

Request for

# Legislative Appropriations

**For Fiscal Years 2008 and 2009**

Submitted to the Governor's Office of Budget and Planning  
and the Legislative Budget Board by the

**Texas Department of Insurance**



Mike Geeslin

Mike Geeslin, *Commissioner of Insurance*  
August 25, 2006

TEXAS DEPARTMENT OF INSURANCE  
 REQUEST FOR LEGISLATIVE APPROPRIATIONS  
 FISCAL YEARS 2008 AND 2009

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# **1. ADMINISTRATOR'S STATEMENT**

**ADMINISTRATOR'S STATEMENT**  
80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

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Agency name: **Department of Insurance**

TEXAS DEPARTMENT OF INSURANCE  
FY 2008-2009 LEGISLATIVE APPROPRIATIONS REQUEST  
ADMINISTRATOR'S STATEMENT

Governing Structure

Texas Department of Insurance (TDI) is headed by the Commissioner of Insurance Mike Geeslin. The Governor appoints the Commissioner for a two-year term, subject to Senate confirmation. Effective FY 2006, TDI's newly established Division of Workers' Compensation (DWC) is also headed by a Governor-appointed commissioner, Commissioner Albert Betts, Jr. The Commissioner of Insurance and Commissioner of Workers' Compensation regulate the Texas insurance industry and workers' compensation system by administering and enforcing the Texas Insurance Code and other applicable laws. TDI's regulatory authority is fully described in the Texas Insurance and Labor Codes and its regulatory rules are contained within the Texas Administrative Code.

Policy Changes

House Bill (HB) 7, passed by the 79th Legislature, transferred the functions of the Texas Workers' Compensation Commission (TWCC) to TDI, creating the Division of Workers' Compensation within TDI effective September 1, 2005. The bill mandates system reforms that are expected to result in significant improvements to the workers' compensation system in Texas. In addition to creating changes in workers' compensation regulation and service delivery, HB 7 merged two formerly independent agencies of equal size. HB 7 also created a separate agency known as the Office of Injured Employee Counsel (OIEC) that is administratively attached to TDI. This structure requires TDI to create separate accounting, payroll, email, server networks, purchasing systems and reporting mechanisms for the OIEC.

The goals of HB 7 include:

- providing access to prompt, high quality medical care within the statutory framework
- treating injured employees with dignity and respect
- providing a fair and accessible dispute resolution process; and
- providing services to facilitate an injured employee's return to work as soon as it is considered safe and appropriate by the employee's health care provider.

TDI's efforts for reforming the workers' compensation system are organized around the following focus areas, which are directly tied to HB 7 goals:

- changing the delivery of health care;
- improving injured employee services;
- establishing a performance-based oversight system for providers and carriers;
- streamlining and expediting dispute resolution; and
- implementing changes that encourage timely and appropriate return to work.

Consolidation of Administrative and Regulatory Functions

In order to operate as one agency, and because HB 7 requires that DWC be administratively tied to TDI, TDI consolidated the purchasing, human resources, information technology, financial services and staff services functions.

Initially, the work required to integrate the two agencies was significant. However, with the merger complete, TDI will be able to provide administrative support at a reduced staffing level, while continuing to find more efficient ways to manage workloads.

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In 2005, A Governor's veto proclamation created funding reductions of approximately \$8.8 million over the 2006-2007 biennium. In order to comply with the reductions, TDI eliminated approximately 51 positions that performed duplicative administrative or program functions as well as reduce certain non-salary expenses. TDI's base request for the FY 2008-2009 biennium is 10 percent less than the expanded FY 2006 and budgeted FY General Revenue appropriation.

To successfully implement HB 7 reforms, TDI has focused on integrating and streamlining the organization and improving service delivery. TDI sought not only to achieve administrative consolidation but to improve customer service and leverage its resources by examining similar program functions. As a result of this process, all criminal fraud activities for the two entities are now performed under a single Fraud Unit at TDI and all enforcement attorneys are consolidated within one legal program. Additionally, intra-agency teams have worked to standardize and consolidate functions such as the assignment of Independent Review Organization (IRO) requests, oversight of IRO review activities and handling of consumer complaints. Intra-organizational communications are also enhanced through regular meetings of a TDI Workers' Compensation Steering Committee and a Data Strategies Group that identifies critical data needs for measuring reform progress.

