and regulate large private employers that qualify to self-insure.

6.4 Outcome Measure

1. Percentage of market share of certified self-insurance to the total workers' compensation insurance market.
-

Strategy 6.4.1 Process certified self-insurance applications.

6.4.1 Output Measure

1. Number of active self-insured employers.

6.4.1 Efficiency Measure

1. Average cost per certified self-insured employer.
-

Objective 6.5 To minimize the likelihood of disputes and resolve them promptly and fairly when identified through 2013.

6.5 Outcome Measures

1. Percent of indemnity disputes resolved in dispute resolution proceedings.
 2. Percent of medical fee disputes resolved by medical fee dispute resolution decision.
-

Continued on next page

Agency Budget Structure, Continued

Strategy 6.5.1 Minimize and resolve disputes as informally as possible.

6.5.1 Output Measures

1. Number of indemnity disputes concluded in benefit review conference.
2. Number of indemnity disputes concluded in contested case hearings.
3. Number of medical fee disputes resolved prior to a decision.
4. Number of medical fee dispute decisions issued.

6.5.1 Efficiency Measures

1. Average number of days from the request for a benefit review conference to the conclusion of the benefit review conference.
2. Average number of days from the request for a contested case hearing to the conclusion of the contested case hearing.
3. Average number of days from receipt of the medical fee dispute to date decision issued.
4. Average number of days to resolve indemnity disputes through dispute resolution proceedings.

6.5.1 Explanatory Measures

1. Number of indemnity disputes received by the Division of Workers' Compensation.
 2. Number of medical fee disputes received by the Division of Workers' Compensation.
-

Objective 6.6 To ensure proper financial administration of and appropriate payment of benefits to injured employees and reimbursements to insurance carriers through the Subsequent Injury Fund.

6.6 Outcome Measures

1. Total payments made out of the Subsequent Injury Fund for lifetime income benefits and reimbursements to insurance carriers.
 2. Percent of fatal claims reviewed for payment of death benefits.
-

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Agency Budget Structure, Continued

Strategy 6.6.1 Pay authorized benefits timely and appropriately to injured employees who meet the statutory criteria for lifetime income benefits due to a second work-related injury and reimburse insurance carriers for eligible: (1) overpayment of benefits; (2) multiple employment benefits; and (3) pharmaceutical benefits.

6.6.1 Output Measure

1. Number of injured workers receiving lifetime income benefit (LIB) payments through the SIF.

6.6.1 Efficiency Measure

1. Average days from subsequent injury fund (SIF) receipt of requests for reimbursements to payment of request.

6.6.1 Explanatory Measures

1. Number of requests for reimbursement for overpayment of benefits processed.
 2. Number of requests filed for reimbursement of multiple employment benefits paid.
-

Goal 7: Contingency Long-Term Care Partnerships

**Objective 7.1/
Strategy 7.1.1** Contingency Long-Term Care Partnerships.

Goal 8: Contingency Three-Share Assistance Programs

**Objective 8.1/
Strategy 8.1.1** Three-Share Assistance Programs.

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Agency Budget Structure, Continued

Goal 9: Purchase from Historically Underutilized Businesses

Objective 9.1 To make a good faith effort to increase 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.

9.1 Outcome Measures

1. Purchases from historically underutilized businesses as a percent of expenditures for professional services.
 2. Purchases from historically underutilized businesses as a percent of expenditures for commodities.
 3. Purchases from historically underutilized businesses as a percent of expenditures for other services.
-

Strategy 9.1.1 Utilize and promote historically underutilized businesses in the competitive bid process on all goods and services purchased to the fullest extent possible.

9.1.1 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 10: Value the contribution of each employee to TDI's mission and the diversity of the agency

Objective 10.1 To ensure that appropriate training is available for all employees to develop professionally.

Strategy 10.1.1 Continually assess agency training needs and develop training plan to meet agency needs.

10.1.1 Output Measures

1. Number of professional development classes delivered.
 2. Number of employees attending professional development classes
-

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Agency Budget Structure, Continued

Objective 10.2 To communicate to employees their value in the organization.

Strategy 10.2.1 To provide accurate, timely and meaningful feedback to employee performance through defined job descriptions and job objectives using the performance appraisal system.

10.2.1 Output Measures

1. Number of employees with current performance appraisals.
 2. Number of corrective action plans.
-

Objective 10.3 Recruit and retain a diverse workforce of qualified and skilled individuals.

10.3 Outcome Measures

1. Percentage of females and minorities in professional positions.
 2. Percentage of turnover in hard to fill positions.
-

Strategy 10.3.1 Identify agency staffing qualifications and target recruitment to obtain needed skills.

10.3.1 Output Measure

1. Number of vacancies in hard to fill positions.

10.3.1 Efficiency Measure

1. Average time to fill vacant position.
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Appendix C
Technology Initiative Alignment

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Technology Initiative Alignment

Overview

The Texas Department of Insurance (TDI) completes agency and program-level business plans following each legislative session. As part of the business planning process, TDI programs identify technology needs that streamline processes, save resources, and support agency regulatory responsibilities and business practices. Accordingly, TDI’s Agency Planning Group reviews all program-level business plans to create an agency business plan and identify projects and initiatives that may justify management from an agency-wide perspective.

TDI’s Chief of Staff and Information Resource Manager then consider the business plan projects, including technology-related initiatives, and approve them based on available resources and project viability.

For this biennium, TDI’s Information Technology Services (ITS) Division has identified twelve technology initiatives that were approved following TDI business planning cycles. TDI has aligned these technology initiatives with the agency’s goals and objectives, as described in the chart below. For additional information about the agency’s goals and objectives, please see Appendix B.

Additionally, all TDI ITS activities support State Strategy 5-1: *Deliver world class services to Texans*. The chart below lists the other relevant State Strategic Plan (SSP) strategies as well.

TECHNOLOGY INITIATIVE	RELATED TDI OBJECTIVE	RELATED SSP STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION BEST PRACTICE BENCHMARKING
1. Transformation and consolidation of agency data center operations into the State Data Center.	<ul style="list-style-type: none"> • 1.1 • 1.2 • 6.1 • 6.6 	<ul style="list-style-type: none"> • 1-1 • 1-4 • 3-2 • 4-1 • 4-2 • 4-3 • 4-4 	Current	<ul style="list-style-type: none"> • Enhanced disaster recovery capability • Future cost savings 	<ul style="list-style-type: none"> • Best practice
2. Motor Vehicle Financial Responsibility Program (SB1670(79R)). Field verification of motor vehicle liability coverage.	<ul style="list-style-type: none"> • 1.1 	<ul style="list-style-type: none"> • 2-2 • 4-1 • 4-2 • 4-3 • 4-4 	Current	<ul style="list-style-type: none"> • Decrease number of uninsured motorists • Enhance compliance with mandatory financial responsibility legislation 	<ul style="list-style-type: none"> • Innovation in Texas • Best practice to align with national standards

TECHNOLOGY INITIATIVE	RELATED TDI OBJECTIVE	RELATED SSP STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION BEST PRACTICE BENCHMARKING
3. Speed-to-Market Initiative. Expedite rate and form filings and approvals; enhance time to bring insurance products (new or changes) to consumer.	<ul style="list-style-type: none"> • 1.1 • 1.2 	<ul style="list-style-type: none"> • 4-1 • 4-2 	Current	<ul style="list-style-type: none"> • Automation of manual processes • Alignment with standardized national products 	<ul style="list-style-type: none"> • Best practice to align with national standards
4. Data Consolidation Initiative. Review agency databases; review maintenance and storage considerations.	<ul style="list-style-type: none"> • 1.1 • 1.2 • 2.1 • 3.1 • 6.3 	<ul style="list-style-type: none"> • 2-2 • 3-2 • 4-1 • 4-2 • 4-3 	Current	<ul style="list-style-type: none"> • Reduction of duplicate databases • Data centralization 	<ul style="list-style-type: none"> • Best practice
5. Personal Auto and Homeowners Sample Rate Comparison Application (SB611 (80R)). Providing Internet access to insurance information for residential property and personal automobile insurance	<ul style="list-style-type: none"> • 1.1 • 1.2 	<ul style="list-style-type: none"> • 4-1 	Current	<ul style="list-style-type: none"> • Better rate information available to consumers 	<ul style="list-style-type: none"> • Innovation in Texas • Benchmarking
6. Reimbursement Rate Data Collection Application (SB1731 (80R)). Provide data and some comparisons based on defined TX geographic regions.	<ul style="list-style-type: none"> • 1.1 • 1.2 • 6.1 • 6.2 	<ul style="list-style-type: none"> • 4-1 • 4-3 	Current	<ul style="list-style-type: none"> • Enhanced availability to consumers of health benefit reimbursement data 	<ul style="list-style-type: none"> • Innovation in Texas • Benchmarking
7. Telecommuting Initiative. Pilot project completed; now available to limited numbers of staff; implemented under HR review.	<ul style="list-style-type: none"> • 10.2 	<ul style="list-style-type: none"> • 3-2 	Current	<ul style="list-style-type: none"> • Enhanced employee recruitment and retention • Enhanced employee productivity and morale Diminished employee contributions to traffic and air pollution • Reduced facility expenses 	<ul style="list-style-type: none"> • Innovation at TDI • Best practice recommendation for personnel management
8. TexasOnline initiatives: Agent's License application enhancements. Insurance Licensing Search and Renewal application; information on agents and agencies that are licensed with the State of Texas, plus online license renewal.	<ul style="list-style-type: none"> • 1.1 • 1.2 • 2.1 	<ul style="list-style-type: none"> • 1-3 • 1-4 • 4-1 	Current	<ul style="list-style-type: none"> • Innovation enhancements • Enhanced accuracy, turnaround time, and availability of online agent information 	<ul style="list-style-type: none"> • Innovation • Best practices

TECHNOLOGY INITIATIVE	RELATED TDI OBJECTIVE	RELATED SSP STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION BEST PRACTICE BENCHMARKING
9. TexasOnline initiatives: DWC Attorney Fee application enhancements. Broaden the scope of existing online application. Web-enabled Attorney Fee Processing System (WAFPS) enables attorneys to register with DWC and submit online requests for reimbursement of claim-related services.	<ul style="list-style-type: none"> • 6.1 • 6.2 • 6.3 • 6.5 	<ul style="list-style-type: none"> • 1-3 • 1-4 • 4-1 	Current	<ul style="list-style-type: none"> • Innovation enhancements • Promotes wider number of users by removing existing restrictions to online participation • Improved data access 	<ul style="list-style-type: none"> • Innovation • Best practices
10. DWC E-Services. Enhancements to facilitate filing a claim online; checking status of service requests; automation of Designated Doctor application; automation of Dispute Resolution process.	<ul style="list-style-type: none"> • 5.1 • 5.2 • 6.1 • 6.2 • 6.3 • 6.4 • 6.5 • 6.6 	<ul style="list-style-type: none"> • 1-1 • 1-4 • 3-2 • 4-1 • 4-2 • 4-3 • 4-4 	Current	<ul style="list-style-type: none"> • E-service enhancements • Promotes wider number of users by removing existing restrictions to online participation • Improved data access 	<ul style="list-style-type: none"> • Innovation • Best practices
11. DWC Infrastructure and Obsolescence Initiatives. Decrease administrative burdens; reduce staff needed to provide services; provide better tools; provide better access to information (internal and external)	<ul style="list-style-type: none"> • 6.1 • 6.2 • 6.3 • 7.1 • 10.1 	<ul style="list-style-type: none"> • 2-1 • 2-2 	Current	<ul style="list-style-type: none"> • Infrastructure enhancements • Decreased maintenance & procedural roadblocks • Improved access to data • Updated hardware & software capabilities 	<ul style="list-style-type: none"> • Innovation • Best practices
12. DWC Information and Data Exchange. Provide external access to DWC data; enhance data exchange; submit data electronically (EDI: claim information; e-bills)	<ul style="list-style-type: none"> • 6.1 • 6.3 • 6.4 • 6.5 • 6.6 	<ul style="list-style-type: none"> • 1-4 • 3-2 • 4-1 • 4-2 • 4-4 	Current Implemented EDI claims & e-bills	<ul style="list-style-type: none"> • Data exchange with WC system participants • Enhanced data update and reporting capabilities • Reduced staff intervention Reduced staff time for turnaround of requests 	<ul style="list-style-type: none"> • Innovation • Best practices

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Appendix D
Agency Planning Process

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Agency Planning Process

Preparing the Strategic Plan

The Texas Department of Insurance (TDI) developed its Strategic Plan with participation from the agency's Executive Management team and staff representing all agency programs. The Agency Planning Group (APG) is responsible for coordinating strategic planning activities and developing the agency's Strategic Plan.

TDI's Strategic Plan focuses on challenges that will affect the agency in the next five years. The analysis of these issues describes how the agency will address trends and other factors attributable to each challenge. To identify the challenges and develop the agency's assessment of these issues, the APG created a list of potential internal and external topics impacting the agency. TDI's Executive Management team reviewed the list and selected ten key challenges.

Moreover, this biennium, Executive Management staff led the analyses of the challenges impacting the agency and worked with the APG to devise a template for clearly and succinctly summarizing the issues.

During the initial meetings to identify the agency challenges, the Commissioner of Insurance and Commissioner of Workers' Compensation provided direction for preparing the challenges. The APG as well as Executive Management carefully considered presentation of the information to ensure the final products met the Commissioners' expectations. Both Commissioners provided final review and approval of the agency challenges.

APTT Participation

To help the APG coordinate agency-wide information, TDI uses a working group, the Agency Planning and Technology Team (APTT), which is comprised of representatives from each agency program. The APTT's primary functions are to plan and advise on agency-wide projects and processes. The APTT participated in the development of the strategic plan. These decision makers representing all of TDI's functional areas worked together on information technology resource issues, strategic and business planning, and other efforts that required collaboration.

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Agency Planning Process, Continued

**Budget
Structure
Review and
Development**

To develop the budget structure, APG used its existing process and tools for evaluating and proposing changes to performance measures. Program staff reviewed current performance measures and proposed deletions, additions, and modifications to the existing measures. Program staff developed draft definitions for new measures and modified existing definitions based on program changes to these measures.

Upon completion of the performance measure evaluations, APG compiled the proposed changes in accordance with the format required by the LBB and GOBPP. The compilation was distributed to the programs and Executive Management for final comment and approval. Upon Executive Management approval, TDI delivered the requested changes to the GOBPP and LBB by April 16, 2008.

**Strategic Plan
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 (LAR).

APG used a spreadsheet to aid with performance measure target development. The spreadsheet contains a five-year history of the agency's performance measure targets which allows for a more focused review of proposed changes. The targets presented in this plan reflect current level funding. The FY 2010-2011 LAR instructions require agencies to submit their baseline request and a request at a ten percent reduction level.

Program staff evaluated their targets and proposed changes for FY 2009-2013. APG reviewed the proposed changes and worked with program staff to determine the final performance measure targets. Executive management reviewed and approved the changes.

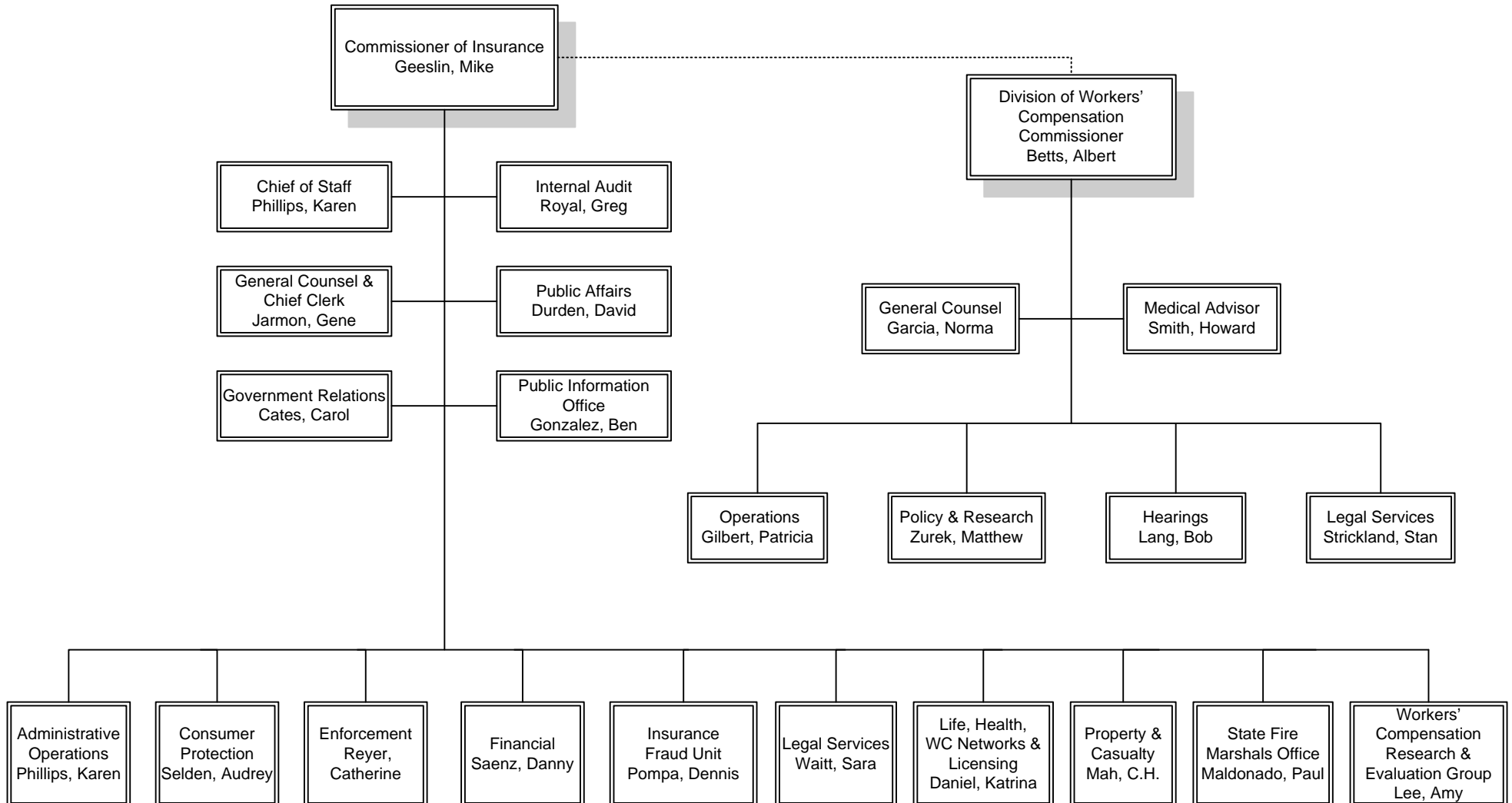
**Strategic Plan
Approval**

In finalizing the Strategic Plan, APG worked with Executive Management and APTT. Executive Management approved the document for delivery to the LBB, GOBPP, and other interested parties.

APPENDIX E
Current Organizational Chart

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Texas Department of Insurance
Agency Organizational Chart



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APPENDIX F
Five-Year Outcome Projections

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Measure Code	Measure Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
1.1.2 oc 1	Percent of company, third party administrator, and premium finance licenses completed within 60 days	98%	98%	98%	98%	98%
1.1.2 oc 2	Percent of agent license filings completed within 15 days	96%	96%	96%	96%	96%
1.1.2 oc 3	Percent of statutory rate and form filings completed within 90 days	87%	87%	87%	87%	87%
1.1.2 oc 5	Percent of personal auto and residential property form filings completed in 60 days	95%	95%	95%	95%	95%
1.1.3 oc 4	Number of automobiles covered by auto liability-policies as a percent of total private passenger automobiles in underserved markets	80%	80%	80%	80%	80%
1.2.2 oc 1	Percent of insurer fraud referrals to state and federal prosecutors resulting in legal action	55%	55%	55%	55%	55%
1.2.2 oc 3 New	Percent of enforcement cases concluded within 365	46%	46%	46%	46%	46%
1.2.4 oc 2	Percent of licensees who renew online	73%	78%	84%	84%	84%
2.1.1 oc 1	Percent of statutorily mandated examinations completed within 18 months	86%	88%	90%	92%	94%
2.1.1 oc 2	Percent of identified companies reviewed	97%	97%	97%	97%	97%
2.1.1 oc 3	Special deputy receiver receivership asset recovery expenses as a percent of the total dollars collected by special deputy receivers	15%	15%	15%	15%	15%

Measure Code	Measure Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
2.1.1 oc 4	Average number of days from company "at risk" identification to the date of solvency-related regulatory action	21	21	21	21	21
2.1.1 oc 5	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	97%	97%	97%	97%	97%
3.1.1 oc 2	Percent of commercial property inspections that meet filed rating schedule requirements	88%	88%	88%	88%	88%
3.1.1 oc 3	Percent of windstorm inspections that result in an "approved" status code	35%	35%	35%	35%	35%
3.1.2 oc 4	Percent of consumer and provider fraud referrals to state and federal prosecutors resulting in legal action	60%	60%	60%	60%	60%
3.1.3 oc 5	Percent of WC insurance fraud referrals to state or federal prosecutors resulting in legal action	55%	55%	55%	55%	55%
4.1.1 oc 1	Percent of SFMO criminal referrals resulting in enforcement/legal action	60%	60%	60%	60%	60%
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	99%	99%	99%	99%	99%
5.1.1 oc 1	Percent change in the injury rate for employers provided consultations and inspection services	-20.00%	-20.00%	-20.00%	-20.00%	-20.00%
5.2.1 oc 1	Percent of temporary income benefits (tibs) recipients returning to work within 90 days of injury	53%	54.00%	54.00%	55.00%	55.00%

Measure Code	Measure Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
6.1.1 oc 1	Percent of medical bills processed timely	95%	95.00%	95.00%	95.00%	95.00%
6.2.1 oc 1 New	Dollar amount of penalties and restitution assessed for workers' compensation violations	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
6.2.1 oc 2	Dollar amount returned to workers' compensation system participants through complaint resolution	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
6.2.1 oc 3	Average number of days for the required initial benefit payment to be issued after benefits begin to accrue	9.75	9.75	9.75	9.75	9.75
6.2.1 oc 4 New	Percent of notices of violations issued within 60 days of the enforcement management conference notice	85%	85%	85%	85%	85%
6.4.1 oc 1	Percentage of market share of certified self-insurance to the total workers' compensation insurance market	15%	15%	15%	15%	15%
6.5.1 oc 1	Percent of indemnity disputes resolved in dispute resolution proceedings	97%	97%	97%	97%	97%
6.5.1 oc 2	Percent of medical fee disputes resolved by a medical fee dispute resolution decision	90%	90%	95%	95%	95%
6.6.1 oc 1	Total payments made out of the subsequent injury fund for lifetime income benefits and reimbursements to insurance carriers	\$3,581,000	\$3,960,000	\$4,285,000	\$4,568,000	\$4,811,000
6.6.1 oc 2 New	Percent of fatal claims reviewed for payment of death benefit	98%	98%	98%	98%	98%

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APPENDIX G
Performance Measure Definitions

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Measure Definitions

Introduction On April 16, 2008, the Texas Department of Insurance submitted proposed performance measure changes for the FY 2010-2011 biennium to the Governor's Office of Budget, Planning and Policy (GOBPP) and the Legislative Budget Board (LBB). The measure definitions included in this appendix represent those approved by the GOBPP and LBB for fiscal years 2010 and 2011.