HB 7 reforms have required the promulgation of numerous rules requiring countless hours of program involvement and legal counsel. Rulemaking is conducted in a coordinated manner, using teams comprised of staff from across all affected programs within TDI.

The Commissioners have recognized the difficulty of creating a truly cohesive agency with two headquarter offices on opposite sides of town. Accordingly, they have asked the Texas Building and Procurement Commission (TBPC) to work with TDI to relocate the DWC headquarters closer to TDI's Hobby Building. Relocating staff to a more accessible location would lead to improved program coordination and enable greater efficiencies for meeting the HB7 mandates. For this reason, TDI has included an exceptional item in the 2008-2009 Legislative Appropriation Request (LAR) to fund costs associated with the relocation of the DWC headquarters.

#### Improved Service Delivery

In the next biennium, TDI will continue efforts to implement the HB 7 reforms. Efforts will include streamlining the dispute resolution process, improving health care delivery, establishing a performance-based oversight system and improving return-to-work outcomes.

HB 7's authorization of workers' compensation health care networks and the establishment of a framework for care delivered outside the network are expected to significantly change the delivery of health care in the workers' compensation system. As networks penetrate the market, access to quality health care should improve. Commissioner Betts recognizes that to effectively address the needs of injured employees, DWC will also need to focus on improving customer service, simplifying processes and increasing communication among system participants.

To improve service delivery to injured employees, Commissioners Geeslin and Betts charged a cross-agency team to develop uniform standards for handling complaints across TDI divisions. One significant outcome of the team's analysis was to implement a paperless process for handling DWC complaints modeled after TDI's consumer complaint resolution process. The initiative supports the agency's commitment to the merger, to sharing technology and talent across the agency, and to delivering excellent customer service for complaints and telephone inquiries. By using TDI's existing technology, which includes a paperless complaint handling workflow and informational databases, this initiative will establish a framework for improving consistency and accuracy when processing DWC complaints and responding to telephone inquiries.

Although HB 7 is the most significant legislation affecting TDI, the 79th Legislature passed other legislation which will impact TDI during the upcoming biennium. TDI is leading a project in conjunction with other agencies to implement SB 1670, which requires the establishment of a Texas Financial Responsibility Verification Program. Funding for implementation is appropriated to the Texas Department of Transportation out of the Highway Safety Fund; therefore, TDI is not requesting funding for this item in its FY 2008-2009 LAR.

HB 1516, which consolidates technology data centers for state agencies in Texas, requires TDI to redefine ITS responsibilities and will significantly impact division

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organization and staffing levels beginning FY2007. Data consolidation entails outsourcing functions to reduce duplicative services performed by each agency and consolidating certain technical infrastructure resources common to most agencies. TDI has worked with DIR to identify affected positions and technologies and has planned its FY 2008-2009 budget accordingly. Given the expectation that TDI prepare a base request at the 90 percent level, funding for the transferred functions has been adjusted to reflect this 10 percent reduction. Over \$3.4 million per fiscal year will be allocated for the technology data center, including funding associated with 15-20 FTEs.

#### Significant Changes in Service Provision

As detailed above, the impact of HB 7 on TDI's workforce has been significant. In addition to broadening TDI's regulatory responsibilities, the bill effectively doubled TDI's staff and budget. TDI's General Revenue base request for FY 2008-2009 totals \$174,783,692 which is \$18,268,621 less than the expanded FY 2006 and budgeted FY 2007 appropriation. In addition to the baseline, TDI proposes exceptional items to restore and enhance funding for provision of services at the current level. The exceptional items request restoration of \$13,871,886 and 120.8 FTEs over the FY 2008-2009 biennium base amount. The total General Revenue request, including exceptional items, is \$188,277,994.