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 the Texas Department of Insurance's (TDI) practice and complaints company inquiry (PCCI) "Search for a Company Profile" (pcci.search) web page. An inquiry is a request for insurance information received from an external customer during business hours. Customers include individual consumers, business consumers, regulated entities, state agencies, and legislators.
Purpose/Importance	To measure the number of inquiries answered, including telephone calls, written requests and PCCI Internet hits.
Source/Collection	Telephone inquiries are taken by Consumer Protection staff who are in an Automatic Call Distribution (ACD) group. 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 into an agency database and coded as an inquiry only. A written inquiry is closed 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 is from the "#ACDCalls Answ" column on the ACD reports provided by the Department of Information Resources (DIR). The source of written inquiry data is the number of inquiries closed by the Complaints Resolution section (which has section code MDC) in the agency database for the reporting period.
Data Limitations	If a day's ACD report is not available from DIR, 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

Continued on next page

Measure Definitions, Continued

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	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	None
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 customers.
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	A publication 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 publications shipped from the TDI mail room and counted as a "hit" on the TDI Internet site.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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 make to external consumer groups.
Purpose/Importance	To measure the sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff make to external customer groups.
Source/Collection	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	None
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 Texas Department of Insurance (TDI) Commissioner's Bulletin.
Purpose/Importance	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 TDI Commissioner's Bulletin.
Source/Collection	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	This measure does not include data calls issued by the Division of Workers' Compensation.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

1.1.1 ex 1	Aggregate overhead cost as a percent of premiums paid by consumers for all lines of insurance
Short Definition	Aggregate overhead costs as a percent of premiums paid by consumers for all lines of insurance.
Purpose/Importance	To measure the percentage of premiums that is attributable to overhead costs.
Source/Collection	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 coverage 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 2	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	The source of private passenger vehicles covered by bodily injury liability insurance is the Texas Financial Responsibility Verification Program. The source of commercial passenger type vehicles covered by bodily injury liability insurance is the Texas Financial Responsibility Verification Program. The source of registered passenger vehicles is the Texas Department of Transportation, as provided to the vendor for the Texas Financial Responsibility Verification Program.
Method of Calculation	Total private and commercial passenger vehicles covered by bodily injury liability insurance divided by total registered passenger vehicles.
Data Limitations	Data for commercial passenger type vehicles covered by bodily injury liability insurance is an optional reporting element of the Texas Financial Responsibility Verification Program.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 oc 1	Percent of company, third party, and premium finance licenses completed within 60 days
Short Definition	The percent of company, third party administrator, and premium finance applications completed in 60 days or less.
Purpose/Importance	To ensure the timely processing of company, third party administrator, and premium finance applications.
Source/Collection	The data source is maintained on Excel spreadsheet tracking systems. Applications include documents such as new, amended or cancelled licenses and miscellaneous amendments to charters. Entities refer to companies, Third Party Administrators and Premium Finance companies. 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 1) the date of the letter to the applicant which includes the Certificate of Authority and/or Commissioner's Order, 2) the date on the Memo to File if no Certificate of Authority or Commissioner's Order is issued, or 3) the date a No Action Letter 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 <i>Number of HMO form filings completed</i> measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 oc 2	Percent of agent license filings completed within 15 days
Short Definition	The percent of agent license filings completed within fifteen days of receipt.
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 Trade name Location (LDTL) processed, license cancellations by agents (due to, death, retirement, move to another state or other non-disciplinary cancellation), and continuing education provider applications, course submissions, exemptions, and extension requests.
Source/Collection	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, License Renewals, Appointment Issued, Appointment Cancellation, Name/Address Change, LDTLs, License Cancellation by Agent, and Clearance Letters/License Certifications—Process date assigned in the agent tracking system; Certified Records—Date action pertaining to the record request is completed; Continuing Education Filings—Date on notification letter of approval or denial; (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 is the percent of agent license filings completed within 15 days.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 oc 3	Percent of statutory rate and form filings completed within 90 days
Short Definition	This measure monitors the number of form and rate filings that are processed by TDI and completed within 90 days of receipt of the filing.
Purpose/Importance	To ensure the timely processing of rate and form filings. A “filing” is a submission of rates or rating factors, forms or other documents required by TDI for use by insurance carriers, viatical and life settlement entities and HMOs to define the terms of coverage, develop rates or to transact the business of insurance or maintain a certificate of authority.
Source/Collection	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 that are processed by TDI and 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 output measures: “Number of life/health filings completed”, “Number of HMO form filings completed”, and “Number of property and casualty rate and form filings completed”.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 oc 5	Percent of personal auto and residential property form filings completed in 60 days
Short Definition	The percent of personal auto and residential property form filings whose processing by TDI is completed within 60 days of receipt of the filing during the monthly reporting period.
Purpose/Importance	To ensure the timely processing of personal auto and residential property form filings.
Source/Collection	Filings completed are tracked in an agency electronic database and form filings are defined as both policy forms (code PF) and endorsements (code EN). Processing of a form filing is completed on the date final action is taken on the filing. Final action is defined as receiving a final status code (includes approval, disapproval, rejection or withdrawal) as listed in the TRACK database status code table as PCFINAL. 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 personal automobile and residential form filings whose processing by TDI is completed during the reporting period and within 60 days of receipt of the filing divided by the total number of personal automobile and residential form filings completed during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 op 1	Number of life/health insurance filings completed
Short Definition	The number of insurance policy-related rate and form filings submitted by insurance carriers and/or viatical and life settlement entities pursuant to their business needs or in response to statutory or rule provisions by the Life/Health Division, and completed.
Purpose/Importance	To measure the volume of completed rate and form filings. A “filing” is a submission of rates, forms, or other documents required by TDI for use by insurance carriers and/or viatical and life settlement entities to define the terms of coverage or to transact the business of insurance or maintain a certificate of insurance.
Source/Collection	Filings completed are tracked on 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 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	Sum the number of insurance policy-related rate and form filings submitted by insurance carriers and/or viatical and life settlement entities pursuant to their business needs or in response to statutory or rule provisions by the Life/Health Division, and completed.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 op 2	Number of HMO form filings completed
Short Definition	The number of completed form filings submitted by health maintenance organizations (HMOs) and approved non-profit health corporations (ANHCs) in accordance with statutory and Texas Department of Insurance (TDI) rule requirements.
Purpose/Importance	To measure the number of completed HMO and ANHC rate and form filings. A “form filing” is a submission of rates or forms required by TDI for use by HMOs and ANHCs.
Source/Collection	Processing of a form filing is completed when final agency action is taken. Form filings include approval, disapproval, withdrawal, rejection, or verification of an informational filing during the reporting period. Completed form filings are tracked in an Oracle database. Form filings include rates, evidence of coverage (EOC), provider contracts, enrollment applications, EOC amendments and other HMO-related forms.
Method of Calculation	Sum the number of completed form filings submitted by HMOs and ANHCs.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 op 3	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.
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.
Source/Collection	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, excluding workers' compensation "CI" filings.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.2 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	Obtained by querying the agent tracking system at the end of the reporting period.
Method of Calculation	Sum the total number of individuals and entities licensed as agents as tracked in the agent tracking system. An individual or entity who holds more than one license authority is counted only once.
Data Limitations	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

1.1.2 ex 2	Number of regulated companies and other carriers
Short Definition	The number of regulated insurance companies and other risk-bearing carriers licensed in Texas holding a Certificate of Authority or Certificate of Approval.
Purpose/Importance	This measure reflects the number of insurance companies and other risk-bearing carriers licensed in Texas. This number represents the total number of insurers and other risk-bearing carriers authorized to sell insurance to Texas consumers. This measure is a reflection on Texas Department of Insurance's financial solvency workload. Changes in the reported number also reflect on the health of and trends in the insurance industry.
Source/Collection	Tracked on the Company-License mainframe system and obtained by querying the system at the end of the reporting period.
Method of Calculation	The sum the total number of risk-bearing carriers licensed in Texas holding a Certificate of Authority or Certificate of Approval for the reporting period.
Data Limitations	This measure is driven by the industry needs in Texas and is intended to provide information about the number of risk-bearing carriers licensed in Texas. It is not within the control of the Financial program.
Calculation Type	Non-cumulative
New Measure	Yes
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.1.3 oc 4	Number of automobiles covered by auto liability policies as a percent of total private passenger automobiles in underserved markets
Short Definition	Percent of autos in underserved markets with auto liability coverage.
Purpose/Importance	To measure the percentage of total registered passenger vehicles which are insured by a private or commercial passenger automobile insurance policy.
Source/Collection	The source of data for total vehicles insured by a private or commercial passenger automobile insurance policy will be the Texas Financial Responsibility Verification Program. The source of data for registered vehicles is the Texas Department of Transportation, as reported to the vendor for the Texas Financial Responsibility Verification Program. 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 private or commercial 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. Data for commercial passenger type vehicles covered by bodily injury liability insurance is an optional reporting element of the Texas Financial Responsibility Verification Program.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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 Section 542.005 (a).
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	Complaints are tracked in an agency database. The source of the data is quarterly and annual reports. Complaints that are referred to other entities having primary responsibility for the subject are not included in this measure. This measure does not include HMO complaints; these are reported in Number of complaints against HMOs resolved. The complaint is resolved when staff have closed the complaint in the database. To close a complaint, 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. Anonymous complaints will have a memo to file instead of a letter to a complainant.
Method of Calculation	The sum of complaint records coded as a justified complaint or unjustified complaint that at the time of closing are not linked to a legal or fraud case.
Data Limitations	None
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	The source of the data is monthly reports from an agency database. 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 Enforcement.
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	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.1 op 3	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	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	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

1.2.1 op 4	Number of complaints against HMOs resolved
Short Definition	This measure monitors the total number of complaints against all HMOs performing commercial, CHIP, and ERS business during the reporting period upon which action has been taken or a determination is made that a violation did not occur.
Purpose/Importance	To measure the number of resolved complaints against HMOs to ensure the agency's efforts on behalf of Texas consumers.
Source/Collection	The source of the data is the quarterly and annual Complaint Inquiry System (CIS) report. All verbal and written complaints are tracked on the agency 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	Sum the total number of complaints against all HMOs performing commercial, CHIP, and ERS business during the reporting period upon which action has been taken or a determination is made that a violation did not occur.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.1 of 1	Average response time (in days) to complaints
Short Definition	The number of days from the date a complaint is received in writing at the Texas Department of Insurance (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 Texas Insurance Code Section 542.005 (a).
Purpose/Importance	To measure the average response time to complaints.
Source/Collection	The source of the data is a report from an agency database. 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 in the agency database. The closed date 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	This measure excludes complaints coded as HMO; the average time of HMO complaints is reported in "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

Continued on next page

Measure Definitions, Continued

1.2.1 of 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 Complaint Inquiry System (CIS) system summed for all HMO, CHIP, and ERS complaints, divided by the number of complaints resolved during the reporting period.
Purpose/Importance	To measure the average response time to complaints.
Source/Collection	All complaints are entered into the agency's complaint database when received. The complaint processing time begins on the date that all documentation has been received. The complaint processing time ends when all avenues to resolve the complaint are exhausted, the case is referred to Enforcement 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	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

1.2.2 oc 1	Percent of insurer fraud referrals to state and federal prosecutors resulting in legal action
Short Definition	The percent of insurer fraud referrals to State and Federal Prosecutors such as district attorneys and United States attorneys resulting in legal action. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the percent of insurer fraud referrals resulting in legal action.
Source/Collection	The source of the data is the Fraud Program's case management system
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 prosecutors during the fiscal year (denominator). If a referral to a prosecutor results in multiple charging documents against one or more individuals or entities, each legal action taken by the prosecutor is counted in the numerator of this measure.
Data Limitations	A single fraud case in which more than one individual or entity is investigated may result in more than one referral made to one or more prosecuting agencies on each individual or entity. 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

Continued on next page

Measure Definitions, Continued

1.2.2 oc 3	Percent of enforcement cases concluded within 365 days
Short Definition	The percent of enforcement cases concluded with action within 365 days. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing and warning letters.
Purpose/Importance	To measure timeliness of resolution of cases that merit action.
Source/Collection	The source of the data is an agency database.
Method of Calculation	The number of enforcement cases concluded with action within or equal to 365 days from the case pending date divided by the total number of enforcement cases concluded with action. Actions are defined in the short definition. The enforcement case is considered "concluded" on the date the case is closed in the database.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	Yes
Desired Performance	Higher than target

1.2.2 op 1	Number of enforcement cases concluded with action
Short Definition	The number of enforcement cases concluded with action against persons and entities for violations of insurance and insurance-related statutes and rules. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing, and warning letters.
Purpose/Importance	This measure monitors the number of enforcement cases concluded by the agency against certain entities in order to demonstrate the agency's efforts toward reducing illegal practices.
Source/Collection	The source of the data is an agency database.
Method of Calculation	The sum of the number of actions as defined in the short definition. The enforcement case is considered "concluded" on the date the case is closed in the database.
Data Limitations	None
Calculation Type	Cumulative
New Measure	Yes
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.2 op 2	Dollar amount of penalties assessed for violations of insurance and insurance-related statutes and rules
Short Definition	The total amount of monetary penalties against persons and entities who have violated insurance and insurance-related statutes and rules.
Purpose/Importance	To show the amount of monetary penalties assessed through enforcement actions.
Source/Collection	The source of the data is an agency database.
Method of Calculation	This measure is the sum of penalties assessed in the reporting period. An order may assess an unknown amount that allows the subject to offset some or all of the penalty by paying restitution to those harmed by the violation. Regardless of any restitution offset allowance, the entire penalty assessed will be included in this measure.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

1.2.2 op 3	Dollar amount of restitution assessed for violations of insurance and insurance-related statutes and rules
Short Definition	The total amount assessed in restitution to persons and entities who have been harmed as a result of violations of insurance and insurance-related statutes and rules.
Purpose/Importance	To show the amount of money returned to persons and entities through enforcement actions.
Source/Collection	The source of the data is an agency database. The dollar amount of restitution assessed in an order is determined by Texas Department of Insurance (TDI) staff using case specific information or from outside sources that provide data reviewed by TDI staff.
Method of Calculation	This measure is the sum of restitution assessed in the reporting period. If an order assesses an unknown amount of restitution, the actual total returned to persons or entities is assessed in the month it is reported to TDI.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.2 op 4	Number of quality assurance examinations conducted
Short Definition	This measure monitors all examinations conducted to determine compliance with statutes and regulations. These exams include but are not limited to triennial; service area expansion; service area modification; complaint, including restitution, certificate of authority, utilization reviews of HMOs, Exclusive Provider Organizations (EPOs), workers' compensation networks and affiliate entities. Exams 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 HWCN Division to ensure compliance statutes and regulations to protect the citizens of Texas.
Source/Collection	The measure is calculated using work papers and data captured in the Quality Assurance (QA) Exam database. The frequency of examinations ranges from one to three years and is mandated by statute for certain examinations; others are conducted on an as-needed basis. An examination is considered complete on the date the exam report is mailed and the completion date is entered in the QA Exam database.
Method of Calculation	Sum the number of examinations conducted to determine compliance with statutes and regulations for the reporting period.
Data Limitations	This measure does not include QA 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 QA exams review health care services provided to enrollees and business practices to assure 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	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.2 of 1	Average cost per quality assurance examination conducted
Short Definition	This measure monitors the average cost of expenditures by the HWCN Division for the reporting period. These exams include but are not limited to, triennial; service area expansion; service area modification complaints, including restitution, certificate of authority and utilization reviews of HMOs, Exclusive Provider Organizations (EPOs), workers' compensation networks and affiliate entities. Exams 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	Costs are calculated using work papers and from data captured in the Quality Assurance (QA) Exam database. An examination is considered complete on the date the exam is completed in the QA Exam database. The denominator of this measure is "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 QA examination activity for the reporting period divided by the number of examinations completed for the reporting period.
Data Limitations	This measure does not include QA 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 QA exams review health care services provided to enrollees and business practices to assure 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	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

1.2.2 ex 1	Percent of contested cases finalized within 180 days
Short Definition	The percent of Texas Department of Insurance (TDI) or State Fire Marshal contested cases finalized within 180 days.
Purpose/Importance	To measure the percent of contested cases finalized within 180 days.
Source/Collection	The source of the data is the automated Case Tracking System (CTS). 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, (Notice of Hearing date) to the date the case is closed on the 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 for the reporting period.
Data Limitations	A Commissioner's Order 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 TDI (i.e., Assurances of Voluntary Compliance, Consent Order). It may be obtained at 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. 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

Continued on next page

Measure Definitions, Continued

1.2.3 op 1	Number of referrals of alleged insurer fraud to state and federal prosecutors
Short Definition	Number of referrals of alleged insurer fraud to appropriate authorities. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation, a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the number of referrals of alleged insurer fraud to appropriate state and federal prosecutors by TDI.
Source/Collection	The source of the data is the Fraud Program's case management system. A case can be initiated from an external or internal report of fraud or request.
Method of Calculation	The number of subjects and/or entities associated with fraud cases that are referred for legal action to the prosecutors which allege insurer fraud as defined in this measure for the reporting period.
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 prosecuting 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

Continued on next page

Measure Definitions, Continued

1.2.3 ef 1	Average number of days per insurer fraud enforcement case referred
Short Definition	The average number of days from the date the insurer fraud enforcement case is opened to its referral to prosecutors. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the average number of days from the date the insurer fraud case is opened by TDI to its referral.
Source/Collection	An insurer fraud enforcement case begins on the date the case is opened. 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 first referred and concluded. 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.
Method of Calculation	This 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 is concluded upon the date of the first referral to a prosecutor. Cases closed and not referred are not counted in this measure.
Data Limitations	A single fraud case, in which more than one person or entity are investigated, may result in more than one referral made to one or more prosecuting agencies on each individual or entity.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

1.2.3 ex 1	Estimated dollar amount (in millions) of insurer fraud referred
Short Definition	The dollar amount of fraud identified, following submission to a prosecutor such as a district attorney or a United States attorney by TDI in connection with suspected insurer fraud. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the estimated dollar amount of insurer fraud referred.
Source/Collection	The source of the data is obtained from a Fraud Program referral report to a prosecutor, generated from the Fraud Program case management system. A case can be initiated from an external or internal report of fraud or request.
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 during the reporting period.
Data Limitations	The dollar amount of fraud referred is limited to the total amount of fraud 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

1.2.3 ex 2	Number of reports of insurer fraud received
Short Definition	Number of reports of insurer fraud received.
Purpose/Importance	To measure the number of reports of insurer fraud received by the Texas Department of Insurance.
Source/Collection	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 alleging 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 a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction.
Method of Calculation	The number of written or electronic communications received by the Fraud Program alleging insurer fraud during the report period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

1.2.4 oc 2	Percent of licensees who renew online
Short Definition	The number of agent licenses renewed on-line divided by the total number of agent licenses renewed.
Purpose/Importance	To track the percentage of agent licenses that is renewed on-line.
Source/Collection	<p>An agent license is renewed when the license's renewal invoice is paid in the agent license database. "Agent license" includes the following license types: Adjuster, County Mutual, General Lines, Insurance Service Representative, Life, Life and Health Insurance Counselor, Life Insurance not to exceed \$15,000, Limited Lines, Managing General Agent, Personal Lines Property & Casualty, Pre-Need, Public Insurance Adjuster, Reinsurance Broker, Reinsurance Manager, Risk Manager, Surplus Lines, and Specialty.</p> <p>The "agent license invoices renewed on-line" are the invoices for which the licensee or the licensee's representative submits payment electronically through a third-party system, including, but not limited to, TexasOnline, Sircon, and the National Insurance Producer Registry.</p> <p>The "total number of agent license invoices renewed" are invoices that are renewed on-line plus all renewals that are paid by cash, check or money order.</p>
Method of Calculation	The number of agent license invoices renewed on-line during the reporting period divided by the total number of agent license invoices renewed during the reporting period.
Data Limitations	An agent may hold more than one license at the agency; therefore, for this measure, individual licenses are counted instead of the licensee to better reflect accurate activity at the agency. Life, Personal Lines Property & Casualty will begin renewals in FY 2010.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

2.1.1 oc 1	Percent of statutorily mandated examinations completed within 18 months
Short Definition	The percent of statutorily mandated examinations completed within 18 months of the start date of the examination calculated as of fiscal year end.
Purpose/Importance	To gauge whether the Texas Department of Insurance (TDI) is completing statutorily mandated examinations in a timely manner.
Source/Collection	Receipt of the examination report at TDI headquarters signifies the completion of the on-site examination. The received reports are logged and tracked in an agency database. On-site examinations are conducted at the location of a company's books and records.
Method of Calculation	The number of companies examined in a fiscal year is calculated by determining the total of all on-site comprehensive examination reports of entities subject to statutorily mandated examinations received in TDI headquarters during the fiscal year. The number of examinations completed during the fiscal year within 18 months of the "as of date" is divided by the total number of examinations completed during the fiscal year. The 18-month time period for exam completion is calculated by determining the time difference between the "as of date" (effective date of the examination, typically the annual statement date) and the "completion date" of the financial examination (date examination report is received at TDI headquarters).
Data Limitations	Factors outside the control of Financial could affect the completion of examinations, such as company cooperation and unexpected/unforeseen circumstances and issues that may develop on any given exam. 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. 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 Chapter 401, Subchapter B of the Texas Insurance Code. This measure includes outsourced on-site comprehensive examinations.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

2.1.1 oc 2	Percent of identified companies reviewed
Short Definition	The percent of financial reviews of annual statements filed by companies identified as Texas domestic companies, or foreign companies writing a certain level of Texas premium, with potential solvency concerns, calculated as of fiscal-year end.
Purpose/Importance	To ensure identified companies have all been reviewed for financial regulatory problems.
Source/Collection	The number of identified companies is 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. Foreign+ is defined as foreign Life insurance companies writing more than an amount determined annually in Texas premium in the preceding calendar year and foreign Property/Casualty companies writing more than an amount determined annually in Texas premium in the preceding calendar year. The number of financial reviews is 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.
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, with potential solvency concerns, divided by the total of such identified companies, calculated for the reporting period.
Data Limitations	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), Reciprocal (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

Continued on next page

Measure Definitions, Continued

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 percent of the total dollars collected by Special Deputy Receiver (SDRs) appointed by the Commissioner of the Texas Department of Insurance (TDI) that are used in converting receivership assets in liquidation proceedings.
Purpose/Importance	This measure tracks the cost effectiveness of asset recovery efforts in liquidation proceedings by comparing the expenses incurred in the collection efforts as a percentage of the total amounts collected. The assets collected, net of recovery expenses, are used to fund the estates' obligations such as unpaid claims owed to consumers, insurance guaranty associations and general creditors.
Source/Collection	The receivership recovery expenses are the expenses incurred to collect the funds as reported by the SDRs. The total dollars collected includes cash received by SDRs from: sales of receivership assets, e.g., stocks bonds, real estate and debt instruments; collection of company receivables, e.g., agents' balances and reinsurance; recovery of statutory deposits; recovery resulting from officer and director liability litigation; and 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 financial statements that the 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 SDRs appointed by the Commissioner of TDI as Receiver in converting receivership assets to cash in liquidation proceedings during the reporting period.
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

Continued on next page

Measure Definitions, Continued

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 average number of days from the date a company is identified as “at risk” to the date the earliest solvency-related regulatory action is taken for the reporting period.
Purpose/Importance	The purpose of this measure is to reflect the average number of days from the date a company is identified as “at risk” to the date the earliest solvency-related regulatory action is taken to minimize insolvencies.
Source/Collection	The data are tracked on the automated Case Tracking System (CTS). The “at risk” date is the date a referral is received in the Legal Program 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	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 for the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

2.1.1 oc 5	Percent of companies rehabilitated after Texas Department of Insurance solvency-related intervention
Short Definition	The percent of companies or agencies released from Texas Department of Insurance (TDI) solvency-related intervention, including ancillary supervisions or conservatorships. TDI solvency-related intervention is any administrative order such as supervision, conservatorship, Section 404 order, administrative oversight letter, or court-directed order, including court-directed rehabilitation. An entity is any licensed or domestic or unauthorized insurance company or agency as defined in the Texas Insurance Code.
Purpose/Importance	This measure represents TDI's success rate for early intervention to attempt rehabilitation of companies as mandated by the Texas Insurance Code.
Source/Collection	A release is defined as an official Commissioner's Order, an Administrative Oversight Letter, or a court order releasing the company or agency from solvency intervention under the following conditions: released to company or agency management; released for merger into another company or agency; released as a result of sale to another entity; 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 of 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 for the reporting period.
Data Limitations	The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences. Section 404 orders against licensed or unauthorized entities that have no current policies in Texas and do not write in Texas are excluded from this measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

2.1.1 op 1	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 initiated by an administrative order. Administrative orders include: supervision, conservatorship, Texas Insurance Code Chapter 404 orders, administrative oversight letters, or court-directed orders, including court-directed rehabilitation. An entity is any licensed or unauthorized insurance company or agency as defined in the Texas Insurance Code.
Purpose/Importance	To measure the number of entities receiving TDI solvency-related intervention, which represents the TDI philosophy of early intervention to attempt rehabilitation of companies as mandated by the Texas Insurance Code (TIC).
Source/Collection	This measure uses the number of referrals as the source for calculating this measure. 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 interventions in effect at the beginning of the fiscal year plus companies or agencies referred during the fiscal year. The number of referrals is tracked in an Excel spreadsheet.
Method of Calculation	The sum of the total number of new companies or agencies placed under TDI solvency-related intervention during the reporting period.
Data Limitations	The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences. Orders issued under the authority of Texas Insurance Code, Chapter 404 against licensed or unauthorized entities that have no current policies in Texas and do not write in Texas are excluded from this measure.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

2.1.1 op 2	Dollar amount (in millions) of net asset recoveries collected from receivership estates in liquidation proceedings
Short Definition	The total dollars of net asset recoveries collected by Special Deputy Receivers (SDRs) appointed by the Commissioner of the Texas Department of Insurance (TDI) as Receiver (Receiver) in converting receivership assets to cash in liquidation proceedings.
Purpose/Importance	This measure tracks the amount of net assets in liquidation proceedings that are collected or converted to cash to fund the estate's obligations such as unpaid claims owed to consumers, insurance guaranty associations and general creditors.
Source/Collection	The amount reported includes cash received from: the sale of receivership assets, e.g., stocks, bonds, real estate and debt instruments; collection of company receivables, e.g., agents' balances and reinsurance; recovery of statutory deposits; recovery resulting from officer and director liability litigation; and 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 financial statements SDRs file with the court monthly or quarterly and submit to the Receiver.
Method of Calculation	The sum of the total dollars collected by SDRs appointed by the Receiver in converting receivership assets to cash in liquidation proceedings, less the expense incurred to collect the funds during the reporting period.
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 the receivership, the collection effort becomes more difficult, and in some cases, more expensive.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

2.1.1 op 3	Number of on-site examinations conducted
Short Definition	The number of on-site financial and market conduct examinations of insurance entities regulated by the Texas Department of Insurance (TDI).
Purpose/Importance	The purpose/importance of this measure is to reflect program efforts to monitor the financial health and business practices of insurance entities including actuarial review of reserve adequacy.
Source/Collection	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	The sum of the number of on-site financial and market conduct examinations that are conducted by the department during the reporting period.
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 4	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	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	The number of Annual and Interim Financial statements is based on the number of companies licensed, which may vary subject to the number of entities entering into or withdrawing from the market.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

2.1.1 ef 1	Average state cost per examination
Short Definition	The average cost for on-site financial and market conduct examinations completed for the reporting period.
Purpose/Importance	To measure the cost-effectiveness of examinations.
Source/Collection	The numerator of this measure is all expenditures and encumbrances for the Examinations activity. The denominator of this measure is "Number of on-site examinations conducted." An examination is considered complete upon receipt of the examiner's report at the Texas Department of Insurance (TDI) headquarters. The examination reports are on-site financial and market conduct examinations of insurance entities regulated by 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. Examination costs are tracked in a database. The number of examinations is tracked in an Excel spreadsheet.
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 insolvencies of insurance companies and other entities placed in receivership for liquidation.
Purpose/Importance	To report the financial impact of insurance company or entity receiverships for the purposes of liquidation. The measure reflects the size of these liquidations in terms of the dollar amount of the insolvencies and an indication of the impact on policyholder claimants, general creditors and the public. There are various external factors; such as company marketing and new product development, mismanagement, inadequate underwriting and reserving and improper financial reporting that significantly impact this measure.
Source/Collection	The dollar amount of insolvencies is tracked in an Access database. The dollar value of insolvency of each insurance company or entity placed in receivership is reported on a quarterly basis from information contained in court filings. The fiscal year total is equal to the cumulative sum of the quarterly activity.
Method of Calculation	The sum of the dollar value of insolvencies of insurance companies or other entities placed in receivership for liquidation for the reporting period. This information is as reported on the balance sheet submitted by the Texas Department of Insurance to the Texas district court when obtaining a court order to initiate a liquidation proceeding.
Data Limitations	Receiverships for the purposes of rehabilitation are not included in this measure.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

2.1.1 ex 2	Number of estates placed in receivership
Short Definition	The number of entities placed in receivership pursuant to a court order of liquidation during the reporting period.
Purpose/Importance	The purpose/importance of this measure is public disclosure of the number of companies/estates placed into receivership for liquidation and to receivership accountability. The measure reflects the number of new liquidation proceedings initiated during the reporting period which provides an indication of the impact on creditors including insurance policyholders and the general public. There are various external factors, including, but not limited to, company marketing and new product development, mismanagement, inadequate underwriting and reserving, and improper financial reporting that significantly impact this measure.
Source/Collection	An insolvent insurance company or entity placed into receivership for liquidation is referred to as a receivership estate. The number is obtained from the docketing reports supplied by the receivership court that indicate the effective date of the liquidation proceeding. This measure is tracked in an Excel database.
Method of Calculation	The sum of the total number of estates placed in receivership by Texas District courts for liquidation during the reporting period.
Data Limitations	Insurance company receiverships for the purpose of rehabilitation are not included in this measure.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

2.1.1 ex 3	Percent of companies subject to statutorily mandated examinations during the fiscal year
Short Definition	The percent of entities subject to statutorily mandated examinations at certain intervals, pursuant to the Texas Insurance Code (Article 1.15, et al.), that were examined in the current fiscal year.
Purpose/Importance	To report the percent of companies examined during the fiscal year.
Source/Collection	The total number of statutorily mandated on-site examinations completed 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, Texas 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	The total of all entities subject to statutorily mandated examinations at certain intervals, pursuant to the Texas Insurance Code (Article 1.15, et. al.), that were examined in the current fiscal year divided by the total number of entities subject to mandatory on-site examination intervals as of August 31 for the reporting period.
Data Limitations	The total number of entities subject to mandatory on-site examination intervals is adjusted throughout the fiscal year to add newly incorporated companies and to remove companies that merged or dissolved.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Target

Continued on next page

Measure Definitions, Continued

2.1.1 ex 4	Percent of insurers meeting statutory or risk-based capital and surplus requirements
Short Definition	The percent of companies that meet risk based capital and surplus (RBC) requirements as set by the Commissioner in accordance with certain provisions of the Texas Insurance Code (TIC) and the Texas Administrative Code (TAC).
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 TIC.
Source/Collection	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 7.401. 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 for the reporting period.
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

Continued on next page

Measure Definitions, Continued

3.1.1 oc 1	Percent of insurers providing adequate loss control programs
Short Definition	The percent of companies receiving “adequate” ratings for loss control programs by the Texas Department of Insurance during the reporting period.
Purpose/Importance	To measure the percent of insurers providing adequate loss control programs.
Source/Collection	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 TDI. 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 Loss Control Program computer database.
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	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

3.1.1 oc 2	Percent of commercial property inspections that meet filed rating schedule requirements
Short Definition	The percent of commercial property oversight inspections conducted on commercial buildings that meet industry filed rating schedules during the reporting period.
Purpose/Importance	To measure the percent of Commercial Property inspections that meet industry filed fire rating schedules.
Source/Collection	The measure is calculated manually using the monthly activity report. The Insurance Code requires insurers to file a manual of rules and rating schedules for commercial property risks. Inspections are re-inspections or oversight inspections by TDI to determine if initial fire rating inspections by private entities are accurate or contain errors. A commercial building does not meet 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 standards when 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 cost, 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 during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

3.1.1 oc 3	Percent of windstorm inspections that result in an “approved” status code
Short Definition	The percent of physical windstorm inspections performed that received an “approved” status code.
Purpose/Importance	To ensure compliance with the building code by measuring the percent of windstorm inspections that result in an “approved” status code.
Source/Collection	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. 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 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 “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 for the reporting period. 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 and Cancel will not be used in the calculation of this measure. The denominator for this measure is “Number of Windstorm Inspections Completed.”
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	A windstorm inspection is considered completed when documented on a WPI-7 inspection form and the status is entered on the inspection log. 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 during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	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 quantifies 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	None
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	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	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	Expenditures are calculated by using the Financial Accounting System (General Ledger) Budget Status Detail Report and excel spreadsheets for travel voucher expenses not yet processed and overtime earned but not yet paid. 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. 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. 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	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

3.1.2 oc 4	Percent of consumer and provider fraud referrals to state and federal prosecutors resulting in legal action
Short Definition	Percent of consumer/provider fraud referrals to state or federal prosecutors such as district attorneys or United States attorneys resulting in legal action. Claim fraud is an act by a consumer or provider that is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A “provider” is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the percent of consumer/provider referrals resulting in legal action.
Source/Collection	The source of data is the Fraud Program’s case management system.
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 prosecutors during the fiscal year (denominator). If a referral to a prosecutor results in multiple charging documents against one or more individuals or entities, each legal action taken by the prosecutor is counted in the numerator of this measure.
Data Limitations	This measure does not include workers’ compensation insurance fraud. A single fraud case, in which more than one individual or entity are investigated, may result in more than one referral made to one or more prosecutors 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 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

Continued on next page

Measure Definitions, Continued

3.1.2 op 1	Number of referrals of alleged consumer and provider fraud to state and federal prosecutors
Short Definition	The number of referrals of alleged consumer/provider fraud to appropriate authorities. Claim fraud is an act by a consumer or provider that is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A “provider” is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor. A case is an investigation performed by the Fraud Program of TDI.
Purpose/Importance	To measure the number of referrals of alleged consumer and provider fraud to appropriate State and Federal Prosecutors by TDI.
Source/Collection	The source of the data is the Fraud Program’s case management system. A case can be initiated from an external or internal report of fraud or request.
Method of Calculation	The number of subjects and/or entities associated with fraud cases that are referred for legal action to prosecutors which allege consumer & provider fraud (claim fraud) during the reporting period.
Data Limitations	This measure does not include workers’ compensation insurance fraud. 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 prosecuting 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

Continued on next page

Measure Definitions, Continued

3.1.2 ef 1	Average number of days per consumer or provider fraud enforcement case referred
Short Definition	The average number of days from the date the consumer and provider fraud enforcement case is opened to its referral to prosecutors. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A “ provider ” is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Claim fraud is an act by a consumer or provider that is a violation of any penal law and: a) is committed or attempted 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 an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the average number of days from the date the consumer or provider fraud case is opened at TDI to its referral to prosecutors.
Source/Collection	A consumer and provider enforcement case, initiated from a complaint, begins on the date the case is opened. 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 first referred and concluded.
Method of Calculation	The 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. A case is concluded for the purpose of this measure upon the date of the first referral, as evidenced by a letter from the case owner to a prosecutor, in which the case is described.
Data Limitations	This measure does not include workers’ compensation insurance fraud. A single Fraud Program case, in which more than one person or entity is investigated may result in more than one referral made to one or more prosecuting agencies 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. Cases closed and not referred are not counted in this measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

3.1.2 ex 1	Number of reports of consumer and provider fraud received
Short Definition	The number of reports of consumer/provider fraud received at the Texas Department of Insurance (TDI). Claim fraud is an act by a consumer or provider that is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A “provider” is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance.
Purpose/Importance	To measure the number of reports of consumer and provider fraud received.
Source/Collection	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 alleging 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 alleging consumer or provider fraud during the reporting period.
Data Limitations	This measure does not include workers' compensation insurance fraud.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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 a prosecutor by the Texas Department of Insurance (TDI) in connection with suspected consumer/provider fraud. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A “ provider ” is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Claim fraud is an act by a consumer or provider that is a violation of any penal law and: a) is committed or attempted 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 an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the estimated dollar amount of consumer and provider fraud referred.
Source/Collection	The source of the data is obtained from a Fraud Program referral report to a prosecutor, generated from the Fraud Program case management system.
Method of Calculation	The sum of 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 for the reporting period. A case can be initiated from an external or internal report of fraud or request.
Data Limitations	This measure does not include workers’ compensation insurance fraud. The dollar amount of fraud referred is limited to the total amount of fraud 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

Continued on next page

Measure Definitions, Continued

3.1.3 oc 5	Percent of workers' compensation insurance fraud referrals to state or federal prosecutors resulting in legal action
Short Definition	Percent of workers' compensation insurance fraud referrals to state or federal prosecutors such as district attorneys or United States attorneys resulting in legal action. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the percent of workers' compensation insurance fraud referrals resulting in legal action.
Source/Collection	The source of data is the Fraud Program's case management system.
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 prosecutors during the fiscal year (denominator). If a referral to a prosecutor results in multiple charging documents against one or more individuals or entities, each legal action taken by the prosecutor is counted in the numerator of this measure.
Data Limitations	This measure relates to workers' compensation insurance fraud. 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 prosecutors 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 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

Continued on next page

Measure Definitions, Continued

3.1.3 op 1	Number of referrals of alleged fraud relating to workers' compensation insurance to state or federal prosecutors
Short Definition	The number of referrals of alleged fraud relating to workers' compensation insurance to appropriate authorities. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information). Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor. A case is an investigation performed by the Fraud Program of TDI.
Purpose/Importance	To measure the number of referrals of alleged fraud relating to workers' compensation insurance to State or Federal Prosecutors by TDI.
Source/Collection	The source of the data is the Fraud Program's case management system. A case can be initiated from an external or internal report of fraud or request.
Method of Calculation	The number of subjects and/or entities associated with fraud cases that are referred for legal action to prosecutors which allege workers' compensation insurance fraud.
Data Limitations	This measure relates to workers' compensation fraud. 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 prosecuting 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

Continued on next page

Measure Definitions, Continued

3.1.3 ef 1	Average number of days per workers' compensation insurance fraud enforcement case referred
Short Definition	The average number of days from the date the workers' compensation insurance fraud enforcement case is opened to its referral to prosecutors. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the average number of days from the date the workers' compensation insurance fraud case is opened at TDI to its referral to prosecutors.
Source/Collection	A workers' compensation insurance fraud enforcement case, initiated from a complaint, begins on the date the case is opened. 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 first referred and concluded.
Method of Calculation	The measure is calculated by dividing the total number of days for each workers' compensation insurance fraud case referred by the total number of workers' compensation insurance 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 concluded for the purpose of this measure upon the date of the first referral, as evidenced by a letter from the case owner to a prosecutor, in which the case is described.
Data Limitations	This measure relates to workers' compensation insurance fraud. A single Fraud Program case, in which more than one person or entity is investigated may result in more than one referral made to one or more prosecuting agencies 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. Cases closed and not referred are not counted.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

3.1.3 ex 1	Number of reports of workers' compensation insurance fraud received
Short Definition	The number of reports of workers' compensation insurance fraud received at the Texas Department of Insurance (TDI). Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information.
Purpose/Importance	To measure the number of reports of workers' compensation insurance fraud received.
Source/Collection	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 alleging workers' compensation insurance fraud during the report period. All reports of workers' compensation insurance 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 alleging workers' compensation insurance fraud during the reporting period.
Data Limitations	This measure relates to workers' compensation insurance fraud.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

3.1.3 ex 2	Estimated dollar amount (in millions) of workers' compensation insurance fraud referred
Short Definition	The dollar amount of fraud identified within the referral report, following submission to a prosecutor by the Texas Department of Insurance (TDI) in connection with suspected workers' compensation insurance fraud. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of TDI. Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
Purpose/Importance	To measure the estimated dollar amount of workers' compensation insurance fraud referred.
Source/Collection	The source of the data is obtained from a Fraud Program referral report to a prosecutor, generated from the Fraud Program case management system.
Method of Calculation	The sum of 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 can be initiated from an external or internal report of fraud or request during the reporting period.
Data Limitations	This measure relates to workers' compensation insurance fraud. The dollar amount of fraud referred is limited to the total amount of fraud 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

Continued on next page

Measure Definitions, Continued

4.1.1 oc 1	Percent of State Fire Marshal's Office criminal referrals resulting in enforcement/legal action
Short Definition	The percent of criminal referrals, which are submitted as a result of fire investigations that lead to an enforcement or a legal action.
Purpose/Importance	To reflect agency efforts in criminal referrals for enforcement or legal action of fire-related investigations.
Source/Collection	The source of the data is collected in official fire investigation reports completed by field investigators. These reports are reviewed and verified through proper documentation by division supervisors, then entered and stored on the State Fire Marshal's Office (SFMO) Fire Arson Investigation Services Case Management System. A "referral" indicates a single suspect, no matter how many potential offenses are recommended to the prosecutor. "Enforcement/legal action" includes the filing of a charging instrument to a grand jury or an adjudication rendered by the court system (federal, state, county, or municipal) or any action by juvenile authorities 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.
Method of Calculation	This measure is calculated by dividing the total Number of SFMO criminal referrals resulting in enforcement/legal action during the current fiscal year (numerator), by the total Number of criminal referrals for prosecution 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	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	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	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

4.1.1 op 1	Number of individuals attending fire prevention and fire safety presentations coordinated by the State Fire Marshal's Office
Short Definition	The sum of all individuals attending presentations coordinated by the State Fire Marshal's Office (SFMO).
Purpose/Importance	To track the number of individuals attending presentations coordinated by the SFMO.
Source/Collection	The source of the data comes from the public presentation report forms, logs and the public education booth exhibition log. Only individuals external to the SFMO will be counted. Individuals will be counted only once when attending presentations consisting of multiple sessions. A presentation is any event coordinated by the SFMO that 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.
Method of Calculation	The sum of all individuals attending presentations coordinated by the SFMO during the reporting period. This number represents the total of all individuals listed on forms, logs and public education booth exhibitions with dates on or between the first and last day of the month.
Data Limitations	None
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 reflect the State Fire Marshal's Office's efforts in investigating fires.
Source/Collection	The source of the data is collected in official fire investigation reports and stored on the State Fire Marshal's Office Fire Arson Investigation Services Case Management System. A fire investigation includes all cases investigated whether the cause is 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. A case is considered "completed" when closed or referred for prosecution. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, municipal) or juvenile authorities and document their activities in fire investigation reports.
Method of Calculation	The sum of the number of fire investigations completed during the reporting period. The total number of completed investigations will be obtained by conducting a query of the database. The date the supervisor approves the fire investigation report is considered the "completed date." The completed date is entered into the case management system.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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.
Purpose/Importance	To track the number of samples submitted to the Arson Lab to be analyzed for the presence of accelerants.
Source/Collection	The data is stored in the laboratory database on the agency's 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. 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	Sum 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 of the final report.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

4.1.1 op 4	Number of State Fire Marshal's Office criminal referrals to prosecution
Short Definition	This number represents the total number of criminal referrals to a prosecuting agency (Federal, State, County or, Municipal) or juvenile authorities for legal action resulting from a State Fire Marshal's Office (SFMO) fire investigation.
Purpose/Importance	To reflect State Fire Marshal's Office's efforts toward referring fire-related criminal activities to a prosecuting agency (Federal, State, County or Municipal) or juvenile authorities for legal action.
Source/Collection	The source of the data is collected in official fire investigation 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 is discovered. 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 result in the referral of multiple suspects. The total number of referrals will be obtained by querying the database.
Method of Calculation	The sum of the total number of criminal referrals to a prosecuting agency (Federal, State, County or Municipal) or juvenile authorities for legal action.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	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	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

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	The date on the completed report is entered into a database on the agency's computerized network. Investigations are individually quantified by each investigated firm or individual and inspections are quantified by each physical location. Each investigation and inspection is 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	None
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	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	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

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Measure Definitions, Continued

4.1.1 op 8	Number of communities accepting a State Fire Marshal's Office (SFMO) fire prevention program
Short Definition	The number of Communities accepting a State Fire Marshal's Office (SFMO) fire prevention program.
Purpose/Importance	To track fire prevention programs to communities and enable SFMO partners to provide sustainable services to help local communities and organizations protect lives and property from fire and related hazards.
Source/Collection	The source of the data is completed SFMO fire prevention program reports. A report is considered completed when accepted by the State Fire Marshal. In this measure, "communities" means the geographic or demographic entity or organization that accepts the SFMO's prevention program. Accepting may include the delivery of programs, facilitation of program implementation, establishment of fire prevention educational initiatives, conducting fire safety consultancy evaluations, and/or delivery of other substantial community fire prevention assistance.
Method of Calculation	The total of the number of communities accepting SFMO fire prevention programs. The total number of communities involved in completed programs will be obtained by counting approved project reports at the end of the reporting period. The date the State Fire Marshal approves the report is considered the completed date.
Data Limitations	This measure will focus only on substantial fire prevention programs. A community may be counted each time a separate SFMO program is accepted by that community.
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 calculated during the reporting period.
Purpose/Importance	To track efficiencies of the State Fire Marshal's Office staff in conducting fire safety inspections.
Source/Collection	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 expenditures 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 associated costs by the total number of inspections conducted during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

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Measure Definitions, Continued

4.1.1 of 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 fire investigation is completed.
Purpose/Importance	To determine the efficiencies of State Fire Marshal's Office personnel in conducting fire investigations.
Source/Collection	A fire investigation includes all cases investigated whether the cause is "arson (incendiary)", "accidental" or "undetermined". The "average time to complete fire investigations" will be obtained by conducting a query giving the date of investigation and completion date of each investigation completed within the reporting period.
Method of Calculation	<p>The date of investigation subtracted from the completion date is the total number of days to complete investigations. The total number of days to complete investigations divided by the total investigations completed is the average time to complete fire investigations.</p> <p>A Case is considered initiated when a request for a fire investigation is received and a "Case Number" has been assigned. A case is considered completed when closed or referred for prosecution. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, municipal), or juvenile authorities and document their activities in fire investigation reports. The completion date is then entered into the Fire/Arson Investigation Services case management system.</p>
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

5.1.1 oc 1	Percent change in the injury rate for employers provided consultations and inspection services
Short Definition	This measure represents the percentage the injury rate changed in the twelve month period following the provision of a service or regulatory action when compared to the twelve month period prior to the service or regulatory action. These services or regulatory actions are provided through programs such as the OSHCON, Rejected Risk, and Accident Prevention Services (policyholder inspections), and any similar programs operated through additional federal grants. Injury rates include injuries and job related illnesses with one or more lost workdays, and are collected for both twelve month periods for comparison.
Purpose/Importance	This measure shows the progress of employers in reducing injuries by comparing the average injury rate for the twelve months prior to the time employers receive services or regulatory actions to the average injury rate for the twelve months following the service or regulatory action.
Source/Collection	Data is documented on various worksheets and maintained in agency automated applications.
Method of Calculation	<p>Injury Rate: The injury rate is calculated by the formula (injuries / employees) *100. For the OSHCON consultations, the numerator is the number of recordable job-related injury and illness cases from OSHA 300 Log during a 12-month period. For the policyholder and Rejected Risk inspections, the numerator is the number of workers' compensation claims during a 12-month period. The denominator is the highest number of workers employed by the employer during any month during a 12-month period. An injury rate is calculated before and after the intervention.</p> <p>Percentage change in the injury rate: The percentage change is calculated by the formula:</p> <p>$[(\text{post-intervention injury rate} - \text{pre-intervention injury rate}) / \text{pre-intervention injury rate}] * 100$. The numerator is the difference between the post-intervention injury rate and the pre-intervention injury rate. The denominator is the pre-intervention injury rate.</p>
Data Limitations	Employers who have gone out of business in the 12 months after intervention are not counted in this measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

5.1.1 op 1	Number of consultations and inspections provided to employers
Short Definition	This measure shows the number of consultations and inspections provided to employers.
Purpose/Importance	These services or regulatory actions are provided through programs such as the OSHCON, Rejected Risk, and Accident Prevention Services (policyholder inspections), and any similar programs operated through additional federal grants.
Source/Collection	Data is maintained on agency automated applications.
Method of Calculation	The measure is calculated by adding the number of consultations and inspections accomplished for the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

5.1.1 op 2	Number of Texas employers receiving safety educational products/services
Short Definition	This measure is the total number of Texas employers receiving safety education and training products and services and the number of academic institutions incorporating safety and health educational programs into their curriculum. Safety products include hard copies of publications; informational brochures; and verified viewing of videotapes and DVDs. Safety services include on-site needs assessments, participation in seminars, workshops, and training events. Educational curriculum includes health and safety print materials, television programs produced, lesson plans, student activities and programs, and self paced computer based training.
Purpose/Importance	The measure reports the number of Texas employers and educational institutions receiving safety and health products and services.
Source/Collection	Data is maintained on agency automated systems and paper documents.
Method of Calculation	The measure is calculated by adding the number of the Texas employers and academic institutions receiving products and services during the reporting period. For the purposes of this measure, employer counts are unique (i.e., any employer who receives more than one product or service is counted only once).
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

5.1.1 op 3	Number of Texas employees receiving safety educational products/services
Short Definition	This measure is the total number of Texas employees receiving safety education and training products and services. Safety products include hard copies of publications; informational brochures; and verified viewing of videotapes and DVDs. Safety services include on-site needs assessments, and participation in seminars, workshops, and training events, and self-paced computer based training.
Purpose/Importance	The measure reports the number of Texas employees receiving safety and health products and services.
Source/Collection	Data is maintained on agency automated systems and paper documents.
Method of Calculation	The measure is calculated by adding the number of Texas employees that receive informational publications, and brochures, and those who view videotapes as reported by employers requesting those publications, brochures and videos during the reporting period. Added to this is the number of Texas employees and students participating in on-site needs assessments, seminars, workshops, and training events.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

5.1.1 op 4	Number of Division of Workers' Compensation presentations made
Short Definition	The sum of all presentations coordinated by the TDI/DWC Speakers Bureau that TDI/DWC staff makes to external consumer groups.
Purpose/Importance	To measure the sum of all presentations coordinated by the TDI/DWC Speakers Bureau that TDI/DWC staff makes to external consumer groups.
Source/Collection	The source of the data is the file for each presentation and the monthly Speakers Bureau report. A presentation is any event where TDI/DWC staff educates agency customers on workers' compensation system and occupational safety and health matters using one or more of the following methods of communication: speeches, training, exhibits, seminars, teleconferences, webinars, and staff participation in industry meetings. External customers include healthcare providers, insurance carriers, employees, employers, 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/DWC Speakers Bureau that TDI/DWC staff makes to external customer groups.
Data Limitations	None
Calculation Type	Cumulative
New Measure	Yes
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

5.1.1 of 1	Average cost per consultation and inspection
Short Definition	This measure shows the average cost for providing consultations and inspections. Direct costs and all indirect costs applicable to the programs are included in the total.
Purpose/Importance	The measure provides the average costs of consultations and inspections. These services or regulatory actions are provided through programs such as the OSHCON, Rejected Risk, and Accident Prevention Services (policyholder inspections), and any similar programs operated through additional federal grants.
Source/Collection	The information on the number of inspections and consultations as well as on expenditures and costs is maintained in agency electronic databases.
Method of Calculation	<p>The average cost per consultation and inspection is the total costs associated with consultations and inspections divided by the total number of consultations and inspections conducted during the reporting period.</p> <p>Expenditures are calculated by using the Financial Accounting System (General Ledger) Budget Status Detail Report, an EXCEL spreadsheet for travel voucher expenses not yet processed, and the number of activities for each of the following programs, which is received via email from the Performance Measure Liaison of Workplace Safety: OSHCON Consultations; Rejected Risk Inspections; and Policyholder Inspections. Fringe is included in the costs for OSHCON consultations (federal funds) for purposes of reimbursement by the third party source. Fringe is not included in the Rejected Risk and Accident Prevention Services policyholder inspections because fringe benefits are not appropriated to the agency in the appropriations bill.</p>
Data Limitations	Because fringe benefit costs are specifically appropriated in the OSHCON grant, costs, such as OASDI/Medicare, state retirement contributions, benefit replacement pay, salary increases, and medical benefits are included in the indirect costs for the OSHCON program. The same costs for the other programs are not included.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

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Measure Definitions, Continued

5.1.1 ex 1	Statewide incidence rate of injuries and illnesses per 100 full-time employees
Short Definition	This measure reflects the injury and illness rate for the state of Texas as developed by the U. S. Bureau of Labor Statistics.
Purpose/Importance	This measure reflects the frequency at which workers in Texas experience non-fatal work-related injuries and illnesses. The rate is a gauge on how Texas compares to other states and the nation.
Source/Collection	Data comes from the Annual Survey of Occupational Injuries and Illnesses, which uses a stratified sample of private sector establishments by industry and size class to develop reliable estimates of occupational injury and illness rates in Texas. This is determined by using OSHA (Occupational Safety & Health Administration) standards for record-keeping and injury reporting. Data is collected by the Division of Workers' Compensation (DWC) and is entered into terminals which are linked to the Bureau Of Labor Statistics. Rates are developed by the Bureau of Labor Statistics on a calendar year basis. The incidence rate is based on the preceding calendar year.
Method of Calculation	Calculation is completed by BLS and the reported result is used for this performance measure. The measure is calculated as $(N/EH) \times 200,000$. The numerator is the total number of recordable injuries and illnesses ("N") in the year. The denominator is the total number of hours ("EH") worked by all employees in the year. The multiplier (200,000) expresses the ratio as a rate equivalent to 100 full-time employees working 40 hour weeks 50 weeks per year, or 200,000 hours. The measure is reported as a number, not a calculation.
Data Limitations	Data is dependent on the Bureau of Labor Statistics, since BLS produces all calculations based on surveyed data collected by DWC. The performance reported on a fiscal year basis is the most recently reported incidence rate. Because the incidence rate is calculated on a calendar year basis and almost one year after the close of the calendar year, the reported performance is almost two years old (e.g., CY 2008 performance will be reported in FY 2010). Because of changes to OSHA record keeping for data collected for CY 2002 (and subsequent years), and the BLS switch from Standard Industrial Classification (SIC) codes to North American Industry Classification System (NAICS) for data collected for CY 2003 (and subsequent years), the injury rates reported in FY 2006-FY 2007 and subsequent biennia cannot be directly compared to any year prior to FY 2005.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

5.2.1 oc 1	Percent of temporary income benefit (TIB)s recipients returning to work within 90 days of injury
Short Definition	This measure identifies the percent of injured employees who received temporary income benefits and returned to work within 90 days of the date of injury based on temporary income benefits (TIBs) duration.
Purpose/Importance	The purpose of this measure is to identify the percent of injured employees who received TIBs and returned to work within 90 days of injury.
Source/Collection	This data is maintained in automated databases.
Method of Calculation	The numerator is the total number of claims in which TIBs stopped within 90 days after the date of injury for the reporting period. The denominator is the number of claims in which TIBs were paid for the reporting period. Twelve months of data, based on the date of injury, are used in the calculation. The data is lagged three months from the reporting month.
Data Limitations	The date TIBs stopped is used as a proxy for return-to-work.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

5.2.1 op 1	Number of persons receiving return-to-work training
Short Definition	This measure identifies the number of persons receiving return-to-work training provided by the Division of Workers' Compensation.
Purpose/Importance	The purpose of this measure is to identify the number of persons receiving return-to-work training products –or services that will aid in returning people to the workforce who have been injured on the job. Return-to-work training provides education and information to employers and others regarding effective tools for managing disability associated with work-related illness or injuries. The training products and services include presentations, seminars and publications to system participants.
Source/Collection	This data is collected on paper documents maintained on agency automated systems.
Method of Calculation	This measure is manually calculated by summing the number of persons who attended seminars and presentations or received hard copy publications during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

5.2.1 op 2	Number of workers' compensation income benefit recipients referred to the Department of Assistive and Rehabilitative Services
Short Definition	This measure identifies the number of persons referred to the Department of Assistive & Rehabilitative Services (DARS) by the Division of Workers Compensation (DWC).
Purpose/Importance	The purpose of this measure is to identify the number of injured employees referred to DARS for training/education to assist them in returning to the workforce. DWC refers an injured employee to DARS if DWC determines that an employee could be materially assisted by vocational rehabilitation or training in returning to employment or returning to employment more nearly approximating the employee's pre-injury employment.
Source/Collection	This data is maintained in agency automated databases.
Method of Calculation	This measure is calculated by adding all referrals to DARS from DWC during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