To meet the requested 10 percent budget reduction, TDI considered a variety of approaches. TDI considered a 10 percent reduction across the board, but determined that this would not offer a means for effectively prioritizing agency functions. Commissioner Geeslin reasoned that a cut of this magnitude would require TDI to rethink how the agency performs functions and delivers services. To this end, the programs, including DWC, prioritized their functions for Commissioners' review.

Commissioner Betts reviewed the DWC's FY 2006-2007 budget for opportunities to achieve cost reductions without compromising implementation of the HB7 reforms. Significant cost savings in 2008-2009 will result from the transfer of 25 full-time Dispute Resolution Officers to OIEC. Additionally, he identified one-time operating expenses that will not be incurred in FY 2008-2009. Consequently, he was able to reduce DWC's budget without significantly reducing service levels with one exception. To meet the reduced funding level, DWC would eliminate the accident prevention services inspector positions but these positions are a top priority for funding restoration.

In determining the rest of the reductions for the agency, Commissioner Geeslin concluded that a shift towards more of an enforcement-based regulatory approach could allow TDI to provide consumer protections while minimizing labor-intensive front-end regulatory review processes. Based on the amount of allocated funds, agency priorities, and opportunities for improved regulatory practices, he identified four areas in which significant reductions could occur if the agency changed its oversight approach. They are:

- Financial examinations;
- Rate and form filings;
- Advertisement reviews; and
- Loss control activities.

The largest budget reduction of nearly \$4.5 million would entail revising the current statutory timeframe for conducting financial examinations of insurance companies from every three years to every five years and revising statutes to allow greater discretion for examination timeframes of newly licensed entities. The regular exam process reviews all companies, not only those experiencing financial difficulty. Deferring the regular exam interval to five years would allow TDI to continue monitoring the marketplace with fewer staff but could impede early identification of troubled companies. TDI has additional mechanisms in place to detect solvency or market conduct issues and could continue to conduct discretionary and market conduct exams at the current or expanded service levels.

To operate at the reduced funding level, TDI proposes modifying its review of certain life/health and commercial property/casualty rate and form filings. TDI would shift from an early intervention approach, where certain forms require TDI prior approval, to a post-approval audit where form filings are submitted as file and use TDI



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would also revisit opportunities to expand the exempt filings rule for certain life/health filings. A file and use system for forms allows companies to market products immediately upon filing with TDI, and could be implemented with a significant reduction in TDI staff. Additionally, TDI would propose further deregulation of rates to reduce current staffing levels. The proposed approach for rate and form review, however, is not without risks, as non-compliant forms could enter the marketplace and companies could adopt rates that are excessive or unfairly discriminatory. TDI would have the authority remove any non-compliant products from the market, based on complaints or audits. But at the reduced funding level, TDI would review significantly fewer filings and have difficulty meeting current statutory review timeframes. Therefore, statutory change would be necessary to implement the proposed approach.

At the reduced funding level, TDI would eliminate its review of company advertisements, saving \$587,862 over the biennium. Companies are required by statute or rule to submit to TDI ads for Medicare supplements, long-term care insurance, and viatical and life settlement contracts. TDI reviews advertisements for compliance with statutes and rules, unfair trade practices, and proper licensing. Elimination of TDI's review could leave the public, particularly vulnerable populations, without protection against untruthful and misleading insurance information. TDI has other mechanisms for identifying unfair trade practices and promoting fair competition. The elimination of advertising review would require a statutory change to eliminate prior approval of Medicare supplement ads.

TDI could reduce its FY 2008-2009 budget over the biennium by more than \$2.2 million with radical revisions to agency activities related to loss control. With a statutory change, the windstorm inspection and certification activities could be transferred from TDI to the Texas Windstorm Insurance Association (TWIA). Windstorm inspections and certifications are vital to mitigating potential wind and hail losses and are required for insurance coverage through TWIA. Having TWIA serve as both inspector and insurer, however, could create the perception of a conflict of interest. Additionally, TDI could eliminate its loss control evaluation function. Insurance companies are required by law to provide loss control information to businesses, which are evaluated by TDI biennially. At the reduced funding level, insurance companies would still be required to provide loss control and accident prevention services but without TDI evaluation.