5.2.1 ef 1	Average number of participants per return-to-work seminar
Short Definition	This measure identifies the average number of participants per return-to-work seminar.
Purpose/Importance	The purpose of this measure is to monitor the effectiveness and efficiency of providing return-to-work information to system participants through seminars.
Source/Collection	Data is maintained on paper documents.
Method of Calculation	The average number of participants per return-to-work seminar is the total number of return-to-work seminar participants divided by the total number of seminars conducted during the reporting period. The numerator is the total number of return-to-work seminar participants. The denominator is the total number of return-to-work seminars conducted during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.1.1 oc 1	Percent of medical bills processed timely
Short Definition	This measure indicates the percentage of medical bills timely processed by insurance carriers. Medical bills are to be processed within forty-five days from receipt of a complete medical bill.
Purpose/Importance	The purpose of this measure is to indicate the timely processing of medical bills by the insurance carrier.
Source/Collection	The Division of Workers' Compensation receives medical billing information used in the calculation electronically from carriers. Data is maintained in agency automated systems.
Method of Calculation	The numerator is calculated by adding the number of medical bills processed timely for the reporting period. The denominator is the number of medical bills processed by the insurance carriers for the reporting period. Twelve months of data are used in the calculation. The data is lagged one month from the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

6.1.1 op 1	Number of quality of care reviews of health care providers, insurance carriers and independent review organizations (IROs) completed
Short Definition	This measure indicates the number of quality of care reviews completed on health care providers, insurance carriers and independent review organizations (IROs) during the reporting period.
Purpose/Importance	The Division of Workers' Compensation (DWC) is charged with monitoring the quality of healthcare in the workers' compensation system. This measure reflects one of the principle methods by which DWC fulfills this requirement. A quality of care review is defined as a review of clinical evaluations, recommendations, treatment decisions, and clinical outcomes relating to health care. Quality of care reviews are conducted on health care providers who provide care or evaluations in the workers' compensation system (other than in a peer-review or utilization review capacity). Quality of care reviews can be conducted on insurance carriers or on individual providers working at the direction of or in the employ of a carrier(s). Quality of care reviews can be conducted on IROs working on network and non-network disputed claims.
Source/Collection	Information is maintained in agency automated applications.
Method of Calculation	This measure is calculated by adding the number of final reports issued during the reporting period for all quality of care reviews conducted on health care providers, insurance carriers and IROs. A review results from random or non-random sample methodology or census and/or quality of care complaints and may be directed towards a specific entity or the system as a whole. Completion of a review is the date the final report is issued.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.1.1 op 2	Number of system participants who received medical benefit training
Short Definition	This measure identifies the number of system participants who attend medical benefit training seminars. Medical benefit seminars are defined as the training on health care required by the nature of the compensable injury. The audience for these seminars generally is comprised of health care providers and their office staff; insurance carriers; employers; injured employees; and other workers' compensation system participants. .
Purpose/Importance	The purpose of this measure is to identify the number of system participants who attend medical benefit training seminars.
Source/Collection	Data is collected from TDI Presenters Reports or paper attendance roster documents.
Method of Calculation	This measure is manually calculated by totaling the number of system participants that attended a seminar during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

6.1.1 ef 1	Average number of days to complete quality of care reviews of health care providers, insurance carriers and independent review organizations
Short Definition	This measure is defined as the average number of days to complete a quality of care review of a health care provider, insurance carrier and independent review organization (IRO's).
Purpose/Importance	This indicates the efficiency of the quality of care review process by measuring the length of time for a quality of care review to be completed.
Source/Collection	Information is maintained in agency automated applications.
Method of Calculation	This measure is calculated by dividing total days by reviews completed. The numerator is the total number of days to complete all reviews whose final report was issued to the Quality Monitoring Enforcement Team (QMET) during the reporting period. The denominator is the number of reviews completed during the reporting period. Total days for a review, includes the time between the start of the record review by a Medical Quality Review Panel (MQRP) doctor and the issuance of the final report to QMET.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.2.1 oc 1	Dollar amount of penalties and restitution assessed for workers' compensation violations
Short Definition	The total amount of restitution, fines, penalties, and/or interest assessed for violation of statutes or rules against system participants: healthcare providers, injured employees, employers and/or non-subscribers as a result of final judgments, orders, or settlement agreements after an enforcement action has been initiated.
Purpose/Importance	To measure the dollar amount of penalties and restitution collected for violations of statutes or rules.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	This measure is calculated by adding the dollar amount of fines, penalties, interest and/or restitution assessed against workers' compensation participants for violation of statutes or rules as a result of final judgments, orders or settlement agreements.
Data Limitations	None
Calculation Type	Cumulative
New Measure	Yes
Desired Performance	Higher than target

6.2.1 oc 2	Dollar amount returned to workers' compensation system participants through complaint resolution
Short Definition	This measure indicates the dollar amount returned to system participants due to non-compliance with the Texas Labor Code or Division Rules as a result of complaint resolution by the Division of Workers' Compensation (DWC). Dollar amounts are the amount above what was originally paid to the participant before DWC intervention.
Purpose/Importance	The purpose of this measure is to track the success of DWC intervention in resolving issues regarding compliance.
Source/Collection	The data is entered and maintained in an agency automated system.
Method of Calculation	The sum of the dollar amount returned to system participant(s) through DWC complaint resolution.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.2.1 oc 3	Average number of days for the required initial benefit payment to be issued after benefits begin to accrue
Short Definition	This measure indicates the average number of days from the eighth day of disability (i.e., the benefit/eligibility/accrual date) to the date the required initial temporary income benefit (TIBs) payment is issued to injured workers.
Purpose/Importance	This measure provides an indication of the length of time for the initial temporary income benefit payments to be issued once a worker is eligible for temporary income benefits.
Source/Collection	The information used in this calculation is received by the DWC either via paper DWC Form 1 or DWC Form 21 form or electronically from the EDI 148 or A49. Paper documents submitted by the carriers are data entered by DWC staff. EDI information is submitted electronically by the carriers and DWC only transfers the data electronically to the automated system. Data is maintained in agency automated systems.
Method of Calculation	<p>The numerator is calculated by adding the number of days from the eighth day of disability to the date the required initial temporary income benefit payment is issued for the reporting period. The denominator is the total number of eligible indemnity claims for the reporting period.</p> <p>Twelve months of data, based on the date of injury, are used in the calculation. The data is lagged one month from the reporting month.</p>
Data Limitations	DWC does not capture the accrual date. "A1 from" field captured through the EDI A49 or the DWC Form 21, which is the first day of the benefit period, is used as a proxy accrual date. This measure is dependent on the provision of accurate data being submitted by insurance carriers.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.2.1 oc 4	Percent of notices of violations issued within 60 days of the enforcement management conference notice
Short Definition	An enforcement management conference (EMC) is an initial meeting with workers' compensation participants to discuss possible violations, identify mitigating evidence and resolve non-compliance if possible. As a result of Texas Labor Code §415.032, if a violation is discovered, a notice of violation (NOV) is issued notifying the person alleged to have committed the violation in writing. An NOV consists of the charge, the proposed penalty, the right to contest to the charge and the penalty, and the right to request a hearing.
Purpose/Importance	To measure timeliness of the issuance of an NOV after the Enforcement Management Conference (EMC) notice is sent.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	Divide the number of NOVs issued within 60 days after the EMC notice is sent by the total number of NOVs issued after an EMC notice is sent for the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	Yes
Desired Performance	Higher than target

6.2.1 op 1	Number of complaints completed involving workers' compensation system participants
Short Definition	This measure indicates the number of complaints completed involving workers' compensation system participants. A complaint is defined as a case review of a specific allegation of a violation of the statute or rules received from internal or external sources. Included in this measure are reviews completed as part of administrative fraud investigations. A completed review is defined as when the complaint is closed in agency automated systems.
Purpose/Importance	The Division of Workers' Compensation (DWC) is charged with monitoring system participants for compliance with statute and rules. This measure indicates the number of complaints completed.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	This measure is calculated by adding the number of complaints completed in the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.2.1 op 2	Number of performance reviews completed
Short Definition	This measure indicates the number of performance reviews completed involving workers' compensation records and claim files. A performance review is defined as a review of the compliance of with one or more duties specified by statute or rule. A review results from random or non-random sample methodology or census and may be directed towards a specific entity or the system as a whole. Completion of a performance review is the date the final report is issued.
Purpose/Importance	The Division of Workers' Compensation is charged with monitoring and reviewing the records of insurance carriers, employers, health care providers, and other system participants. This measure provides the number of performance reviews completed involving these system participants.
Source/Collection	Information is entered and maintained in an agency automated system.
Method of Calculation	This measure is calculated by adding the number of performance reviews completed with a final report issued during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

6.2.1 op 3	Number of workers' compensation enforcement cases concluded with action
Short Definition	The number of enforcement actions that are concluded against system participants including, companies, healthcare providers, injured employees, employers and/or non-subscribers for violations of statutes or rules. This measure includes enforcement actions that are concluded by the issuance of orders by the State Office of Administrative Hearings (SOAH) resulting from hearing, consent orders, settlement agreements, cease and desist orders or warning letters.
Purpose/Importance	This measure monitors the number of enforcement actions concluded by the agency against non-compliant entities in order to demonstrate the agency's efforts toward reducing overall noncompliance with the workers' compensation system.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	The number of consent orders, cease and desist orders, settlement agreements, SOAH orders or warning letters which result in the disposition of a case.
Data Limitations	None
Calculation Type	Cumulative
New Measure	Yes
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.2.1 ef 1	Average number of days to complete a complaint involving workers' compensation system participants
Short Definition	This measure indicates the efficiency of the workers' compensation complaint process.
Purpose/Importance	The purpose of this measure is to indicate the average length of time for a workers' compensation complaint to be completed.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	The numerator is calculated by adding the number of days from receipt of the complaint to the conclusion of the complaint during the reporting period. The denominator is the total number of complaints completed involving workers' compensation system participants during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

6.2.1 ef 2	Average number of days to complete a performance review
Short Definition	This measure indicates the efficiency of the performance review process.
Purpose/Importance	The purpose of this measure is to indicate the average length of time for a performance review to be completed. A performance review is defined as a review of the compliance of one or more duties specified by statute or rule. A review results from random or non-random sample methodology or census and may be directed towards a specific entity or the system as a whole. Performance reviews allow the Division of Workers' Compensation the opportunity to ensure system participants are aware of the duties specified by statute or rules and become compliant in those areas if applicable.
Source/Collection	Information is entered and maintained in an agency automated system.
Method of Calculation	The numerator is calculated by totaling the number of days between the date of the letter of engagement and the issuance date of the final performance review reports during the reporting period. The denominator is the number of performance reviews completed during the reporting period.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.2.1 ex 1	Total number of administrative remedies issued for violations
Short Definition	This measure indicates the total number of administrative remedies resulting from notices of violations, warning letters and education letters issued by the Division of Workers' Compensation for administrative violations, including those issued resulting from fraud investigations. Remedies are corrective actions identified through notices of violations, warning letters and education letters.
Purpose/Importance	The purpose of this measure is to address the extent to which the outcome of complaint reviews (including referrals resulting from data mining) and performance reviews resulted in the issuance of notices of violations, warnings letters and education letters due to non-compliance with the statute and/or rules.
Source/Collection	Information is entered and maintained in agency automated systems.
Method of Calculation	This measure is calculated by adding the total number of administrative remedies in the notices of violations, education letters and warnings letters issued during the reporting month.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.2.1 ex 2	Percent of first benefit payment timely made by insurance carriers
Short Definition	This measure indicates the timely initiation of temporary income benefit payments to injured workers by insurance carriers. An insurance carrier's initial payment or dispute of temporary income benefits is due no later than fifteen days from written notice of injury or seven days from the eighth day of disability (accrual date), whichever is later.
Purpose/Importance	The purpose of this measure is to indicate whether the insurance carriers timely initiated temporary income benefit payments.
Source/Collection	Data is maintained in agency automated systems. The information used in the calculation is received by the Division of Workers' Compensation (DWC) either via paper DWC Form-1 or DWC Form-21 forms or electronically from the EDI 148 or A49. Paper documents submitted by the carriers are data entered or imaged by DWC staff. EDI information is submitted electronically by the carriers and DWC transfers the data electronically to a DWC automated system.
Method of Calculation	The numerator is calculated by adding the number of initial temporary income benefits payments made timely for the reporting period. The denominator is the total number of eligible paid indemnity claims in the period for the reporting period. Twelve months of data are used in the calculation. The data is lagged one month from the reporting period.
Data Limitations	DWC does not capture the date that benefits begin to accrue or the eighth day of disability. DWC uses the "A1from" field captured through EDI A49 or the DWC Form-21, which is the first day of the benefit period, as a proxy accrual date. This measure is dependent on the provision of accurate data being submitted by insurance carriers.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Higher than target

6.3.1 op 1	Number of documents received electronically by the Division of Workers' Compensation
Short Definition	The number of documents received electronically by the Division of Workers' Compensation (DWC).
Purpose/Importance	To measure DWC efforts toward achieving and promoting a "paperless" environment.
Source/Collection	Documents are received from insurance carriers, employers, employees and healthcare providers, and other participants in the workers' compensation system. Data is maintained in agency automated systems.
Method of Calculation	This measure is calculated by totaling the number of documents received electronically by DWC. DWC considers a document to be received electronically when the document is submitted by e-mail, electronic data interchange (EDI), or through an Internet application.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.3.1 op 2	Number of reportable injury records created
Short Definition	This measure includes all injury records created based on a report of injury resulting in one day or greater of lost time, occupational diseases and fatalities.
Purpose/Importance	The purpose of this measure is to reflect the number of injuries/illnesses required to be reported to the Division during a reporting period (409.005, Labor Code).
Source/Collection	Reports of injury are received from insurance carriers, employees, and healthcare providers. This measure applies only to injuries which occurred on or after January 1, 1991, for which claims were established in the current year. Data are maintained in agency automated systems.
Method of Calculation	The measure is calculated by adding the total number of indemnity injury records created and the total number of reportable injury records created during the reporting period. An indemnity injury record is created for cases in which the injury resulted in: benefit payments being paid. A reportable injury record is created for cases in which the injury resulted in one day or greater lost time, occupational diseases, and fatalities. If a reportable injury has resulted in benefit payments, it is counted as an indemnity injury record.
Data Limitations	This measure does not necessarily reflect the number of injuries occurring in a given year. The measure represents records created based on reports of injury, and an injury may be reported in a different year from the year of injury. Prior to September 2004, all injury records created were included in this measure regardless of whether one day of lost time or income benefits were paid. Since that time, the measure only includes injury records for which there is at least one day of lost time, income benefits have been paid, occupational diseases, and fatalities.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.3.1 op 3	Number of injury records in which indemnity benefits are initiated
Short Definition	This measure is the total number of injury records in which indemnity benefits are initiated.
Purpose/Importance	The purpose of this measure is to reflect the number of indemnity payments initiated during the reporting period.
Source/Collection	Reports of indemnity payments initiated are received from insurance carriers. This measure applies only to injuries, which occurred on or after January 1, 1991. Data is maintained in agency automated systems.
Method of Calculation	This measure is calculated by adding the number of records in which indemnity payments are initiated during the reporting period. Data is lagged one month from the reporting period since carriers are required to report payments to the Division within 7 days of the payment.
Data Limitations	This measure is dependent on receiving information from the carrier in a timely manner.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

6.3.1 op 4	Number of workers' compensation educational publications provided to system participants in an electronic format
Short Definition	This measure reflects the number of system participants who receive workers' compensation information relating to workplace safety, return-to-work, and health care provider issues in an electronic format.
Purpose/Importance	The purpose of this measure is to monitor the Division's efforts to provide educational material to system participants.
Source/Collection	Employee and Employer Rights and Responsibilities, fact sheets, medical benefit, safety, and return-to-work publications are available on the Division's web site. The number of hits to the documents is obtained from logs generated by the web server. Data on email newsletters is obtained from activity logs that track email distribution. Electronic publications sent as email attachments by Resource Center staff are logged in electronic files.
Method of Calculation	The sum of the number of: hits on the Employee and Employer Rights and Responsibilities, fact sheets, newsletters, medical benefit, safety, and return-to-work publications on the website; email newsletters distributed; and publications sent as email attachments for the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.3.1 of 1	Average number of days to create reportable injury records
Short Definition	This measure calculates the average number of days to create records for injuries required to be reported (409.005, Labor Code) to the Division.
Purpose/Importance	This measure represents the average number of elapsed business days between receipt date of DWC forms that create an injury record and the date the injury record is created. The measure is an indicator of customer service and workers' compensation system performance.
Source/Collection	Reports of injury are received from insurance carriers, employees, and healthcare providers. This measure includes all injury records created resulting in one day or greater of lost time, occupational diseases and fatalities (reportable injuries), and injury records created in which the injury resulted in benefit payments being paid (indemnity records). This measure applies only to injuries, which occurred on or after January 1, 1991, for which claims were established in the current year. The date of the receipt of the form is determined by the date stamp affixed to the forms by the Division of Workers' Compensation (DWC) central office mail room or by each DWC field office. The date received generated by facsimiles will be used in place of date stamps. Records submitted via Electronic Data Interchange (EDI) will have the date received electronically recorded by the DWC automated data system. Data are maintained in agency automated systems.
Method of Calculation	The numerator is the total number of days to create reportable injury and indemnity records for the reporting period. The denominator is the total number of reportable injury and indemnity records created for the reporting period.
Data Limitations	Prior to September 2004, all injury records created were included in this measure regardless of whether one day of lost time or income benefits were paid. Since that time, the measure only includes injury records for which there is at least one day of lost time, income benefits have been paid, occupational diseases, and fatalities.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.4.1 oc 1	Percentage of market share of certified self-insurance to the total workers' compensation insurance market
Short Definition	This measure indicates certified self-insured employers' market share of the total workers' compensation insurance market.
Purpose/Importance	This measure serves as a reflection of changes in the workers' compensation insurance market. The portion of the market share represented by certified self-insured is related to the cost and availability of workers' compensation insurance in the commercial market. Self-insurance provides an alternative to purchasing commercial insurance for qualifying companies, and the program acts to moderate insurance rates in a competitive insurance market.
Source/Collection	Data on estimated manual premiums for certified self-insurers is maintained by the Division of Workers' Compensation (DWC) in spreadsheets. Data reflecting the total workers' compensation insurance market is maintained and reported by the Texas Department of Insurance in its <i>Quarterly Legislative Report on Market Conditions</i> .
Method of Calculation	The numerator is the total amount of statutorily estimated manual premium as maintained by the Division for active certified self-insurers for the reporting period. The denominator is the direct written premiums for the voluntary workers' compensation market as published quarterly by the Texas Department of Insurance for the reporting period.
Data Limitations	The measure excludes public self-insured entities from the amount used to represent the total workers' compensation insurance market. Data for those entities is not collected and maintained regarding the estimated premiums attributable to them.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.4.1 op 1	Number of active certified self-insured employers
Short Definition	The measure represents the number of current self-insured employers in the reporting period. Active employers are ones that hold a current Certificate of Authority to Self-Insure. Non-active companies have withdrawn from the program but are still being regulated for the life of the claims made while self-insured.
Purpose/Importance	The measure reports certification activity for initial and renewal applicants and their subsidiaries.
Source/Collection	The data is recorded in spreadsheets maintained by the Division of Workers' Compensation.
Method of Calculation	This measure is calculated by counting the number of current companies and their subsidiaries certified to self-insure as of the reporting period.
Data Limitations	The measure reports only certification activity and does not reflect work related to applicants that withdraw. In the self-insurance program, certificates of authority are issued at the parent level of the applicant's corporate structure in order to minimize unnecessary duplication of effort and to streamline the application and renewal process. Depending upon an applicant's corporate structure, a certificate of authority may cover one company or a parent with many subsidiaries. The measure relies on notification by the Certified Self-Insurer (CSI) for any subsidiary changes. This information is not requested until the annual certification process.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.4.1 of 1	Average cost per certified self-insured certificate holder
Short Definition	This measure indicates the average regulatory cost per active certified company holding the certificate of authority in the self-insurance program. Administrative direct costs and all indirect costs applicable to the program are included in the total cost.
Purpose/Importance	The measure provides an average cost to regulate an active company in the program. It is important to note that all costs for the self-insurance program are billed to and are paid by the companies that participate in the self-insurance program through the Self-Insurance Regulatory Fee. The proceeds of the Regulatory Fee are deposited with the Comptrollers' office as un-appropriated funds.
Source/Collection	The costs included in the Regulatory Fee are based upon all direct and indirect costs associated with the program in order for the state to fully recover any costs expended on this program. Direct costs are the total cost of operating the program to perform its functions. Indirect costs include a proportionate program share of DWC indirect administrative costs and matching payroll and retirement costs such as OASDI/Medicare, state retirement contribution, state insurance contribution, Benefit Replacement Pay, and salary increases. For consistency purposes, the same methodology used to determine the Regulatory Fee is used to determine costs for reporting this average cost measure. Cost figures used in determining the average cost are based on accounting system reports. For each reporting period, the total year-to-date cost is annualized to include an estimate for the remaining part of the year.
Method of Calculation	The numerator is the total annualized cost associated with administering the self-insurance program for the reporting period. The denominator is the number of current certified self-insurer certificate holders.
Data Limitations	In the self-insurance program, certificates of authority are issued at the parent level of the applicant's corporate structure in order to minimize unnecessary duplication of effort and to streamline the application and renewal process. Depending upon an applicant's corporate structure, a certificate of authority may cover one company or a parent with many subsidiaries.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 oc 1	Percent of indemnity disputes resolved in dispute resolution proceedings
Short Definition	This measure reflects the percent of indemnity disputes resolved in dispute resolution proceedings by the Division during the reporting period. This measure involves indemnity disputes resolved at Benefit Review Conferences (BRCs), Contested Case Hearings (CCHs) and through appeals panel decisions. Indemnity disputes are identified by Division staff in communication with unrepresented injured employees or by a party filing a "request for a BRC."
Purpose/Importance	The purpose of this measure is to monitor the Division's effectiveness in resolving disputes relating to indemnity issues in the dispute resolution system. Each dispute may consist of up to 6 issues. Issues include coverage, compensability, average weekly wage, disability, impairment rating, maximum medical improvement, disputes over recommendations for spinal surgery, and legal expenses associated with a dispute.
Source/Collection	Data is maintained in agency automated applications.
Method of Calculation	The numerator is the sum of all levels of indemnity disputes resolved in dispute resolution proceedings, which is calculated by subtracting the request of judicial reviews from the number of indemnity disputes concluded in BRCs during the reporting month plus the number of spinal surgery and attorney fee disputes concluded in CCHs during the reporting month. Disputes over recommendations for spinal surgery or legal expenses associated with a dispute are set for a CCH, bypassing the BRC proceeding level. An indemnity dispute is not considered resolved by the Division's dispute resolution proceedings when it is requested for judicial review and therefore is not included the numerator. The result is the total number of disputes resolved at the BRC, CCH, or Appeal level. The denominator is the number of indemnity disputes concluded in BRCs during the reporting month plus the number of spinal surgery and attorney fee disputes concluded in CCHs during the reporting month.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 oc 2	Percent of medical fee disputes resolved by a medical fee dispute resolution decision
Short Definition	This measure reflects the percent of medical fee disputes resolved by a medical fee dispute resolution decision. Medical fee dispute decisions are issued when the dispute is reviewed and results in a decision. A decision is defined as the document used to formally communicate to disputing parties the outcome that may or may not require additional reimbursement for medical services. The measure does not include medical fee disputes that are withdrawn by the parties, or for which a determination is made that the Division of Workers' Compensation (DWC) does not have jurisdiction to resolve the dispute prior to being assigned to a Medical Fee Dispute Resolution Officer for review.
Purpose/Importance	The purpose of this measure is to monitor DWC efforts in resolving medical fee disputes.
Source/Collection	Data is maintained in agency automated systems.
Method of Calculation	The numerator is calculated by subtracting the number of medical fee disputes appealed to the State Office of Administrative Hearings or Medical Contested Case Hearings from the total number of medical fee disputes concluded during the reporting period. The denominator is the total number of medical fee disputes for which a decision is issued during the reporting period. Concluded disputes are defined as disputes in which a decision has been made.
Data Limitations	None
Calculation Type	Non-Cumulative
New Measure	No
Desired Performance	Higher Than Target

6.5.1 op 1	Number of Indemnity Disputes Concluded in Benefit Review Conference
Short Definition	This measure reflects the number of indemnity disputes concluded in a benefit review conference (BRC) whereby the dispute is resolved or is referred to the next level of dispute resolution. Disputes are considered resolved when the parties: withdraw the dispute; reach an agreement; or do not pursue the dispute within 90 days of ending the BRC session.
Purpose/Importance	The measure indicates the number of BRCs that are actually held and concluded for the purpose of resolving indemnity disputes that have been identified but not resolved by more informal means.
Source/Collection	Data is reported in the agency automated applications.
Method of Calculation	The measure is calculated by adding the number of indemnity disputes resolved at BRC and the number of disputes referred to the next level of dispute resolution during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 op 2	Number of Indemnity Disputes Concluded in Contested Case Hearings
Short Definition	The measure is the number of indemnity contested case hearings (CCHs) held and concluded whereby a decision is rendered.
Purpose/Importance	The measure indicates the number of CCHs that are actually held and concluded because an indemnity dispute has not been resolved by more informal means.
Source/Collection	Data is reported in the Division automated applications.
Method of Calculation	The measure is calculated by adding the number of CCHs held and concluded in the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

6.5.1 op 3	Number of medical fee disputes resolved prior to a decision
Short Definition	This measure represents the number of medical fee disputes resolved prior to a decision. Medical fee disputes are resolved prior to a decision when the dispute is withdrawn by the requestor, either from low-level dispute resolution activities performed by Medical Fee Disputes Resolution staff or by the requestor's sole initiative.
Purpose/Importance	The purpose of this measure is to monitor the agency's effectiveness in resolving medical fee disputes prior to a decision, which is the lowest possible level.
Source/Collection	The data is maintained in agency automated systems.
Method of Calculation	The number is calculated by adding the number of medical fee disputes that are withdrawn by the requestor during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.5.1 op 4	Number of medical fee dispute decisions issued
Short Definition	This measure represents the number of medical fee dispute decisions issued. Medical fee dispute decisions are issued when the dispute is reviewed and results in a decision. A decision is defined as the document used to formally communicate to disputing parties the outcome that may or may not require additional reimbursement for medical services.
Purpose/Importance	The purpose of this measure is to monitor the agency's effectiveness in resolving medical fee disputes.
Source/Collection	The data is maintained in agency automated systems.
Method of Calculation	The number is calculated by adding the number of medical fee dispute decisions that are issued during the reporting period. The measure does not include medical fee disputes that are withdrawn by the parties, or for which a determination is made that the Division of Workers' Compensation does not have jurisdiction to resolve the dispute.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Higher than target

6.5.1 ef 1	Average number of days from the request for benefit review conference to the conclusion of the benefit review conference
Short Definition	This measure reflects the average number of days from the request for a Benefit Review Conference (BRC) to its conclusion. A BRC is considered concluded when either resolution results or a report refers the dispute to the next level of dispute resolution (Contested Case Hearing). Disputes are considered "resolved at a BRC" when the parties: withdraw the dispute; reach an agreement; or do not pursue the dispute within 90 days of ending a BRC session.
Purpose/Importance	The purpose of this measure is to monitor the efficiency of the BRC process.
Source/Collection	Data is maintained in agency automated applications.
Method of Calculation	The numerator is the number of days from the date the request for a dispute was received by the Division to the date of the conclusion of the BRC. A BRC is considered concluded on the date the BRC recommendation is mailed, or the date the last session was held if the BRC is auto-closed, cancelled, or withdrawn after being convened. The denominator is the total number of indemnity disputes concluded in a BRC during the reporting month either by mailing a recommendation or by being auto-closed, cancelled, or withdrawn after being convened.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 ef 2	Average number of days from the request for a contested case hearing to the conclusion of the contested case hearing
Short Definition	The measure reflects the average number of days from the request for a Contested Case Hearing (CCH) to the conclusion of the CCH.
Purpose/Importance	The purpose of this measure is to monitor the efficiency of the CCH process.
Source/Collection	Data is maintained in agency automated applications.
Method of Calculation	The numerator is the number of days from the date of the request for a CCH to the date of the conclusion of the CCH. A CCH is considered concluded on the date the CCH decision is mailed or the date the last session was held if the CCH is cancelled or withdrawn after being convened. The denominator is the total number of indemnity disputes concluded in a CCH during the reporting month either by mailing a decision or by being cancelled or withdrawn after being convened.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

6.5.1 ef 3	Average number of days from receipt of the medical fee dispute to date decision issued
Short Definition	This measure represents the average days from receipt of the fee dispute to the date the decision is issued. Medical fee dispute decisions are issued when the dispute is reviewed and results in a decision. A decision is defined as the document used to formally communicate to disputing parties the outcome that may or may not require additional reimbursement for medical services. Fee disputes identified as non-jurisdictional, upon receipt of the dispute, prior to review by a Medical Fee Dispute Resolution Officer, and disputes withdrawn are not included in this measure.
Purpose/Importance	The purpose of this measure is to indicate the length of time for a medical fee dispute decision to be issued. Medical fee dispute decisions are issued when the dispute is reviewed and results in a Findings and Decision.
Source/Collection	The data is maintained in the agency automated systems.
Method of Calculation	The numerator is calculated by adding the cumulative number of the days from receipt of the medical fee dispute to the date the decision is issued within the reporting period. The denominator is calculated by adding the total number of medical fee dispute decisions issued within the reporting period.
Data Limitations	For medical fee disputes, the respondent has 14 days to respond to the request for medical dispute resolution. After the respondent provides a response to the initial request, both parties are then provided with an additional 14 days to submit all documentation necessary to resolve the fee issues.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 ef 4	Average number of days to resolve indemnity disputes through dispute resolution proceedings
Short Definition	This measure reflects the average time to resolve disputes through the Division's dispute resolution processes (Benefit Review Conference [BRC], Contested Case Hearing [CCH] and Appeal).
Purpose/Importance	Disputes are resolved at various levels, some are quickly resolved and some may go through the highest levels of resolution. This measure gives an accurate indication of the average time to resolve disputes regardless of the level of resolution reached. The highest level of dispute resolution is the point at which no further appeal was pursued.
Source/Collection	Data are maintained in agency automated applications.
Method of Calculation	The numerator is the number of days from the date the request for a dispute was received by the Division to the date of the conclusion of a proceeding. The concluded date is the date a BRC recommendation is mailed, the date a CCH decision and order is mailed, the date an appeals panel decision is mailed, the auto-closure date for auto-closed BRC's, or the date the last session was held if cancelled or withdrawn after being convened. The denominator is the total number of indemnity disputes concluded in the dispute resolution process during the reporting month.
Data Limitations	Disputes denied by the Division because the parties are not ready to proceed and disputes withdrawn before agreement is reached or a determination is made to proceed to BRC are not included in this measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than target

6.5.1 ex 1	Number of indemnity disputes received by the Division of Workers' Compensation
Short Definition	This is a measure of the number of indemnity disputes received during a reporting period.
Purpose/Importance	This measure reflects whether the volume of indemnity disputes is increasing, decreasing, or remaining constant. Indemnity disputes are identified by the Division staff in communication with unrepresented claimants or by a party filing a "request for a BRC." Each dispute may consist of up to 6 issues. Issues include coverage, compensability, average weekly wage, disability, impairment rating, maximum medical improvement, disputes over recommendations for spinal surgery, and legal expenses associated with a dispute.
Source/Collection	The data is maintained in agency automated applications.
Method of Calculation	The measure is calculated by adding the number of indemnity disputes received and entered in the Dispute Resolution Information System during the reporting month.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

Continued on next page

Measure Definitions, Continued

6.5.1 ex 2	Number of medical fee disputes received by the Division of Workers' Compensation
Short Definition	This measure reflects the number of requests for medical fee dispute resolution received during the reporting period. Medical fee disputes are considered received on the day of the Medical Dispute Resolution date stamp. All requests for medical disputes are included in this measure, including valid medical fee disputes and disputes identified as non-jurisdictional.
Purpose/Importance	This measure provides a reflection of changing trends in the volume of requests for medical dispute resolution received by the Division.
Source/Collection	The data are maintained in the agency automated systems.
Method of Calculation	The measure is calculated by adding the total number of requests for medical fee dispute resolution received by the Division during the reporting period.
Data Limitations	None
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than target

6.6.1 oc 1	Total payments made out of the Subsequent Injury Fund for lifetime income benefits and reimbursements to insurance carriers
Short Definition	This measure represents Subsequent Injury Fund (SIF) payments to injured workers eligible for lifetime income benefits (LIBs) and reimbursements to insurance carriers for benefits that have been paid but have been determined to be reimbursable by the SIF.
Purpose/Importance	This measure reflects the obligations of the SIF in making payments to injured workers and to insurance carriers and in monitoring the SIF's financial status to meet those obligations.
Source/Collection	SIF data is collected and maintained in the agency accounting system.
Method of Calculation	The measure is calculated by summing the payments made by the SIF: 1) to injured workers for LIBs, and 2) to insurance carriers for benefits that have been determined to be reimbursable by the SIF administrator in accordance with the Workers' Compensation Act and Rules during the reporting period.
Data Limitations	Requests for reimbursement for benefits that have been paid as a result of a Division order or decision that has been reversed or modified are paid the quarter following the quarter in which the requests were received. All requests for reimbursement for benefits paid as a result of multiple employment or pharmaceuticals for the first seven days after an injury are reimbursed in the fiscal year following the year in which the requests were received by the SIF. The measure does not include payments made from the SIF for reimbursing death benefits prematurely paid to the SIF by insurance carriers.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than projected

Continued on next page

Measure Definitions, Continued

6.6.1 oc 2	Percent of fatal claims reviewed for payment of death benefits
Short Definition	This measure represents the percentage of fatal claims that result in actual and potential payment into the Subsequent Injury Fund (SIF). The Subsequent Injury Fund is funded solely by the payment of death benefits from compensable no-beneficiary fatal claims and from claims in which beneficiaries are no longer eligible for death benefits. Actual payment of death benefits into the Subsequent Injury Fund occurs as a result of a compensable no-beneficiary fatal claim and potential payment of death benefits into the Subsequent Injury Fund may result from compensable fatal claims where beneficiaries are no longer eligible for death benefits prior to the expiration of 364 weeks.
Purpose/Importance	This measure records Subsequent Injury Fund staff review of fatal claims to ensure that insurance companies are properly paying death benefits to the SIF.
Source/Collection	SIF data is collected and maintained in agency automated systems.
Method of Calculation	This measure is calculated by dividing the number of fatal claims reviewed by Subsequent Injury Fund staff during the reporting period by the total number of fatal claims reported during the reporting period. The nominator is the number of fatal claims reviewed by Subsequent Injury Fund staff during the reporting period and the denominator is the total number of fatal claims reported during the reporting period. The reporting periods will be at least 53 weeks after the date that the fatal injury is reported.
Data Limitations	The number of fatal claims reviewed is based on data reported by insurance carriers, claimants and other entities as recorded on agency automated systems. Inaccurate data may affect the number of reviews performed. Fatal claims miscoded as non-fatal claims are not expected to be reviewed. In addition, limited data on a claim, e.g., inability to determine paternity of a child, may affect the ability to perform a complete review. Beneficiaries have up to 53 weeks to file a claim for death benefits, which may cause processing delays and may affect the number of reviews performed in a reporting period.
Calculation Type	Non-cumulative
New Measure	Yes
Desired Performance	Higher than target

Continued on next page

Measure Definitions, Continued

6.6.1 op 1	Number of injured workers receiving lifetime income benefit (LIBs) payments through the SIF
Short Definition	This measure tracks the number of injured workers who meet the eligibility requirements set by statute for lifetime income benefits and are receiving payment of those benefits through the Subsequent Injury Fund.
Purpose/Importance	The purpose of this measure is to identify the long-term obligations of the SIF because these benefits must be paid for the life of the injured worker. SIF is statutorily obligated to pay LIBs to injured workers who sustain a subsequent compensable injury that, with the effects of a previous injury, results in eligibility of LIBs.
Source/Collection	SIF data is collected and maintained in the agency's accounting system.
Method of Calculation	The measure is calculated by summing the number of injured workers receiving LIBs payments from the SIF during the reporting period.
Data Limitations	Attorneys, spouses, or children receiving a portion of a LIBs payment are not included in the measure.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than projected

Continued on next page

Measure Definitions, Continued

6.6.1 of 1	Average days from Subsequent Injury Fund receipt of requests for reimbursement to payment of request
Short Definition	The Subsequent Injury Fund is required to reimburse insurance carriers for the overpayment of benefits when a decision or order requiring payments is reversed or modified by a subsequent decision or order. The measure reflects the average length of time the Subsequent Injury Fund staff requires to review and make determinations on requests for reimbursement to insurance carriers for income benefits that were paid. This measure is based on complete requests for reimbursement. Complete requests are those that the SIF has determined include information necessary for processing.
Purpose/Importance	The measure shows how long an insurance carrier waits to be reimbursed for overpaid benefits following submission of a complete request to the Subsequent Injury Fund (SIF).
Source/Collection	This measure is based on complete requests for reimbursement. SIF data is collected and maintained in the agency's accounting system and in the SIF administrator's database.
Method of Calculation	The measure is calculated by dividing the total number of days from the SIF receipt of each request to the paid date for each request by the total number of complete reimbursement requests for the reporting period. The number of days for each request is calculated as the difference between the SIF receipt date and the paid date shown on the accounting reports. The Legal Services stamped date received is the SIF receipt date. The paid date shown on the accounting reports is the date that a warrant was printed in favor of the insurance carrier.
Data Limitations	Reimbursements in each reporting period are based on requests filed by insurance carriers in the previous reporting period. Multiple employment and pharmaceutical reimbursements are made annually; therefore, activity relating to that type of reimbursement will only be reflected in the first reporting period of each fiscal year. This measure does not include reimbursed death benefits.
Calculation Type	Non-cumulative
New Measure	No
Desired Performance	Lower than projected

Continued on next page

Measure Definitions, Continued

6.6.1 ex 1	Number of requests for reimbursement for overpayment of benefits
Short Definition	This measure tracks the number of determinations made by the SIF on completed requests received from insurance carriers for reimbursement of benefits that they have paid as a result of a Division order or decision that has been reversed or modified by a subsequent order or decision by the Division or a court.
Purpose/Importance	The SIF is statutorily obligated to reimburse insurance carriers who have paid benefits based on a Division order or decision that is ultimately reversed or modified by a subsequent order or decision.
Source/Collection	SIF data is collected and maintained in the SIF database.
Method of Calculation	The measure is calculated by summing the number of reimbursement requests reviewed for which a determination is issued during the reporting period.
Data Limitations	Incomplete requests for reimbursement are not included in this measure.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than projected

6.6.1 ex 2	Number of requests filed for reimbursement of multiple employment benefits paid
Short Definition	The measure reflects the number of requests the SIF receives from insurance carriers for the reimbursement of benefits paid to injured workers who held multiple jobs prior to their injury.
Purpose/Importance	Reimbursement of the portion of income benefits paid by insurance carriers to injured workers for lost income from a job other than the one at which the injury occurred was added to the SIF's obligations during the 77 th Legislative Session. This measure assists in tracking the frequency with which the SIF is asked to reimburse for multiple employment benefits and in identifying trends in that type of reimbursement
Source/Collection	SIF data is collected and maintained in the SIF database.
Method of Calculation	The measure is calculated by summing the number of complete requests filed by insurance carriers for reimbursement of benefits paid to injured workers who held multiple jobs prior to an injury and received benefits based on the lost income of the multiple jobs during the reporting period.
Data Limitations	Requests for reimbursement of multiple employment benefits are reimbursed annually in the fiscal year following the year in which the requests were received.
Calculation Type	Cumulative
New Measure	No
Desired Performance	Lower than projected

APPENDIX H
Implementing the Texas Transformation

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Implementing the Texas Transformation

Introduction

The Texas Department of Insurance (TDI) used the *Texas Transformation* to determine if the agency's business strategies enhance the planning and management of the state's technology investment. The agency's responses to the nine state roadmap questions are presented below.

**Managed
Service
Delivery**

Has the agency considered use of managed services in order to focus more on its business needs?

TDI is involved in the transformation of technology services as one of the 27 state agencies in transition to the State Data Center. Team For Texas services also process TDI's bulk printing and mailing, including the mail outs from DWC claim operations.

TDI utilizes Texas Online to host both Insurance Agent Licensing and the Web-Enabled Attorney Fee Processing System (WAFPS). Agent Licensing services include license renewal and agent license search capabilities. WAFPS involves both registration of and payment to attorneys who work with workers' compensation claimants.

TDI is investigating the feasibility of using managed services for the following functions:

- enterprise messaging
- spam control
- Web monitoring
- document imaging and storage, especially scanning at the DWC Retention Center; and
- managed lease and maintenance services for network printers, copiers, and multifunction devices.

TDI also anticipates having Texas Online host the new Fireworks Licensing application for the State Fire Marshal's Office (SFMO).

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Implementing the Texas Transformation, Continued

Managed Information Technology Supply Chain

Does the agency leverage and obtain additional value from the Information and Communications Technology (ICT) Cooperative Contracts program; for example, by further negotiating not-to-exceed pricing?

TDI benefits from the Cooperative Contracts Program both by a streamlined bidding process (saving staff time) and by improved response time for the agency to receive goods and services. TDI supports DIR's efforts in establishing approved vendor lists and in negotiating pricing levels but feels that DIR also should establish vendor performance tracking to determine if the program contractors are being responsive to agency purchasers. This is an important contract administration tool for DIR. Also, agencies should have the option to justify not using the program contracts.

Security and Privacy

Describe the agency's strategies to align with the State Enterprise Security Plan.

TDI's security program comprises several initiatives that align with the State Enterprise Security Plan. The program includes information security awareness training for new agency employees as well as ongoing refresher training for existing employees. ITS maintains a Computer Security Manual that is published online to all agency staff. TDI also maintains a Disaster Recovery Manual and conducts periodic disaster recovery tests.

TDI actively participates in annual penetration testing provided by DIR. The Information Security Officer regularly updates the DIR incident reporting system and participates in DIR-sponsored training and security events.

Describe the agency's policies, practices and programs, implemented or planned, that comply with relevant statutes and administrative rules to ensure the privacy of confidential data.

TDI continues to investigate methods to ensure data privacy and prevent data loss. TDI currently is evaluating several end-point security solutions, including disk encryption, end-point firewall, and USB port hardening. TDI also is evaluating the use of biometric scanners for laptops, to provide the option for dual authentication for remote employees. At the policy level, TDI's Legal Division currently is planning to deliver data confidentiality training for agency staff. TDI maintains policies relating to data confidentiality in the agency Open Records Manual and the Operations Manual.

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Implementing the Texas Transformation, Continued

Security and Privacy (continued)

TDI has numerous applications and databases that contain confidential information. For each, TDI has implemented defined levels of security access; from full read/write/delete access to view-only access to no access. TDI has a statement of responsibility and accountability that every user of the TDI network systems must sign, even temporary staff and contractors, and TDI is in the process of having all users re-sign the statement and indicate their awareness of their own responsibilities for TDI information. TDI also emphasizes awareness of the security of non-electronic data, and utilizes shredders to protect privacy and confidentiality of TDI customers.

Currently TDI approaches security from several levels. Security training and awareness are emphasized when a person joins the agency, and TDI provides follow-up training each biennium. TDI also addresses security issues by utilizing several network tools that cover every point of entry and exit to the agency: from Desktop to Server to Network devices. TDI is continuing to grow in this area by adding services and functionality as the agency replaces older technologies and selects and deploys improved, automated security tools. TDI will continue in this endeavor until features or levels of security are available at a statewide level, at which time TDI will invest in areas that remain at the agency level.

Technology, Best Practices and Partnerships

What current practices or plans are in place to improve usability and searchability of the agency's Web content?

These references to TDI Web sites generally include www.tdi.state.tx.us, which is the primary TDI Web site; www.helpinsure.com; www.texashealthoptions.com; www.texassure.com; TDI's Intranet; and TDI's applications servers.

In order to give customers more options to access the extensive content on the Web site, TDI provides Rich Site Summary (RSS) news feeds for major Web site updates, including news releases, bulletins and calendars. TDI sends e-mail and Web newsletters to subscribers with information about new additions to Web content.

Web site visitors can access "what's new" listings; an agency-wide public calendar system that includes links to additional information on upcoming events; and automatically updated site maps, created by the agency's content management system, to major sections of the Web site.

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Implementing the Texas Transformation, Continued

**Technology,
Best Practices
and
Partnerships
(continued)**

To improve search ability, TDI has modified the Web site structure to provide more targeted searches by topic and has created new Google and Yahoo search/site map “keys” to provide more precise and efficient search engine harvesting of our Web sites. Customers seeking information about disciplinary actions will find an improved database tool that provides more flexibility in searches, including enabling users to search names, key words, or locations across all available years.

Other improvements include moving nearly all public forms to the Web site, with several search and listing options; and adding an automated translation option for much of the Web site content.

TDI’s plans for future improvements include a new Web site design that will provide a cleaner home page, utilizing “quick start” pages. In general, TDI will group Web site content by customer type and major topics, rather than by department structure that might not be apparent to those outside the agency. TDI will include new code to automate special RSS news feed prompts via modern browsers, and will add additional RSS feeds to the site. TDI will launch the redesigned primary Web site (www.tdi.state.tx.us) in summer of 2008; redesigns of www.helpinsure.com and www.texashealthoptions.com also are planned.

Other long term plans for the Web site include exploring newly purchased search engine software to find additional ways to improve Web site searches; providing division liaisons with guidelines for rewriting Web site content to provide pages that are easier to “scan” and find key information; and embarking on a five-year plan to make all Web site content “accessible” for Web site visitors with a range of impairments.

What current practices or plans are in place to improve life cycle management of agency data and information? (Include the agency’s approach and ability to meet future open records and e-discovery requests.)

TDI has policies that address records management of agency data and information, including records retention and discovery of electronically stored information (e-discovery). TDI publishes its records management policies and instructions on its Intranet for staff use, and TDI uses its Internet site to publish its open records procedures to the public.

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Implementing the Texas Transformation, Continued

Technology, Best Practices and Partnerships (continued)

HB7 (79R) eliminated the requirement to keep workers' compensation claim information for 50 years; those retention guidelines now follow standard retention and archiving rules as laid out in the Government Code. Scanning now can put claim data online rather than in paper format; this improves access and reduces storage space.

Describe agency methods and standards (federal, state, industry), implemented or planned, intended to enhance data sharing (i.e., improve interoperability) with other entities.

TDI participates in the National Association of Insurance Commissioners' (NAIC) System for Electronic Rate and Form Filing (SERFF) initiative, which was intended to provide a cost-effective method for handling insurance policy rate and form filings between regulators and insurance companies. TDI is modifying its internal processes and systems to enable TDI to participate in SERFF's Speed-to-Market market initiative by August 2008. This will enhance the speed by which new policy offerings are approved by TDI and made available to insurance customers.

TDI has implemented database standards, including naming standards, security standards, data definition language, standards for database restoration and refresh, and standards for common database utilities. TDI also has developed utilities using Perl and JAVA that could be used by any agency that needed a similar function.

TDI exchanges data with many other agencies, such as OAG, TWC, TWIA, and CPA. TDI recently implemented SFTP methodology and offered this technology to other agencies with which TDI exchanges data.

The Division of Workers' Compensation maintains a variety of complex data exchange processes. It accepts workers' compensation claim data from insurance carriers, exchanges data with various governmental agencies, and maintains data exchange agreements with numerous other external partners in compliance with national industry standards.

TDI continues to collaborate with other large state insurance regulators on rate and form filings as well as NAIC on various insurance regulation initiatives. Implementation of SB1670 (79R) resulted in collaboration with DIR, DPS, and TxDOT as well as the states of New Mexico and Colorado. TDI also uses NOREX to share best practices with other private and public organizations.

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Implementing the Texas Transformation, Continued

Core Missions *Does the agency have any plans to simplify or reduce the number of existing software platforms (e.g. operating systems, application development environments, database systems, office suites, other COTS applications)? If no, is the agency fully leveraging its technology to support both its current and future business environment?*

After the TDI/TWCC merger in 2005, ITS consolidated the workstation operating systems, and that primarily was implemented as part of equipment refresh/replacement efforts. ITS also has been consolidating from different versions of workstation applications and development environments and versions. After the merger, ITS also standardized on use of a single help desk tracking application; consolidated purchasing applications and HR software applications; and continues to examine workflow and database options, including the goal of sharing database information more widely. On the developer level, TDI plans to consolidate database activities under Oracle within the next three years, replacing ADATABASE and NATURAL.

Consolidation of operating systems and application versions has led to TDI having fewer contracts to manage; enhanced TDI's abilities to share documents and information, both internally and externally; and provided economies of scale in purchases.

The ongoing efforts to transition to the State Data Center are expected to reduce the range of TDI's supported network software, which will enable TDI to focus more on its customers rather than its tools.

Describe any current or planned activities targeted at reducing the environmental resource consumption of technology equipment (recycling, consolidating, virtualizing, buying energy efficient equipment, etc.).

Through Team For Texas and the State Data Center consolidation initiative, TDI is reducing the number of servers maintained at the agency.

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Implementing the Texas Transformation, Continued

Core Missions
(continued)

In TDI's evaluation of hardware RFOs, TDI assesses improved energy consumption in weighing the responses and seeks to obtain equipment with better energy efficiency. As an example, most new hardware, such as PC monitors, printers, and copiers, includes "sleep" or power save features. TDI currently is replacing all desktop and laptop PCs as part of an ongoing obsolescence program, and TDI's printer refresh in FY 2009 is expected to provide multifunction devices (MFDs) to combine the functions of printers, copiers, fax machines, and scanners. TDI anticipates that MFDs will use less electricity and less toner, in addition to simplifying the purchase and maintenance of the MFDs and the equipment they replace.

TDI encourages the recycling of paper products, and also utilizes printers and copiers with duplexing features in order to cut down on total paper use. TDI encourages the use of e-mail rather than printouts, especially in planning for internal meetings, and provides much information on the Web. TDI also utilizes teleconferences and videoconferencing in order to reduce overall travel, even within cities like Austin that have multiple TDI office sites.

TDI complies with state salvage requirements for hardware, diminishing the impact on landfills, and recycles toner cartridges for all types of printers and copiers.

TDI has a telecommuting initiative, which is designed to diminish employee contributions to traffic and air pollution and reduce facility expenses. Beyond the telecommuting project, some TDI Windstorm Inspectors work primarily out of their homes, visiting TDI offices infrequently for meetings or for technology upgrades.

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APPENDIX I
Agency Workforce Plan

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TEXAS DEPARTMENT OF INSURANCE FISCAL YEARS 2009-2013 WORKFORCE PLAN

Introduction

Overview As required by Government Code 2056.0021, the Texas Department of Insurance (TDI) has conducted a strategic planning staffing analysis of its workforce in accordance with the guidelines developed by the State Auditor's Office (SAO). TDI's *Fiscal Years 2009-2013 Workforce Plan* is the product of that analysis.

Findings The workforce plan assessment allows TDI to identify discrepancies between TDI's current workforce profile and its projected staffing needs, which are captured in a gap analysis. From the gap analysis, TDI has developed strategies to address workforce needs. The gaps and their associated strategies are as follows:

- I. Gap: Loss of institutional knowledge
Strategy: Expand succession planning and cross-training efforts
 - II. Gap: Hard-to-fill positions
Strategy: Continual assessment of recruitment planning efforts
 - III. Gap: Staffing/skill shortages
Strategy: Respond to changing workloads, processes, and organization
-

Workforce Planning at TDI TDI recognizes the importance of workforce planning and uses analyses of its workforce to ensure appropriate staffing levels, workforce skills and workforce composition. In 2002, TDI prepared its first formal workforce plan as part of its strategic plan. TDI workforce planning efforts have since included:

- analyzing program annual workforce data and reviewing staffing issues with Executive Management
 - using workforce and succession planning information from TDI's business planning process to identify specific skills needed for succession planning
 - developing training to address skill shortages necessary for succession planning
 - updating training manuals to capture and document agency processes
 - monitoring progress on program workforce planning initiatives, and
 - maintaining an effective agency retention program.
-

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Introduction, Continued

Methodology

To develop this workforce plan, TDI followed the State Auditor's Office *Workforce Planning Guide* and built on TDI's FY 2006 workforce plan. This process started with an assessment of the workforce planning issues identified through TDI's business planning, strategic planning and budgeting processes. This assessment was conducted by a small team of human resource and agency planning professionals in consultation with Executive Management representing the agency's program areas.

The team identified its strategic direction and reviewed programs' internal assessments of needs, gathered information about TDI's workforce, and identified discrepancies between TDI's current and future work profile and projected staffing needs. This gap analysis considered current and future staffing levels, staffing demographics, employee skill sets, employment trends and the need for succession planning for mission critical functions. Finally, the team developed strategies to mitigate potential staffing shortages and surpluses and implement succession planning.