Budget reductions affected other TDI functions, but to a lesser extent, and have been detailed below. Indeed, to minimize the impact of budget reductions on the public, Commissioner Geeslin expressly chose not to reduce funding for specific priority functions, including enforcement, fraud investigations and market conduct examinations. Nor will budget reductions impact TDI's oversight of HMO and workers' compensation networks or consumer complaints. These functional areas will continue at current service levels to protect consumers and regulate the marketplace.

TDI has proposed a base request at the reduced funding level. However, if implemented, TDI's funding structure precludes any savings from being returned to the state general revenue (GR) fund because revenue to Account 36 would probably be reduced. Account 36 is the GR dedicated account from which TDI and other agencies are funded. The Texas Insurance Code requires that the insurance maintenance taxes be set with the intention of collecting the revenue needed to fund appropriations; if the Legislature appropriates fewer dollars, the revenue would be adjusted downward.

#### Exceptional Items

In priority order, the following exceptional items request funding for the biennium to allow TDI to continue current service levels in FY2008-2009:

1. Restore DWC Accident Prevention Services (E.1.1). Request restoration of \$381,130 and 5 FTEs to DWC for monitoring the provision of accident prevention services by workers' compensation insurance companies to their policyholders. Restoration of funding would allow DWC to continue to conduct inspections of carriers and their accident prevention services.
2. Replace DWC obsolete infrastructure technology (Capital Budget). Request \$476,422 for the Capital Budget to support the additional automation needs as a result of HB 7. TDI will use the increased funds to align aging DWC and OIEC technology equipment with TDI's obsolescence plan. A replacement of the current equipment is required to maintain hardware supportability and software compatibility, which is presenting problems for staff when DWC is working with other program areas.