Report Components

TDI's Workforce Plan contains the following five sections:

- Agency Overview
 - Workforce Supply
 - Workforce Demand
 - Gap Analysis, and
 - Strategy Development.
-

Agency Overview

Overview

The Texas Department of Insurance (TDI) is headed by the Commissioner of Insurance, and TDI's Division of Workers' Compensation (TDI-DWC) is headed by the Commissioner of Workers' Compensation. The Governor appoints both Commissioners to a two-year term, subject to Senate confirmation. TDI regulates the business of insurance in Texas (Texas Insurance Code, Chapter 31) and oversees the Texas workers' compensation system (Texas Labor Code, Chapter 402). Generally, TDI regulates the Texas insurance industry and oversees administration of Texas' workers' compensation system 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
- assisting in the prevention of fires and education on fire safety issues
- educating employers and other customers about maintaining safe workplaces
- developing rules, monitoring, system participants and enforcing the law, and
- resolving disputes among workers' compensation system participants.

TDI's Organizational Structure

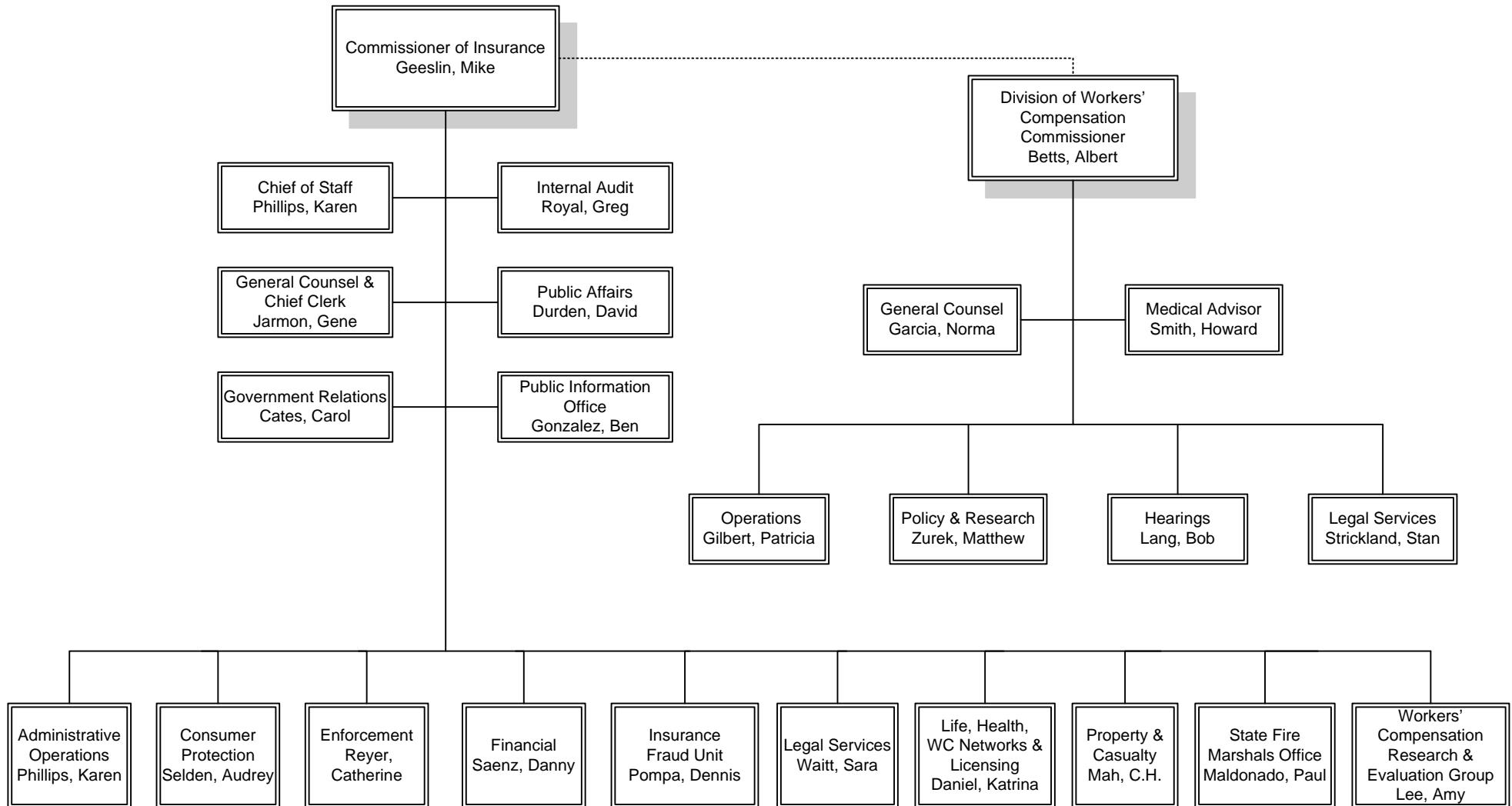
The functional organization chart shown on the following page demonstrates how TDI is organized to fulfill its regulatory charge.

The FY 2008 operating budget was approximately \$103 million, with 1,691.5 adjusted appropriated FTEs. Additionally, the agency supports 32.5 allocated positions for liquidation oversight and title examiner activities. The majority of TDI employees work in Austin and within 24 field offices across the state. Field employees include TDI-DWC staff, financial examiners, fire inspectors and investigators, title examiners, windstorm inspectors and support staff. The location of TDI field offices allows the agency to better meet the statewide needs of consumers and industry representatives.

In addition, TDI provides administrative support to the Office of Injured Employee Council. Administrative support includes budgeting, information technology, purchasing, Copy Center and mail services, facilities, and human resources activities.

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Texas Department of Insurance
Agency Organizational Chart



Agency Overview, Continued

Agency Vision The Texas Department of Insurance envisions a financially stable and fair marketplace and an effective and efficient workers' compensation system.

Agency Mission TDI's mission is to protect insurance consumers by:

- regulating the industry fairly and diligently
- promoting a stable and competitive market, and
- providing information that makes a difference.

Strategic Goals TDI has identified strategic plan goals in the *2009-2013 Agency Strategic Plan*. TDI's nine 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
- Goal 4: Reduce loss of life and property due to fire
- Goal 5: Promote safe and healthy workplaces
- Goal 6: Ensure the appropriate delivery of workers' compensation benefits
- Goal 7: Indirect Administration
- Goal 8: Contingency Appropriations – Long Term Care Partnerships
- Goal 9: Three-share premium assistance programs

Two unfunded goals are also listed in the strategic plan, which are:

- Purchase from Historically Underutilized Businesses, and
- Value the contribution of each employee to TDI's mission and to the diversity of the agency.

Staffing Level by Strategic Goal TDI has objectives and strategies that help meet agency goals, as listed above. The objectives and strategies are described in detail in TDI's *FY 2009-2013 Agency Strategic Plan*. The following table presents each strategic plan goal, the objective(s) associated with that goal, and the staffing level supporting the goal.

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Agency Overview, Continued

Strategic Plan Goals	Objectives	FTEs
Goal 1: Encourage fair competition in the insurance industry	<ol style="list-style-type: none"> 1. Reduce impediments to competition and improve insurance availability 2. Reduce violations of insurance and insurance-related statutes and rules 	403.8
Goal 2: Encourage the financial health of the insurance industry	Regulate insurance industry solvency by assuring mandated examinations are conducted, reviewing companies, and overseeing Special Deputy Receivers	198.7
Goal 3: Decrease insurance industry loss costs	Assure loss control services, windstorm inspections, and consumer and provider fraud referrals.	79.3
Goal 4: Reduce loss of life and property due to fire	Protect the public from loss of life and property due to fire	72.0
Goal 5: Promote safe and healthy workplaces	<ol style="list-style-type: none"> 1. Promote safe and healthy workplaces 2. Encourage the safe and timely return of injured employees to the workplace 	86.9
Goal 6: Ensure the appropriate delivery of workers' compensation benefits	<ol style="list-style-type: none"> 1. Ensure appropriate payment of health care of injured employees and reimbursement for providers 2. Promote compliance through performance-based incentives 3. Use technology to inform and educate system participants 4. Certify and regulate employers qualifying to self-insure 5. Minimize and resolve disputes promptly and fairly 6. Ensure proper financial administration of the Subsequent Injury Fund 	572.5
Goal 7: Indirect administration	Support agency operations through central administration, information Resources, other support services	274.3
Goal 8: Contingency Appropriations – Long Term Care Partnerships	Long Term Care Partnerships	3
Goal 9: Three-share premium assistance programs	Three-share premium assistance program	1
Unfunded Goal: Purchase from Historically Underutilized Businesses	To make a good faith effort to increase the utilization of historically underutilized businesses for professional services, commodities, and other services	0
Unfunded Goal: Value the contribution of each employee to TDI's mission and to the diversity of the agency.	<ol style="list-style-type: none"> 1. Ensure appropriate training is available for all employees to develop professionally. 2. Communicate to employees their value in the organization. 3. Recruit and retain a diverse workforce of qualified and skilled individuals. 	0
Total FTEs		1691.5

Continued on next page

Agency Overview, Continued

TDI Functions	<p>TDI's regulatory and administrative responsibilities can be grouped into nine broad functions, for which brief descriptions are provided below.</p> <ul style="list-style-type: none"> • Licensing, certification, and registration • Form, rate and advertising review • Examination, monitoring, and solvency intervention • Research and analysis • Education, outreach, and customer assistance • Complaint and dispute resolution • Enforcement, fraud, and investigations • Inspections and consultations, and • Support services.
Licensing, Certification and Registration	<p>The agency process for licensing, certifying and registering individuals and entities regulates the Texas market by limiting participation to qualified, trustworthy and reliable individuals and financially healthy, well-managed, and trustworthy entities</p>
Form, Rate and Advertising Review	<p>TDI reviews rate, form and advertising filings for various insurance lines. The process includes reviewing filings for compliance with applicable laws, ensuring filings are not misleading or deceptive, and analyzing rates and calculation methodologies to ensure rates are not excessive, inadequate or unfairly discriminatory. TDI participates in rate hearings for statutorily-created entities providing coverage in underserved areas.</p>
Examination, Monitoring and Solvency Intervention	<p>TDI performs both statutory and complaint-driven examinations to review market conduct, company operations, and financial stability. TDI works with troubled companies by requiring development and implementation of corrective action plans that ensure compliance with applicable laws.</p>
Research and Analysis	<p>TDI regularly collects and analyzes underwriting, claim, and premium data to better understand the marketplace, monitor market trends and ultimately promote competition. The research and analysis function assists TDI with preparing market analysis reports, responding to inquiries related to the marketplace, and identifying trends in and evaluating the effectiveness of the workers' compensation system.</p>

Continued on next page

Agency Overview, Continued

Education, Outreach and Customer Assistance

TDI offers a variety of education, outreach and customer assistance activities, such as toll free telephone lines, e-mail resource mailboxes, educational publications, newsletters and brochures, presentations to various interests groups, training of local authorities to participate in fire prevention efforts, fire prevention and safety training to the public, and compliance and educational workshops for industry representatives and system participants.

Complaint and Dispute Resolution

TDI's complaint resolution process includes receipt of the complaint, investigation of the issue in question, identification of the complaint as frivolous, justified, or unjustified, resolution or closure of the complaint, and advice to the complainant of rights to further pursue the issue. For workers' compensation disputes, TDI offers informal and formal dispute resolution processes as well.

Enforcement, Fraud and Investigations

TDI's enforcement, fraud and investigation function handles allegations of illegal activities. TDI investigates allegations and takes civil disciplinary actions or pursues criminal prosecution as appropriate. Additionally, TDI investigates fraudulent behaviors and the unauthorized sale of insurance products. This function includes fire and arson investigations as well.

Inspections and Consultations

TDI's inspection and consultation function promotes loss mitigation to improve insurance availability and affordability. TDI inspects property in the Texas Gulf Coast region and certifies compliance with windstorm building codes. TDI also provides free safety and health consultations to private Texas employers in high-hazard industries to identify and correct workplace hazards. This function includes review and evaluation of insurers' loss control and accident prevention services.

Support Services

TDI has an administrative program that supports agency operations, including payroll, purchasing, facilities management, human resource management, professional development, information technology services, legal support, planning and quality control. This support is also extended to the Office of Injured Employee Counsel which is administratively attached to TDI.

Continued on next page

Agency Overview, Continued

**Anticipated
Changes to
Mission,
Strategies and
Goals**

TDI has identified challenges that are likely to impact the agency's mission, strategies, and goals through the strategic planning process. These issues include:

- Role of the Regulator
- Availability and affordability of insurance
- Outreach and education
- Information management and technology
- Enforcement
- Disaster response and readiness
- Workers' Compensation:
 - Delivery of workers' compensation benefits
 - Workers' compensation dispute resolution
 - Workers' compensation medical care
 - Return-to-work, and
 - Workplace safety.

Information about these challenges is detailed in TDI's *FY 2009-2013 Agency Strategic Plan*. Additionally, these issues are discussed in this workforce plan under the Workforce Demands section.

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Workforce Supply

Overview To meet its strategic plan goals, the Texas Department of Insurance (TDI) relies on competent and knowledgeable staff. This section of TDI's *FY 2009-2013 Workforce Plan* describes TDI's current workforce, including its:

- demographic profile
 - critical workforce skills
 - employee turnover, including retirements
 - factors influencing turnover, and
 - hard-to-fill positions.
-

Demographic Profile TDI is committed to equal employment opportunity and strives to maintain a workforce that reflects the diversity of Texas. As of May 2008, TDI's workforce was comprised of 46 percent minority employees and 64 percent female employees. The 2006 Texas state agency workforce was 45 percent minority and 54 percent female.¹ Of particular significance is the minority and female representation in TDI's management positions. Sixty-six percent of TDI's managers are minority and/or female. Among executive staff positions, 74 percent are minority and/or female.

In fiscal year 2006, the average age of all state agency employees was 43.5.² As of May 2008, the average age of a TDI employee was 47.

The Equal Opportunity Employment (EEO) Commission has established categories for workforce groups, including:

- Officials and Administrators
- Professionals
- Technicians
- Para-Professionals, and
- Administrative Support.

The following table provides a demographic comparison of TDI's workforce and the state civilian workforce.

Continued on next page

¹ State Auditor's Office - A Summary of The State of Texas Workforce for FY 2006.

² State Auditor's Office Online Systems, FY 2006 data

Workforce Supply, Continued

EEO Category	State Civilian Workforce*			Texas Department of Insurance**			
	African Americans	Hispanic Americans	Females	African American	Hispanic Americans	Females	Total Positions
Officials, Administration (A)	7.1%	15.2%	44.1%	13.64%	15.15%	50.00%	132
Professional (P)	7.9%	14.4%	54.4%	11.54%	22.86%	58.76%	936
Technical (T)	10.4%	19.8%	47.5%	16.85%	17.98%	39.330%	89
Para-Professional (Q)	17.86%	31.78%	55.61%	18.36%	47.66%	87.110%	256
Administrative Support (C)	9.9%	23.2%	61.5%	20.16%	45.74%	83.72%	129
Skilled Crafts (S)	4.7%	34.1%	7.0%	0%	100.00%	50.00%	2
Service & Maintenance (M)	8.7%	33%	39.9%	0%	75.00%	0%	4
							1548

*Commission on Human Rights Annual Report, FY 2005, www.twc.state.tx.us

**Provided by TDI USPS data as of May 31, 2008

At mid year FY 2008, approximately 68 percent of TDI’s workforce was classified as either officials/administrators or professionals. The table below lists the TDI positions included in these two EEO categories.

Official/Administrator	Professional
<ul style="list-style-type: none"> • Senior actuaries • Senior financial examiners • Executive staff • Directors/managers 	<ul style="list-style-type: none"> • Actuaries • Financial examiners • Auditors • Attorneys (including administrative law judges) • Insurance specialists • Engineers • Investigators • Health and safety professionals/inspectors • Inspectors • Program specialists • Program supervisors • System analysts

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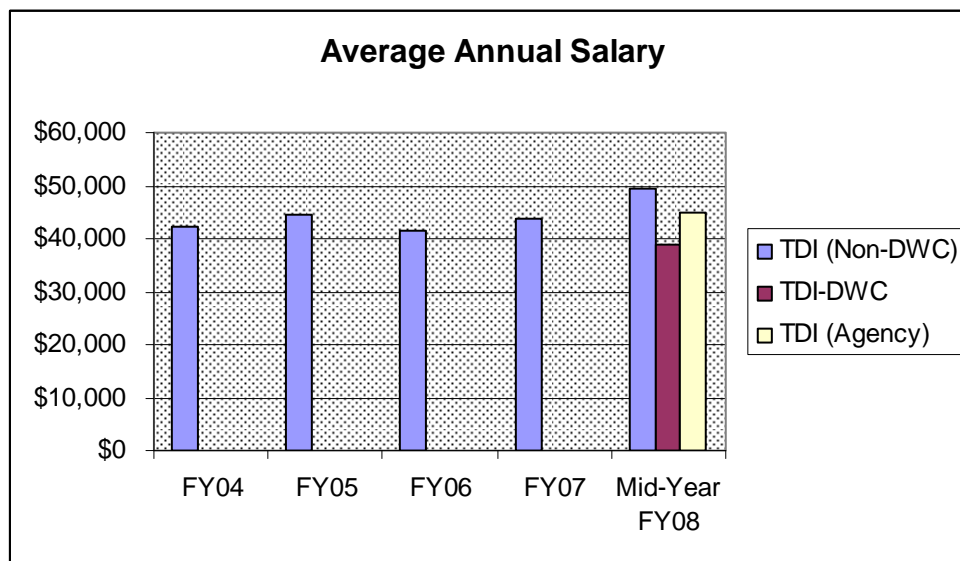
Workforce Supply, Continued

Demographic Profile
(continued)

In FY 2007, the average annual TDI salary was \$43,591 as compared to FY 2006's average annual salary of \$41,656.

For mid-year FY 2008, the average annual TDI salary, excluding the Division of Workers' Compensation (TDI-DWC), was \$49,598 and the average annual salary for TDI-DWC was \$38,938, giving the agency a mid-year average annual salary of \$44,795. (These annual salaries do not include Commissioners, part-time employees, the Medical Advisor, or the Chief Actuary.)

Because TDI staffs many positions in the professional job series, the mid-year 2008 average salary of \$44,795 for agency employees is well above the state employee average annual salary of \$36,182.³ The following chart shows the average salary growth for TDI over the past five years.



Continued on next page

³ State Auditor's Report on State Employee Benefits as a Percentage of Total Compensation, Report Number 08-704, January 2008

Workforce Supply, Continued

**Critical
Workforce
Skills**

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.

Through the Career Advancement Planning System (CAPS), developed by TDI's Human Resources (HR) Division, TDI identified the following skill requirements for TDI employees working in administrative and professional positions. These competencies enable staff to effectively perform critical 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
- records management, including the use of electronic document management tools
- actuarial expertise, and
- computer literacy.

Additionally, HR conducts periodic assessments of agency training needs. In May 2007, TDI-DWC management and staff identified the following training needs to develop critical workforce skills within TDI-DWC:

- understanding of insurance and administrative laws
- interpersonal skills for improved customer service
- conflict management, mediation and dispute resolution
- group facilitation skills
- process analysis and redesign
- project management
- decision making
- database management, and
- Web-page development.

Continued on next page

Workforce Supply, Continued

Retiree Profile Retirement of critical staff creates a large potential for loss of experience and institutional knowledge and is the most significant staffing issue facing TDI, along with fair pay. Although staff turnover at TDI is low compared to other state agencies, turnover through separations and retirements in many TDI positions is critical due to the highly-specialized fields of insurance and workers' compensation.

Approximately thirty-nine percent of TDI's total workforce is currently eligible to retire or will be eligible before December 31, 2013. Within this retirement-eligible group, twelve percent are managers and an additional six percent are team leaders. Projected retirements include several executive staff.

Of the staff eligible for retirement now and before December 31, 2013, many are individuals with highly specialized skills in the following positions:

- Chief of Staff
- Senior Associate Commissioner of Financial
- Associate Commissioners for Government Relations, Fraud, and Property & Casualty
- Chief Financial Officer
- General Counsel and Chief Clerk
- Staff Services Director, and
- several other key positions in the Life, Health & Licensing, Financial, Legal Services, Consumer Protection, Information Technology Services, Property & Casualty, State Fire Marshal's Office, DWC Field Operations and DWC Hearings programs.

According to the State Auditor's Office Online Systems, 20 percent of eligible retirees returned to work for their agency statewide. Approximately 28 percent of TDI employees eligible for retirement since 1999 have chosen to return to TDI. Most retirees who returned to TDI have highly specialized skills and upon re-employment continue working in their respective programs. This has mitigated the potential loss of their significant experience. However, TDI cannot rely on this as a solution. HR has worked with programs to begin developing succession plans in order to ensure minimal disruption to program operations in the event of separation by managers or other critical staff.

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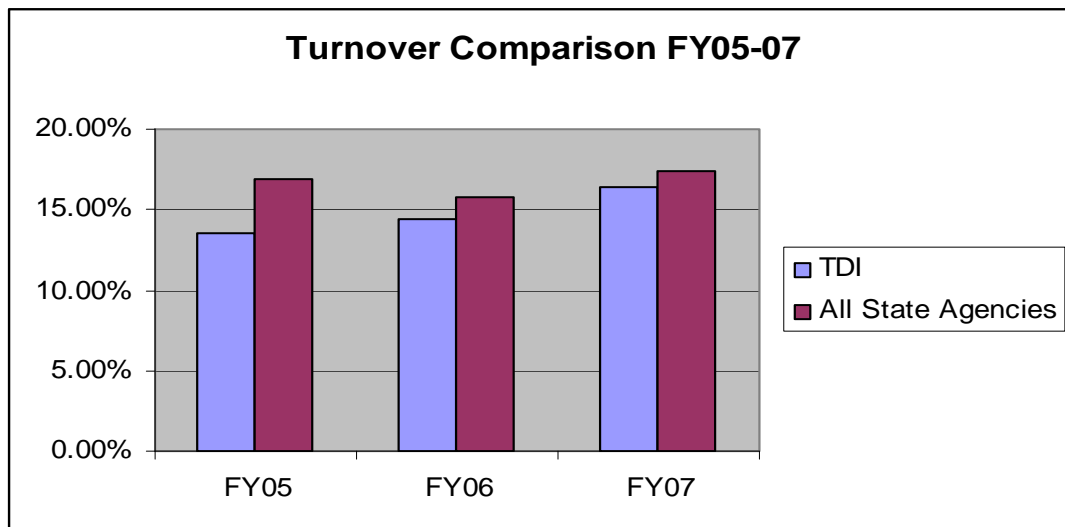
Workforce Supply, Continued

Employee Turnover

Employee turnover can be both positive and negative. Positive effects may include replacing low-performing employees and lower salary costs as a result of the difference in the salary paid to an experienced employee versus the salary paid to a new employee. Negative aspects include the associated costs of turnover, such as orientation and training of new employees. The possibility of lower productivity during the time the position is vacant and the time the new employee is learning the job can also have a negative effect. TDI’s goals are to maintain a turnover rate below other entities while retaining qualified employees.

Changes in the labor market impact employee turnover. According to the State Auditor’s Office Online Systems, “there is an inverse relationship between the unemployment rate and the turnover rate.” When the unemployment rate increases, the turnover rate decreases; when the unemployment rate decreases, the turnover rate increases. In the Austin area, the 2006 unemployment rate was 4 percent. The 2007 annual unemployment rate was slightly lower at 3.6 percent and remains at 3.6 percent as of March 2008. If confidence in the local job market increases, turnover may also increase. Although the turnover rates for TDI were relatively low in fiscal years 2006 and 2007, economic conditions can impact TDI’s turnover rate.

Through FY 2007, TDI’s turnover continued to be below the turnover rates of other state agencies. The following chart shows TDI’s turnover rates compared to all state agencies for the past three years.



Source: <http://www.hr.state.tx.us/Workforce/Turnover>

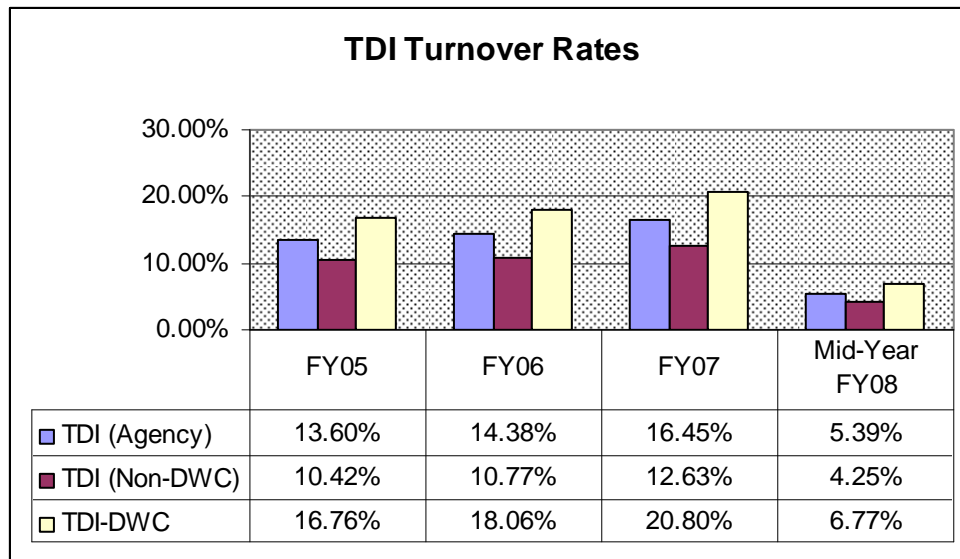
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Workforce Supply, Continued

Employee Turnover
(continued)

Legislative implementation of HB 7, 79th Legislature, requiring the transfer of specific positions to the Office of Injured Employee Council impacted the turnover rate for TDI-DWC. The transfer of approximately 23 positions was counted as separations from TDI-DWC and resulted in the overall turnover rate of 21 percent in FY 2007 for TDI-DWC. Mid-year FY 2008 statistics reflect overall improvement in the turnover rates for TDI-DWC and the entire agency.

TDI’s mid-year 2008 turnover rate was 5.39 percent agency-wide, with the TDI-DWC mid-year turnover rate reported at 6.77 percent. Agency-wide turnover is projected to be at or near 14 percent by the end of the fiscal year. The following chart compares agency turnover rates for the last three fiscal years.



Employee Turnover
(continued)

As reflected in FY 2005 turnover information, high turnover continued in FY 2006 and FY 2007 in the attorney, system analysts and fraud investigator classifications. Mid-year FY 2008 statistics reflect a significant decrease in turnover rates for these classifications. The following information provides turnover data for the attorney, system analysts and fraud investigator classifications in FY 2006, FY 2007 and mid-year FY 2008.

Continued on next page

Workforce Supply, Continued

**Employee
Turnover**
(continued)

Attorneys

Turnover for FY 2006 and FY 2007 in the attorney classification was 23 percent and 20 percent, respectively. Mid-year FY 2008 turnover reflects a rate of 4 percent with a projected annual turnover rate of 10 percent. An analysis of FY 2005 exit survey data reflected that the majority of legal staff leaving TDI cited pay dissatisfaction or lack of career advancement as their reason for resigning. The decreased turnover for mid-year FY 2008 may be a result of efforts by programs to provide pay increases and career opportunities within the agency.

Systems Analysts

Turnover for TDI's Information Technology Services (ITS) Division was 22 percent, 17 percent and 37 percent for fiscal years 2005, 2006 and 2007. As anticipated in TDI's FY 2007 –2011 Workforce Plan, implementation of HB 1516 caused a significant impact on the FY 2007 turnover rate for the ITS Division. The outsourcing of the specific technology positions more than doubled the ITS turnover rate from 17 percent to 37 percent. Although the systems analysts classification was not part of the HB 1516 outsourcing, the high turnover rate for systems analysts contributed to ITS increased turnover. Turnover rates for systems analysts in years FY 2005, 2006 and 2007 were 18 percent, 20 percent, and 21 percent, respectively.

The Information Technology Services Division turnover rate at mid-year FY 2008 was 4 percent. Mid –year FY 2008 data reflects a turnover rate of 2 percent for the systems analyst classification. The significantly decreased turnover rate can be attributed to the state of the economy and the increased unemployment rate.

According to the U.S. Department of Labor, one of the fastest growing occupations between 2004 and 2014 will be in the computer field.⁴ Consequently, the increased need for employees in fields such as information technology will require state agencies to find new methods to increase applicant pools in these areas.

Continued on next page

⁴ U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov

Workforce Supply, Continued

Employee Turnover, continued

Fraud Investigators

The turnover rate for fraud investigators has decreased to 29 percent in FY 2007 from 36 percent in FY 2006. The turnover continues to decline with a 5 percent turnover rate in mid-year FY 2008. After the results of the FY 2006 Survey of Organizational Excellence were analyzed by Human Resources and the Fraud Unit, the Fraud Unit developed an action plan to increase employee satisfaction within the Fraud Unit. The action plan identified specific initiatives for improving job satisfaction. Workgroups were developed to address each initiative in the action plan.

The reduction in turnover can also be attributed to the skills of new managers within the Fraud Unit. The managers personally interact with the investigators to provide motivation. In addition, a training plan for new investigators was put in place to provide needed skills to investigators.

A 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 twenty constructs grouped into five workplace dimensions. The May 2008 survey revealed overall increased levels of satisfaction compared to May 2006. These results mirror the decreased turnover rates experienced by the agency in the comparable time period.

In addition to the issues identified in TDI's Survey of Organizational Excellence, TDI reviewed current workforce literature to identify issues affecting turnover. Issues include:

- shift in how employees view their careers
- changes in the job or relationship between employer and employee
- changes in social moral attitudes
- life balance
- a new generation of workers
- poor working conditions
- lack of appreciation
- lack of support
- lack of opportunity for advancement, and
- inadequate compensation.⁵

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⁵ A Changing Work Force and Workplace, Herman, Hankin and Moore, TEC Inc., www.teconline.com

Workforce Supply, Continued

**Factors
Influencing
Turnover**

Salary and benefits are key factors influencing recruitment and retention. Non-competitive salaries and rising health care costs continue to be issues which challenge state government employers. And though pay and benefits will continue to be at or near the top of employees' reasons to stay or leave, the emerging workforce is developing very different attitudes about their role in the workplace. Today's employees place a high priority on the following:

- family orientation
- sense of community
- quality of life issues
- volunteerism
- autonomy, and
- flexibility and nonconformity.⁶

With careful management of limited budget funds, TDI strives to equitably distribute salary increases through merits and promotions. Additionally, in keeping with the ideals listed above, TDI has a number of non-monetary initiatives in place to reduce turnover rates and retain qualified staff. Among these initiatives are:

- flex-time
- mandatory management training program
- employee and manager roundtables
- cross-training opportunities
- an agency wellness program
- continued Reality Check meetings, and
- continued participation in the Employee Assistance Program.

In February 2007 TDI launched a Telecommuting Pilot Program with approximately 15 participants from one program area. As of June 2008, a total of 45 TDI staff from five program areas participates in the Telecommuting Pilot Program. Telecommuting allows eligible employees to work remotely from one to four days each week. Telecommuting has resulted in reduced leave requests, substantial savings on monthly fuel expenditures and a report of overall job satisfaction for participating employees. TDI plans to expand participation in telecommuting as technology licensing issues are addressed.

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⁶ A Changing Work Force and Workplace, Herman, Hankin and Moore, TEC Inc., www.teconline.com

Workforce Supply, Continued

Hard-to-Fill Positions

Positions that are most critical to TDI functions include upper level management positions such as Senior Associate and Associate Commissioners, Directors, Managers, Chiefs, and Team Leads, as well as positions in highly specified fields such as Medicine, Investigation, Law, and Regulation. These positions all require extensive experience, specialized certifications, and an intimate knowledge of the agency's functions, missions, rules, and regulations. The majority of critical positions identified have succession plans to ensure business continuity should those positions become vacant.

TDI recognized the potential loss of agency knowledge and the need to improve succession planning and cross-training efforts. In April 2008, TDI began efforts to identify, centralize and enhance succession planning to ensure critical and leadership positions are two to three deep with ready replacements by June 2009.

TDI will provide training and guidance to managers to assist in the succession planning implementation for the following positions: Assistant Medical Advisor (Compliance and Regulation), Research Specialist positions (Compliance and Regulation), Prosecutors (Fraud), General Counsel (Commissioner's Administration), Senior Auditors (Internal Audit), Web Administrator (PIO), State Fire Marshal (SFMO), Director of Fire Industry License (SFMO), and the Actuarial Team Lead (Life/Health Division). These positions are of high importance for the agency, as they are hard to fill due to the specialized nature of the required skills and abilities, and the difficulty of recruiting qualified candidates when competing with salaries offered in the private industry.

Although turnover for most positions has improved, the agency must still be prepared to quickly fill positions once they become vacant. In particular, certain TDI positions are difficult to fill due to their specialized nature. TDI had previously reported difficulty filling the following job classifications:

- actuaries
- attorneys
- information technology staff
- financial examiners
- fraud investigators
- engineers
- safety professionals, and
- budget analysts.

Continued on next page

Workforce Supply, Continued

**Hard-to-Fill
Positions**
(continued)

In FY 2007, the average time to fill a position at TDI was 60 days⁷. TDI continues to have difficulty filling the following positions: engineers, financial examiners, and safety officers (for positions in TDI-DWC). For employees with these specialized skills, salary and perceptions of fair pay directly impact turnover rates.

While actuarial positions have historically been challenging to fill, increased recruitment efforts have helped the agency address this need and TDI currently maintains a full staff of actuaries. Because of the highly specialized and marketable skills required for these positions, TDI will continue to monitor recruitment efforts.

Engineers

TDI's State Fire Marshal's Office and Property and Casualty Program employ engineers, and both programs have reported difficulty filling vacant positions. TDI has had difficulty recruiting engineers due to more competitive salaries within the private sector and the specific nature of skill sets required for the job.

Engineers play a key role in the Inspections Division of TDI's Property and Casualty Program. These engineers perform 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. There is a scarcity of qualified civil and structural engineers with the required and specialized skills necessary to oversee windstorm inspections.

The agency also has an engineer position in the State Fire Marshal's Office. The employee in this critical engineer and management position is a subject matter expert. Filling this position, should it be vacated, would prove to be difficult for the agency because of the unique combination of required skills and knowledge in both the engineering and fire safety fields needed to advise the fire industry and other entities on designing buildings for fire safety. During the latest phase of succession planning, the State Fire Marshal's Office identified this position as one whose engineer skills provide specialized expertise and increased efficiencies to the program area. Should the position become vacant, potential candidates' skills may be limited to only fire industry expertise.

Continued on next page

⁷ Time to fill is determined by calculating the days between the date the job is posted until the date the job is offered.

Workforce Supply, Continued

**Hard-to-Fill
Positions,
continued***Engineers, continued*

In order to address recruitment and retention issues for engineers, TDI is working with the University of Texas to provide part-time employment for engineering graduate students. This program will give graduate engineering students an opportunity to learn the necessary skill sets while completing their graduate degrees. The program aims to retain some of these students once their graduate studies are complete.

Financial Examiners

Examiner positions are unique and challenging to fill due to the educational requirements of applicants, which include holding a degree from an accredited four-year university with a major in accounting, finance, insurance, statistics, computer science, math, actuarial science, general business administration or economics. Pursuant to the career ladder for this position, which coincides with National Association of Insurance Commissioners (NAIC) accreditation standards, these employees are required to work towards a specific professional designation of Accredited Financial Examiner (AFE) and Certified Financial Examiner (CFE) on their own initiative within a specific timeframe.

Once recruited, retention of qualified, well-performing staff is particularly important because it takes two to three years to train most financial examiners. The training period is lengthy because most new examiners do not have insurance backgrounds, even if they have accounting and auditing backgrounds. As mentioned previously, the financial examiner classification is subject to market conditions. When the economy is good and unemployment is low, this classification is difficult to retain. The Financial Program has been creative in its recruiting by allowing a senior examiner to dedicate time and efforts to aggressively recruit entry level financial examiners. Visits to universities and recruiting events have proven effective in hiring quality examiners for the program.

Safety Officers

TDI's Division of Workers' Compensation has faced difficulty attracting safety officers with the training and experience necessary for the job functions required of the position. TDI is not able to offer compensation competitive with that of the private sector or the federal government. In order to increase the pool of qualified applicants for safety officer positions, TDI is working to develop an apprenticeship/internship program for safety professionals, modify the required experience provisions for safety professional positions, and encourage educational institutions to develop and offer safety curriculum.

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Workforce Supply, Continued

**Hard-to-Fill
Positions,
continued***Safety Officers, continued*

As development continues on the apprenticeship/internship program, the agency has experienced positive results through internet recruiting efforts for safety officer positions.

Actuaries

The Actuarial positions at TDI provide a critical examination and regulatory function. An actuarial career path is rigorous in terms of technical difficulty, the number of hours of study, and the high cost of exams to become certified. Actuaries tend to be in high demand and seek employment which provides competitive compensation, good programs for passing exams, and good experience.

Historically, TDI has faced difficulty in recruiting actuaries, as the salaries it offers are not competitive with those of the private sector. In previous years, turnover for this position has been high because as staff gain experience and earn professional designations, they are often recruited into better paying jobs in the private sector.

To address this issue, the 77th Legislature approved the creation of a new actuarial classification, Actuary VI, pay group B21. This classification has assisted in recruiting and retention for these positions. TDI also offers non-monetary incentives to recruit and retain actuaries. TDI provides junior actuaries with materials and study time for examinations. As a result of the increased recruitment and retention efforts for actuaries, TDI currently has a strong and stable staff of actuaries. At the end of FY 2005, Property and Casualty had five actuaries with professional designations (three fellows and two associates) and four junior actuaries. The Life/Health Division employs two actuaries with a professional designation of Associate and the Financial program also has a small actuarial staff. In an effort to retain qualified actuaries, the agency should develop ways to provide continuing education and travel revenue for the actuaries so that they keep their designations in good standing. Despite this marked improvement, TDI will continue to monitor recruitment and retention efforts in this field in order to ensure continued success in staffing.

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Workforce Demand

Overview This section describes anticipated demands for the Texas Department of Insurance's (TDI) workforce, including:

- future workforce skills needed
- staffing demands
- workforce changes, and
- shifting dynamics of the economy.

Components of these anticipated demands will be described as they relate to each of the challenges impacting the agency as well as in further detail following the challenges.

Challenges Impacting the Agency Through its strategic planning process, TDI identified key factors that are likely to impact the agency's strategic direction and, consequently, the workforce. These challenges include:

- Role of the Regulator
- Availability and affordability of insurance
- Outreach and education
- Information management and technology
- Enforcement
- Disaster response and readiness
- Workers' compensation
 - Delivery of workers' compensation benefits
 - Workers' compensation dispute resolution
 - Workers' compensation medical care
 - Return-to-work, and
 - Workplace safety.

Additional information about these issues is available in TDI's *FY 2009-2013 Agency Strategic Plan*. A brief assessment of each challenge follows.

Role of the Regulator Over the past several years, TDI has become more than a disseminator of information and monitor of solvency and compliance. TDI's statutory duties now include development of new and innovative insurance solutions and more direct consumer assistance. Potential changes in the role of the regulator could generate changes in staffing needs, for example in the number of staff needed to meet increased customer service demands created by market trends and changing demographics.

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Workforce Demand, Continued

Availability and Affordability

As TDI pursues creative policy solutions that encourage voluntary market participation, enhance consumers' awareness of product and pricing options and increase TDI's flexibility in monitoring the marketplace, it may be necessary for some of the agency's programs to shift their functions in order to meet demands. A shift to functions that focus on providing affordable and available health and property insurance, data mining, title insurance price competition, workers' compensation reform, and carrier insolvency issues could generate a change in staffing needs.

Texas continues to have one of the highest uninsured rates in the country for health insurance and faces an increasing number of Texans who may be underinsured. Rising health insurance costs, high percentage of immigrants, low participation rates in employment-based insurance, and low enrollment rates in government-sponsored plans all contribute to Texas' growing uninsured population. Developing affordable alternatives and educating the public about health insurance will remain a priority for TDI.

Current activities addressing the uninsured are focused on implementing three-share premium assistance programs, which involve appropriated funding and one full-time equivalent (FTE) position for the purpose of awarding, through a competitive application process, grants to local government entities for the research, planning, and development of "three-share" premium assistance programs to increase access to private healthcare coverage for the uninsured, and providing technical assistance to grant recipients.

TDI has not seen large, across-the-board increases in property rates for the last two years, but individual policyholders may have experienced large rate swings as insurers try to further segment their market. As more companies adopt new classification schemes to predict differences in expected losses among insured's, individuals disadvantaged by them may not be able to find affordable alternatives and may have greater difficulty in finding an alternative. Furthermore, homeowner policyholders in the coastal counties may have experienced increases in their premiums or have been non-renewed as insurance carriers that are facing higher costs for reinsurance and building materials, reevaluate their coastal exposures and make decisions to minimize their risks.

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Workforce Demand, Continued

Outreach and Education

A variety of education, outreach, and customer assistance activities, such as toll-free telephone lines, educational publications in multiple languages, newsletters, Web resource pages, presentations to consumers and various interest groups, fire prevention and safety training to local authorities and the public, and compliance and educational workshops for industry representatives and workers' compensation system participants has the potential to create staffing requirement changes as the Texas population becomes more diverse and customers expectations for service increase.

Hispanic Americans are the nation's largest and fastest growing demographic group. Texas has the second largest number of Hispanics in the nation at approximately 6.7 million. Texas can only expect its Hispanic population to continue increasing as national projections predict that by 2050 one out of every four Americans will be Hispanic. The second most common language in the United States is Spanish. In addition to the Hispanic population, Korean, Chinese, and Vietnamese demographic groups are growing in Texas, creating a need for TDI to bridge these language barriers. Like the rest of the nation, the Texas population is aging.

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. Similarly, while TDI has addressed the need of non-English speaking consumers by printing publications in Spanish, Chinese, Korean, and Vietnamese and employing Spanish-speaking customer service representatives on phone banks, TDI will need to plan staffing to address this demographic trend.

Information Management and Technology

TDI's strategic response to the information management and technology challenge involves finding effective ways to manage regulatory data and documents. TDI has begun several feasibility studies to meet this challenge, which include:

- existing software usage and potential software solutions that automate processes and consolidate data management
 - agency-wide e-filing solutions that replace paper-intensive processes and reducing scanning needs
 - hardware required to achieve a "paperless office" environment and facilitate the flow of information
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Workforce Demand, Continued

Information Management and Technology (continued)

- document management methods for storage, retrieval, and workflow
- obsolete records and systems that do not support current or new processes, and
- alternatives for automating paper forms.

Most of the feasibility studies involve ITS resources. As TDI continually identifies and implements opportunities to replace manual or cumbersome processes with automated solutions that improve processing times and maintain or improve quality control, the slight possibility for changes in staffing demands exists. Moreover, the telecommuting project has the potential to create additional staffing demands of ITS resources; however, until the project is expanded beyond its current stage of development, this possible change in staffing demands is unknown.

Enforcement

TDI is responsible for ensuring compliance with and bringing enforcement actions against violators of Texas insurance and insurance-related statutes and rules.

The enforcement function resides in multiple locations within the agency. TDI's Enforcement Program investigates allegations and takes civil disciplinary actions, which include cease and desist orders, license denials, revocations and suspensions, administrative penalties, and/or restitution. The TDI-DWC Enforcement Program focuses on areas of non-compliance that have the greatest adverse impact on the workers' compensation system and pursues administrative action as appropriate.

Fighting insurance fraud continues to remain a significant economic problem for consumers and businesses. Technological advancements, along with the declining economy, have fueled new insurance fraud schemes. The Internet alone has facilitated increases in identity theft as well as the number of bogus insurance companies and products marketed. In order to meet strategic goals, the Fraud Unit will continue to:

- adapt investigative processes to keep pace with schemes allowed by recent technological advances and emerging trends
 - develop and enhance liaison efforts between the industry, government and law enforcement, and
 - educate the public and industry on insurance fraud trends and issues.
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Workforce Demand, Continued

Enforcement
(continued)

Currently, the State Fire Marshal's Office's (SFMO) uses its resources to achieve its mission through conducting individual fire safety inspections and fire cause investigations, as well as providing public education to communities throughout the state. In order to most effectively use resources, the SFMO has tailored its hiring process to target candidates who can provide fire protection education to communities as well as provide direct inspection and investigation services. Additionally, the SFMO has identified a need for skill sets including data analysis and educational program development and implementation.

Enhancing investigative techniques and keeping up with new insurance fraud trends in all areas of enforcement is critical. This process combined with other factors such as increases in fraudulent practices generated by a declining economy has the potential to change staffing demands.

**Disaster
Response and
Readiness**

According to the Department of Atmospheric Science, official hurricane season runs from June 1st through November 30th of each year. Extended range forecast of Atlantic seasonal hurricane activity and U.S. landfall strike probability for FY 2008 is anticipated to be above-average for a major hurricane to make landfall in the United States. While it is impossible to predict a season's hurricane activity, global ocean and atmospheric features are currently arranged in a manner that dictates the probability of an active hurricane season for 2008. The probability of a category 3, 4, or 5 hurricane making landfall in the Gulf Coast area from the Florida Panhandle westward to Brownsville is calculated to be 44% where for the last century it has been calculated to be 30%. The Department of Atmospheric Science predicts approximately eight hurricanes for the 2008 hurricane season.

With these estimated figures TDI remains committed to the critical need for preparedness and rapid, coordinated response to disasters and other emergencies. TDI remains ready to assist when and where needed and continuously monitor situations throughout the state and nation. TDI continues to include disaster response and readiness in the agency's strategic plan, and TDI has expanded its agency disaster recovery plan scenarios to include all-hazard, area-wide, and pandemic outbreak issues. The agency disaster recovery plan is a living document; therefore, expansion efforts to broaden the all-hazard, area-wide, and pandemic outbreak issues currently underway are expected to span across several planning cycles as the Federal Emergency Management Agency and the Department of Health Services continue to develop instructions.

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Workforce Demand, Continued

Disaster Response and Readiness (continued)

Strategic planning is key to meeting the unique demands posed by a disaster or similar emergency and will focus on:

- emphasizing industry, consumer, and provider readiness
- educating industry and consumers on loss reduction
- ensuring that insurers have catastrophe plans and business continuity plans
- monitoring insurers' financial condition to ensure solvency following an area- or state-wide disaster
- maintaining and refining planning to ensure continuity of operations following a disaster affecting the agency, and
- implementing disaster "tool kits" for TDI employees.

Most of these strategies will be integrated into existing processes; therefore, changes in staffing demands are expected to be minimal.

Workers' Compensation

Since September 1, 2005, TDI's Division of Workers' Compensation (TDI-DWC) has worked hard to implement system-wide workers' compensation reforms as required by HB 7, 79th Legislature. TDI-DWC continues to work with system participants to implement these reforms. Key challenges identified during this strategic planning cycle include:

- ensuring appropriate delivery of workers' compensation benefits by system participants
- facilitating a reduction of indemnity and medical disputes to those that are appropriate and assuring speedy resolution of disputes
- ensuring access to quality workers' compensation medical care
- increasing system participants' awareness of the importance of injured employees' early and medically appropriate return-to-work (RTW) and improving RTW outcomes, and
- providing Texas employers and employees with guidance and education on occupational safety and health.

As TDI-DWC functions shift and align with reform measures, changes in staffing demands could realistically decrease or increase depending on progress with process improvement and the changes it may create.

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Workforce Demand, Continued

**Future
Workforce
Skills Needed**

The Agency Planning Group and Human Resources administered a Workforce Planning Survey to all agency programs to determine what type of workforce skills are anticipated for filling future positions. The surveys were distributed to Executive Management and each program was asked to identify mission critical positions and the necessary skill sets for each mission critical position identified. In addition to identifying mission critical positions programs were asked to consider whether there are possible successors for each critical position identified, and what development might be needed to prepare possible successors.

Programs reported that analytical/problem-solving skills are essential to perform TDI's critical functions and that they anticipate a need for higher skilled staff due to the complexity of insurance issues. TDI's interaction with the Legislature combined with potential retirees and turnover seem to generate a need for current and future employees to have basic knowledge of the legislative process. Several programs have identified a need for employees who either understand or are able to grasp the principles involved in strategic planning and external reporting requirements, including budget procedures. Other general competencies include effective oral and written communication and project management. In general, TDI has found that it can train staff to be knowledgeable about technical insurance matters as long as they are receptive to learning and have good problem-solving skills.

Although TDI identified a vast majority of the skills needed for many positions within the agency, the list of skills is not conclusive and TDI expects the skill set demands to change in the future with advances in technology and process improvements.

Human Resources (HR) is responsible for providing training at TDI. After each training session, HR surveys participants to determine the effectiveness of the course as well as what training they feel would be beneficial in the future. Through these surveys, regular training needs assessments, and Survey of Organizational Excellence responses, HR has identified a need for more online and customized courses that provide one-on-one options for employees with specialized needs in areas such as writing and presentation skills. Other areas of focus for training in the future will be group facilitation, which would provide additional options to employees who are team or group leaders. HR will evaluate ways to address these needs in their training plan, including performing the functions using existing staff as well as outsourcing the activity.

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Workforce Demand, Continued

Future Workforce Skills Needed
(continued)

Lastly, the agency continues to need more bilingual (English and Spanish-speaking) staff. Texas has seen an increase in its Hispanic population and as a result more consumers and industry professionals speak Spanish as their primary language. Critical functions that would benefit from Spanish speaking staff include: safety consultations and inspections; training, education and public information efforts; and customer service positions.

TDI anticipates a continued need for staff in the following areas. In addition to the previously mentioned skills, the following competencies will be essential.

Professional Positions	Competencies/Skills
<ul style="list-style-type: none"> • Accountants • Actuaries • Attorneys • Engineers • Financial Examiner • Fraud Investigators • Management • Systems Analyst • Fire Protection Engineers • Fire Data Analysts • Adolescent/Adult Education Specialist 	<ul style="list-style-type: none"> • Process analysis • Negotiation and facilitation • Project management • Performance management • Strategic planning • Engineering • Legislative and rule making process • Management/Leadership Skills • Testifying in legal and public forums

Staffing Demands

TDI’s strategic planning process allows the agency to assess current and future performance of key functions. Additionally, TDI monitors performance measures along with industry trends, legislative changes, and consumer needs to determine workload shifts and the need to reallocate staff to meet the demand for services.

Based on events which had the greatest impact on staffing and operations in the last biennium, TDI expects the challenges, which are listed earlier in this report, will have the greatest impact on the agency. Natural disasters such as hurricanes and fires have the potential to significantly impact agency resources. Furthermore, legislation presents challenges for programs and staff in managing workloads by potentially altering functional or regulatory responsibilities and staffing levels.

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Workforce Demand, Continued

Staffing Demands (continued)

As agency budgets are legislatively appropriated, TDI is mindful of potential budget reductions that may impact staffing levels. At the request of the Legislative Budget Board and Governor's Office of Budget, Planning and Policy, state agencies are asked to provide a supplemental schedule detailing where reductions could be made in the event of ten percent budget reduction for FY 2010-2011. In response to this request, TDI is assessing staffing levels to ensure resources are dedicated according to priorities in order to optimize service delivery. This approach helps the agency respond to budget shortfalls with minimal disruption in operations.

Each biennium, TDI assess customer satisfaction with TDI services. As part of this process, TDI analyzes survey results and identifies areas for improvement. Management reviews these findings as part of the business planning process to identify program initiatives to improve service. Program business plan initiatives may include process improvements, training, workload analyses, or automation, and may result in the reallocation of staff resources to meet customers' service needs.

Workforce Changes

According to the Bureau of Labor Statistics, professional and technical occupations such as systems analysts, medical technicians, nurses, and correctional officers are expected to grow faster and generate more new positions than other occupations. Workforce trends and challenges that have the greatest influence on the state and its workforce relate to economic, employment, and quality of life issues.⁸

The State Auditor's Office *Workforce Planning Guide* notes that within the next decade Texas can expect to see the following workforce changes:

- an older and more diverse workforce
- an increasing number of employees retiring
- a shift toward higher-skilled jobs
- increased competition for talent
- workers changing values and expectations, and
- an increasing demand for government services due to population growth.

Additionally, TDI surveyed Executive Management to identify key issues and environmental factors impacting program staffing. These factors are discussed in the *Gap Analysis* section.

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⁸ www.hr.state.tx.us/workforce/whitepaper.html

Workforce Demand, Continued

**Shifting
Dynamics of
the Economy**

Texans are among the state's biggest assets, as they provide the labor necessary for strong job growth. In recent years, the population has grown twice as fast in Texas as the rest of the country, however, after seeing strong growth in most of 2007, consumer spending softened and some manufacturing activity declined, particularly for construction-related products in the last quarter of 2007, which indicates the Texas economy has downshifted.

State job growth of 3.1 percent last year was triple the nation's 1 percent and exceeded the state's long-run average of 2.8 percent for the third year in a row. According to the Beige Book, published by the Federal Reserve District, the outlook for the coming fiscal year rests on uncertainty and strong indicators show some companies are planning for more limited growth in 2009, which will reduce capital spending and other purchases.⁹

As the economy shifts, TDI is faced with exploring ways to help staff reduce stress and costs associated with necessities, such as fuel and transportation, food, child care, housing, and health insurance. HR continually searches for ways to help staff cope with increasing costs of day-to-day expenses by paying attention to fuel costs, overburdened mass transit options, possible reduced work weeks with the same amount of hours worked, and telecommuting options. Additionally, HR keeps a watchful eye for examples of how other state governments may be approaching the same issues that Texas state employees are facing. Texas does face challenges on the horizon, however, they are not projected to be as severe as other states may be facing and Texas enjoys advantages that will help it continue to outpace the nation, such as being the number one energy producing state in the nation.

⁹ <http://www.dallasfed.org/research/swe/2008/swe0801b.cfm>

Gap Analysis

Overview

Gap analysis involves comparing the workforce supply projection to the workforce demand forecast. After analyzing the workforce information, Texas Department of Insurance (TDI) has determined that there are three main gaps between the agency's current workforce and the demand for future workforce skills. They are:

- loss of institutional knowledge through retirements and turnover
- hard-to-fill positions, and
- staffing/skill shortages.

Each of these gaps is explained in further detail below.

Loss of Institutional Knowledge

Human Resources (HR) closely monitors and tracks positions eligible for retirement and provides information on eligibility to program areas. Approximately 39 percent of TDI's total workforce is currently eligible or will be eligible before 2013. Twelve percent of staff in this eligibility timeframe is agency managers. Many others are staff with highly specialized skills that are instrumental in the daily functions of the agency. Consequently, retirement of critical staff creates the potential for loss of experience and institutional knowledge — the most significant staffing issue facing TDI.

Some retirees with critical expertise have returned to TDI to continue working in their respective programs which has mitigated the potential loss of their significant experience. TDI also has several employees who retired from other jobs before becoming employed in critical positions with TDI. In either case, TDI cannot expect this trend to solve the long-term issues related to loss of institutional knowledge. HR has intensified its work with program areas to develop succession plans in order to ensure minimal disruption to program operations in the event of separation by mission-critical staff.

In fiscal years 2006 and 2007, the turnover rates for TDI were 14 percent and 16 percent, respectively. Although TDI's turnover rate continues to be below the average for state agencies, retention efforts remain a priority for TDI, as even a low rate of turnover can be costly to the agency. Loss of experienced staff may cause instability and morale problems, reduce productivity among newly hired and departing employees, and increase hiring and training costs.

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Gap Analysis, Continued

Loss of Institutional Knowledge, continued

The 2008 Survey of Organizational Excellence administered by the University of Texas School of Social Work shows salary levels remain a concern to TDI employees, which can affect retention. Salary increases, through merit raises and promotions to eligible qualified employees, is an important agency retention strategy, but budget limitations require the agency to continue seeking creative non-monetary incentives and benefits. While remaining compliant with the Texas Government Code provisions, TDI has recently changed its one-time merit criteria to decrease the number of months required for eligibility in an effort to more frequently reward employee performance.

Hard-to-Fill Positions

In conjunction with employee retention, TDI must seek ways to recruit employees for hard-to-fill positions. These positions typically require specialized skills such as actuarial, engineering, financial examination, nurse, and safety officer duties. Recruitment efforts encompass the entire pool of potential applicants, including the insurance industry, information technology companies, law firms, law enforcement organizations, staff in other state agencies, and universities. Additionally, recruitment strategies include communicating the advantages of state employment, including benefits which may not be available in other jobs such as:

- flex-time
 - cross-training opportunities
 - an agency wellness program
 - continued participation in the Employee Assistance Program, and
 - a recently-launched telecommuting program.
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Staffing/Skill Shortages

To identify specific issues that may affect staffing levels and patterns, TDI surveyed Executive Management about critical workforce issues and examined external factors identified through the supply analysis. The following environmental changes and skill shortages were identified:

- changes in the use of automation
 - customer service demands
 - strategic planning issues such as legislation, and
 - skills and competencies that will be needed to perform critical functions.
-

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Gap Analysis, Continued

Staffing/Skill Shortages (continued)

- *Automation and Customer Service Demands*

The use of automation and technology has and will continue to change the way TDI does business. Increased access to the Internet has allowed consumers to research a greater number of insurance-related and workers' compensation claim processing questions online. Similarly, the use of the Internet has fueled customer demand for information to be delivered virtually around the clock. Greater consumer use of the Internet will likely lead to a decrease in the number of Consumer Help Line calls and associated staff. Reductions in workload for staff responding to requests for public information are also anticipated. These staffing surpluses could be offset by the need to maintain additional staff to provide accurate and timely information on the agency's Web site. Use of the Internet also allows greater ease in reporting insurance fraud to TDI resulting in an increase in the number of incoming reports. It is anticipated that this increase in the number of reports will result in a heavier workload for intake, investigative and support staff.

Customer expectations for faster processing of filings and the agency's growing commitment to customer outreach impact staff operational priorities. The Filings Intake and Operations Division, Agents Licensing Division, Fraud Division, and State Fire Marshal's Office (SFMO) all indicated that the volume of filings is increasing while customers expect reduced processing times. While implementing automated processes to eliminate manual processes should improve efficiency, it is not expected that it will lead to a surplus of staffing based upon increasing volume of filings received. Automated processes will, however, create a need for increased technology. Automation will also require staff to perform certain administrative and scanning functions that were not done previously as well as develop the skill sets needed for electronic review of filings as opposed to reviewing paper-based filings. Customer demands may require frequent tailoring of the agency's website, reconstruction of various pages and presentations, and more interactivity, which will increase the workload of current Web staff.

The strategic direction of the State Fire Marshal's Office's focuses on becoming more proactive and prevention-focused, resulting in a greater need for specialized skills and knowledge, and also to utilize technologies such as the Internet, for example, allowing individuals and companies to obtain licenses through the Texas On-Line Internet portal. As these systems and processes are implemented, SFMO staff may require additional training.

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Gap Analysis, Continued

Staffing/Skill Shortages, continued

- *Automation and Customer Service Demands, continued*

The Life/Health Division began accepting electronic filings for annuity products through System for Electronic Rate and Form Filing (SERFF) and I-File some years ago. This has been a customer service success as insurers are pleased and continually request electronic filing be extended to other products. Although the front end process of accepting filings electronically has been completed, the back end process to transfer the completed file into the agency's VisiFLOW software system is not yet automated. Automating this back-end process must be completed in order to maximize efficiency of the process.

The Division of Workers' Compensation is in the process of implementing automation changes developed under the Business Process Improvement Project. This project includes development of web-enabled reporting and communications; moving off of a mainframe environment; and reducing communication among DWC and system participants in paper formats through the implementation of a document management system.

Ultimately, it is anticipated that the use of new technology will be more efficient and will allow resources currently dedicated to handling paper processes to be re-allocated.

- *Strategic Planning Issues*

Many of the strategic planning issues that had the greatest impact on program staffing were the result of recent statutory changes. State Legislation, including HB 7, HB 1516, and HB 3442, created a need for new and revised processes and functions to which the agency must adapt.

TDI anticipates a shift in regulatory functions for Life Health and Health and Workers' Compensation Network Certification and Quality Assurance (HWCN) Division staff. The number of Health Maintenance Organizations (HMOs) in Texas and HMO-related complaints is decreasing and TDI expects this trend to continue. Increased regulatory oversight of Preferred Provider Organization (PPO) networks is anticipated. The agency is involved in the oversight and regulations of Workers Compensation Healthcare Networks, a new managed care entity created by HB 7. These new responsibilities offset any decreases in workload. Additionally, the assignment and processing of Workers' Compensation Independent Review Organization (IRO) requests is being consolidated with the assignment and processing functions that are in place for HMOs.

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Gap Analysis, Continued

Staffing/Skill Shortages, continued
(continued)

HWCN staff currently performs this function for group health IRO requests; however, the addition of the Workers' Compensation IRO requests will increase the number of IRO requests from an average of 500 to approximately 5,000 per year. The process for handling workers' compensation IRO requests requires additional steps that are not currently performed for group health requests. This shift in workload will require assessing appropriate staffing levels and possible re-allocation of resources between the DWC and HWCN staff. Additionally, all staff will require training on the revised processes.

HB 1516, legislation consolidating the technology data centers for state agencies in Texas, has created a need for TDI to examine and possibly redefine the organizational structure of the Information Technology Division. In addition to modifying the agency's technology procurement processes, HB 1516 will outsource specific technology positions.

- *Skills and Competencies*

Based on input from TDI's Executive Management about key issues impacting program staffing, TDI identified the potential for the following skill shortages.

- ability to analyze and solve problems
- effective oral and written communication
- interpersonal and customer service skills
- technical expertise about insurance products, laws and regulation
- ability to explain complex technical material to TDI customers
- knowledge of the systems used to track filings and complaints
- competency with using electronic processes
- medical expertise and familiarity with medical billing and reimbursement processes
- project management
- knowledge of Web design and content management techniques
- knowledge of database design techniques
- computer literacy
- time management, and
- bilingual communication skills.

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Gap Analysis, Continued

Staffing/Skill Shortages,
continued

- *Environmental Changes*

Changes to the demographic profile of the Texas population will also impact staffing. As the population ages, TDI can assume that health care needs will increase. As the population's needs change, so will the insurance marketplace. As a regulatory body, TDI must be prepared to review and approve new products and provide consumers with information regarding these products. Similarly, Texas has seen growth in its Hispanic population and with that, more consumers and industry professionals who speak Spanish. To serve these Spanish-speaking customers, the agency has identified a need to recruit and hire bi-lingual (English/Spanish-speaking) staff.

Changing economic conditions also affect staffing surpluses and shortages. If the economy improves, the agency anticipates that turnover could increase and specialized positions may become difficult to fill.

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.

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Strategy Development

Overview

In order to address the deficits between the current workforce and future demands, the Texas Department of Insurance (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 the following key strategies to address workforce needs:

- I. Expand Succession Planning and Cross-Training Efforts
- II. Continual Assessment of Recruitment Planning Efforts, and
- III. Respond to Changing Workloads, Processes and Organization.

TDI's business planning process has been designed to develop and track progress on program-level workforce plans. TDI has incorporated program-level workforce plans into the goals and strategies described hereafter.

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Strategy I. Expand Succession Planning and Cross-Training Efforts

Gap	Loss of institutional knowledge
Goal	Expand succession planning and cross training efforts to assure that vital knowledge is not lost when critical employees retire or separate employment.
Rationale	<p>A large number of TDI employees are currently eligible or will be eligible to retire before December 31, 2013, potentially resulting in an enormous loss of institutional knowledge to the agency. Consequently, succession planning efforts have been expanded, focusing on documenting procedures and planning for the training of less experienced staff to assure a smooth transition as employees in critical positions leave the workforce.</p> <p>Although turnover for the agency continues to remain lower than the average for all state agencies, retention efforts remain a priority for TDI.</p>
Actions Taken	<p>TDI has implemented the initiatives below to expand succession planning, cross-training and retention efforts.</p> <ul style="list-style-type: none"> • TDI has begun documenting internal procedures to cross-train staff. • Development of internal procedure manuals in some programs for documentation of standard operating procedures to be used in cross-training and succession planning. • A comprehensive training program to educate current and future managers to prepare them to be more effective leaders. • Identification of critical positions and skills and potential training needs for effective succession planning. • A retirement analysis report providing agency and program retirement projections. • Continue Roundtable events to distribute information to employees. • Encourage flexible work schedules, including telecommuting, when appropriate.

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Strategy I. Expand Succession Planning and Cross-Training Efforts, Continued

<p>Ongoing/ Future Activities</p>	<p>TDI values succession planning strategies to minimize the impact on the agency when tenured staff retires. Ongoing/future succession planning activities are described below.</p> <ul style="list-style-type: none"> • TDI’s Agency Planning Group and Human Resources co-led a project to document succession planning efforts and needs in each program area. • HR continues to identify eligible retirees and closely monitors positions nearing retirement. • Review job functions and identify staff for cross-training. • Continuously assess training needs to develop less experienced staff to ensure continuity of operations following retirements. • Monthly deputy commissioner meetings facilitate intra-agency communication and prepare mid-level management for leadership positions by furthering participants’ understanding of agency policy and regulatory issues. • Development of training in response to succession planning surveys. • TDI’s Administrative Operations Program has formed a team of employees to assess agency skills and staff development. The goal of this team is to develop a workforce that is highly skilled, high performing, and committed to TDI’s success. <p>To retain competent employees HR, in partnership with Executive Management, will:</p> <ul style="list-style-type: none"> • continue to assess employee satisfaction and address areas where satisfaction is lowest (assessment tools include the Survey of Organizational Excellence and Employee Exit Interviews) • ensure that appropriate training is available for all employees • create and maintain a supportive work environment for all employees • plan potential salary increases as part of the budget planning process and to periodically review merit and promotion actions to ensure that deserving employees are being rewarded when possible, and • seek creative non-monetary incentives to recognize and reward deserving employees.
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Strategy II. Continual Assessment of Recruitment Planning Efforts

Gap	Hard-to-fill positions
Goal	Use recruitment plans and other creative methods to fill critical functions 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 at 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.
Actions Taken	<p>Actions taken have included the following:</p> <ul style="list-style-type: none"> • The agency Recruitment Plan, drafted by HR, includes provisions to recruit and hire qualified employees that represent the diverse backgrounds within the Texas labor market while meeting the needs of the agency. It is also in compliance with Labor Code Section 21.502. Recruitment efforts to date include: <ul style="list-style-type: none"> – general recruitment (e.g. news ads, job fairs, the Texas Workforce Commission (TWC) Job Bank), – targeted recruitment (i.e., use business contacts to target applicants with desired skill sets), – public relations recruitment (i.e., use organizational partnerships to publicize employment opportunities), and – recruiting from a resume database (i.e., maintain database of resumes gathered). • Programs have developed business plan initiatives to address workforce issues with certain positions, specifically targeting recruitment needs. • Another effective strategy has been recruiting individuals who have retired from the private sector or other governmental agencies. TDI has found applicants starting their second career are a viable recruitment pool that saves training time and the associated costs. • TDI is working with the University of Texas to offer part-time employment for civil and structural engineering graduate students, giving them an opportunity to learn the necessary skill sets while completing their degrees. The program aims to retain some of these students in the agency once their graduate studies are complete. • A need was identified for the development of an apprenticeship/internship program for safety professionals; however, implementation was delayed due to the inter-agency merger. • HR and the Fraud Unit have placed job postings for investigator positions in newsletters and publications subscribed to by prospective candidates, such as police and fraud examiner publications.

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Strategy II. Continual Assessment of Recruitment Planning Efforts, Continued

<p>Ongoing/ Future Activities</p>	<p>As part of the recruitment plan, TDI identified internal and external strategies.</p> <ul style="list-style-type: none"> • Internal Strategies: <ul style="list-style-type: none"> – <i>Applicant Tracking</i> – Track TDI applicants, their degrees, licenses, certifications and designations. – <i>Program Support</i> – Assist TDI programs with recruiting qualified applicants in areas that are deficient and encourage improvement in time to fill vacancies. – <i>Event Reports</i> – Report the outcomes of recruitment activities and analyze for cost effectiveness. – <i>Recruitment Source Database</i> – Track program recruitment resources for targeted hiring. – <i>Postings in TDI Publications</i> – Include employment information in agency publications and highlight commitment to hiring excellence and to equal opportunity employment. – <i>Employee Participation</i> – Encourage employees to refer applicants. – <i>Benefit Information</i> – Provide information to candidates during job interviews outlining state- and agency-related benefits as well as general descriptions of TDI positions. – <i>Internet Recruiting</i> – Use the Internet to promote employment opportunities at TDI, especially for hard-to-fill positions. To target professionals with experience in insurance regulation, TDI will post employment opportunities to the career page on the National Association of Insurance Commissioners’ (NAIC) Web site. – <i>WorkInTexas.com</i> – Post job vacancies on WorkInTexas.com, a state-based recruitment Web site that allows TDI to track interest levels and recruiting successes, as well as search for potential candidates for hard-to-fill positions. – <i>Partnership with Local Colleges and Universities</i> – Continue the partnership with Huston-Tillotson University to assist in establishing an insurance program at the university. TDI will approach other local and state colleges and universities to discuss partnerships. – <i>Internship Program</i> – Provide college students with the opportunity to gain knowledge and work experience needed for employment at TDI. TDI has developed a Commissioner’s Honor Program, an internship initiative to recruit and develop the skills of talented university students in the areas of insurance policy making, regulation and enforcement. In June 2008, TDI hired four interns to participate in the Commissioner’s Honor Program. The interns were assigned specific projects based on the needs of the program in which they were hired. TDI plans to continue the Commissioner’s Honor Program next summer.
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Strategy II. Continual Assessment of Recruitment Planning Efforts, Continued

<p>Ongoing/ Future Activities, continued</p>	<ul style="list-style-type: none"> • External Strategies: <ul style="list-style-type: none"> – <i>Texas Recruiter’s Association</i> – Participate in association to network and obtain information on successful recruiting efforts. – <i>External Organizations and Recruitment Events</i> – Participate in professional and community organizations, and university or other job fairs to recruit a well-qualified and diverse workforce. – <i>Minority publications and Web sites</i> – Advertise in local, statewide, and national minority publications and Web sites to promote diversity. <p>HR will continue to work with programs to enhance recruitment plans, including identifying:</p> <ul style="list-style-type: none"> • critical positions • sources for recruitment • features of state employment and the TDI workplace that attract candidates, and • budget opportunities to attract senior level employees.
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Strategy III. Respond to Changing Workloads, Processes, and Organization

Gap	Staffing and/or skill shortages
Goal	Review allocation of agency resources for opportunities to improve efficiencies and align the organizational structure more effectively.
Rationale	<p>Changes in regulatory responsibilities, greater use of automation, and workforce attrition create an opportunity to realign organizational structure to improve efficiencies and meet changing skill requirements. The merger of TDI and the former Texas Workers' Compensation Commission broadened TDI's regulatory responsibilities and effectively doubled TDI's staff and budget. This created an opportunity to streamline functions and staff for more effective and efficient service delivery.</p> <p>TDI has also identified potential staffing shortages and surpluses that could result from implementing automated processes. These include efficiencies gained by automating filing submissions, using online forms and automating workflow processes.</p>
Actions Taken	<p>Actions taken have included the following:</p> <ul style="list-style-type: none"> • TDI used attrition to realign staff to reach the mandated 1:11 management-to-staff ratio by the end of FY 2007. Where appropriate, TDI will continue to assess the management-to-staff ratio. • TDI Executive Management initiated an internal review of agency functions to assess the effectiveness of certain current operations. • The FY 2008-2009 Program Business Plans included projects to assess program workforce planning issues and process improvement projects.

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Strategy III. Respond to Changing Workloads, Processes, and Organization, Continued

<p>Ongoing/ Future Activities</p>	<p>TDI will use the methods below to address staffing/skill surpluses and shortages.</p> <ul style="list-style-type: none"> • TDI uses its strategic planning and business planning processes to formally assess opportunities for improved efficiencies. This review helps ensure that staffing and activities are aligned with the agency’s vision and strategic goals. • The Fraud Unit will continue outreach efforts with local, state, and federal law enforcement entities to more effectively prosecute insurance fraud cases. • HR and senior associates will identify vacant management positions and evaluate their necessity prior to reposting. • TDI will work toward a more horizontal organizational structure, as it can allow an organization to improve productivity as well as workplace communication. A horizontal organization requires fewer managers, is less bureaucratic, can produce more cross-functional employees and improves service to both internal and external customers. • HR, Executive Management, and the Agency Planning Group will work with programs to review staffing and workloads for opportunities to improve resource allocations as the programs develop succession plans. This review will include an evaluation of the agency’s performance measures. • TDI has planned a number of automation projects to provide more efficient customer service, including: further implementation of TXCOMP to provide system participants with online Workers’ Compensation claims information, further automation of TDI’s complaint handling process, expanding the agency’s capacity for accepting electronic filings, and better utilizing the Web to provide and accept information. • HR will identify and address any skill deficiencies to ensure staff can effectively perform their functions. • HR will continue to improve its professional development program in creative ways, including the use of technology. • TDI will use videoconferencing equipment to increase communication with and deliver training to field staff. • TDI will broaden its consumer outreach by offering information in various languages including Spanish, Korean, Chinese, and Vietnamese through printed publications and online translation software. • TDI will provide staff development opportunities by conducting brown bag luncheons, which will create a forum for employees to broaden their understanding of agency activities.
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APPENDIX J
Survey of Organizational Excellence

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Survey of Organizational Excellence

Overview

TDI recognizes that high employee satisfaction is critical to retaining and recruiting quality staff and in delivering the best customer service to Texans. Since 1994, TDI has participated every two years in the Survey of Organizational Excellence conducted by the University of Texas (UT), School of Social Work. This survey measures five dimensions of the workplace including organizational features, accommodations, exchange of information, work group and personal aspects. The constructs are scored on a 500 point system. A score at or below 300 indicates an opportunity for growth because employees view the area more negatively than positively. A score above 300 means the construct is viewed more positively by employees, and it is an area of strength for the agency. Some areas of strength for TDI include the strategic orientation, quality principles, physical environment, external communication, and personal “burnout.”

Seventy percent of TDI employees completed the May 2008 survey. This response rate is higher than the average for agencies in the same size category and for all respondents to the UT survey. TDI’s overall response rate is slightly higher than the 2006 response rate of 67 percent.

The responses to the 2008 survey showed an increase in employee satisfaction from the 2006 results administered shortly after the merger of the Texas Department of Insurance and the Texas Workers’ Compensation Commission (now the Division of Worker’s Compensation). The 2008 increase in scores was an anticipated achievement due to specific targeted efforts to integrate the Division of Workers’ Compensation into the agency’s organizational structure, functions, policies, and processes.

Comparison of Survey Results

The chart on the following page shows the last 10 years of results from the Survey of Organizational Excellence. The scores for all constructs in the 2008 survey are higher than the 2006 scores and comparable to those of 2004, before the merger of the two agencies. The increase in employee satisfaction in 2008 is likely attributed to the extensive measures taken to integrate the two agencies. All constructs, with the exception of fair pay, continue to be viewed more positively than negatively by agency employees.

Continued on next page

Survey of Organizational Excellence, Continued

CONSTRUCT	1998	2000	2002	2004	2006	2008
Supervisor Effectiveness	290	298	349	341	331	348
Fairness	306	318	371	362	349	366
Team Effectiveness	321	327	351	343	330	350
Job Satisfaction	340	350	374	375	355	367
Diversity	319	325	364	355	344	362
Fair Pay	301	286	258	243	223	236
Adequacy of Physical Environment	353	360	380	377	363	368
Benefits	373	366	374	350	350	360
Employment Development	335	343	371	365	347	360
Change Oriented	335	334	354	346	336	352
Goal Oriented	348	349	371	364	349	364
Consistency (Holographic)	319	323	358	350	338	356
Strategic Orientation	399	404	389	388	375	389
Quality	373	375	393	389	372	387
Internal Communication	320	330	341	335	322	344
Availability of Information	321	333	373	366	346	359
External Communication	365	375	380	375	361	376
Time and Stress Management	363	371	372	373	353	364
Burnout	328	331	373	367	354	368
Empowerment	299	309	364	357	348	363

TDI 2008 Survey Summary by Category

Work Group		Organizational Features	
Supervisor Effectiveness	348	Change Oriented	352
Fairness	366	Goal Oriented	364
Team Effectiveness	350	Holographic (Consistency)	356
Diversity	362	Strategic Orientation	389
		Quality	387

Personal		Information	
Job Satisfaction	367	Internal Communication	344
Time and Stress Management	364	Availability of Information	359
Burnout	368	External Communication	376
Empowerment	363		

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Survey of Organizational Excellence, Continued

TDI 2008 Survey Summary by Category, continued

Accommodations	
Fair Pay	236
Physical Environment	368
Benefits	360
Employment Development	360

Review of Survey Results

The survey results are used as an assessment tool in the agency strategic plan and will continue to be used in the business planning process, both at the organizational and program levels. Program heads will receive a complete analysis of the agency-wide survey, along with results for their program areas and a comparison of satisfaction levels reported by field office staff to Austin staff, if applicable. They are encouraged to share the results with their managers and staff and to discuss ideas for continually improving employee satisfaction, agency processes and customer service. Agency-wide results are also shared with all employees.

Human Resources and the Employee Ombudsman routinely work with program areas to develop plans to improve constructs and then monitor those plans throughout the biennium following the survey. Human Resources also provides information and suggestions for maintaining high employee satisfaction levels and for improvement in survey dimensions where opportunities for growth are indicated.

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APPENDIX K
TDI Sunset Review

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Sunset Review of the Texas Department of Insurance

Sunset Review Process Overview

The Texas Department of Insurance (TDI) is scheduled for Sunset review by the 81st Texas Legislature (2009). The Sunset process determines whether a need for an agency continues to exist. The Sunset Advisory Commission (SAC) is charged with reviewing agencies subject to Sunset.

The basic steps of the review process are as follows:

- Agency self-evaluation report submission
 - SAC staff evaluation
 - SAC report publication
 - SAC public hearings
 - SAC recommendation to continue or abolish an agency
 - Legislature considers the bill recommending continuation of an agency.
-

Sunset Review of TDI

TDI submitted its self-evaluation report (SER) in August 2007. Upon receipt of TDI's SER, SAC staff began the review, and by May 2008, published their report, which included nine recommendations regarding TDI. These findings are summarized below.

- Rate regulation for homeowners insurance lacks clarity, predictability, and transparency.
 - TDI's Involvement in the Texas Windstorm Insurance Association's (TWIA) operations, along with other restrictions in law, limits TDI's ability to effectively oversee TWIA as a market of last resort.
 - The state's lack of regulation of preferred provider organizations does not correspond with changes in the Texas healthcare market.
 - TDI cannot effectively regulate title insurance without independent financial examinations and more comprehensive reporting.
 - The statutory cap on the maintenance tax of one insurance line forces TDI to inequitably spread costs across other insurance lines.
 - Most of TDI's advisory committees no longer need to be in law.
 - To reduce the risk of fire hazard, the State Fire Marshal's Office needs direction to target its inspections of buildings.
 - State Fire Marshal's Office lacks the ability to issue fines to ensure licensee compliance.
 - Texas has a continuing need for the Texas Department of Insurance.
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Sunset Review of the Texas Department of Insurance, Continued

**Sunset Review
of TDI**
(continued)

TDI submitted its response to the Sunset Advisory Commission Staff Report on June 9, 2008. Overall, TDI agreed with the report recommendations and suggested only a few slight modifications. The next step in the review process was the public hearing. SAC scheduled a public hearing June 24 and 25, 2008. During the hearing, SAC staff listened to public testimony about the Texas Department of Insurance.

The Sunset Advisory Commission will make its final recommendations regarding TDI during the hearing scheduled on September 23 and 24, 2008. If the final recommendation is to continue the Texas Department of Insurance, the 81st Texas Legislature will consider the bill that is filed during the session.

For more information about the agency's sunset review, please visit TDI's Web site [Sunset Resource Page](#).