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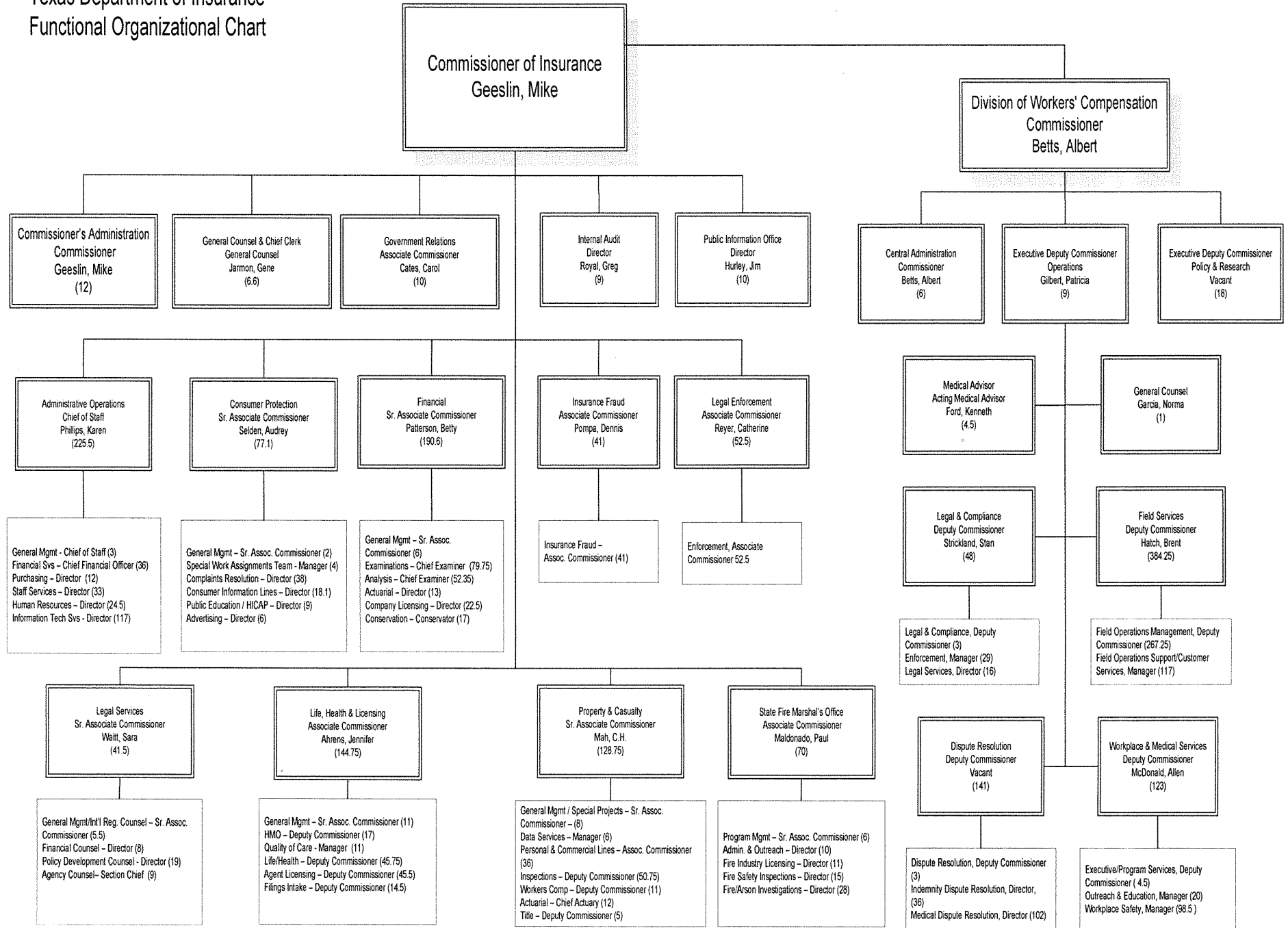
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3. Restore solvency regulation of the insurance industry(B.1.1). Request restoration of \$4,463,250 and 40.6 FTEs to maintain TDI's current level of protection against insurer insolvencies and related unpaid insurance claims Restoration would allow TDI to continue to timely detect troubled insurers rehabilitate troubled companies, and reduce the risk of more and larger insurer insolvencies that result in unpaid claims
4. Restore the review of LHL and P&C form and rate filings(A.1.2). Request restoration of \$2,098,004 and 26.9 FTEs to continue to review filings within statutory timeframes, regulate rates, audit exempt filings, and prepare completed filings for timely response to open records request
5. Restore regulation of continuing education of agents and adjusters(A.1.2). Request restoration of \$501,214 and 7.3 FTEs to continue regulation of the statutorily mandated continuing education requirement for licensed insurance agents and adjusters The proposed budget reduction would eliminate TDI's ability to register continuing education providers and evaluate provider courses for certification
6. Restore review of insurance related advertisements(A.2.1). Request restoration of \$587,862 and 6.6 FTEs to continue to review paper and website advertisements for compliance with statutes and rules, unfair trade practices, and proper licensing. Restoration of this exceptional item would allow TDI to continue to protect the public and promote truth in advertising by ensuring the ads comply with applicable statutes and rules and by detecting possible fraudulent and unauthorized activities
7. Replace DWC phone system (Capital Budget). Request \$966,000 for the Capital Budget to replace antiquated telephone systems and establish a DWC Customer Contact Center, as was recommended by the Sunset Advisory Commission to ensure customer service calls are accurately and expeditiously routed
8. Relocate DWC (G.1.3). Request \$487,258 to relocate staff from the DWC headquarter location to a facility in close proximity to TDI's Hobby Building. Funding would relocate 419 DWC and 22 Office of Injured Employee Counsel(OIEC) staff. Restoration will assist with HB 7 unification efforts.
9. Restore P&C data collection for title rates and quarterly market reports(A.1.1). Request restoration of \$210,332 and 2.5 FTEs for the purpose of collecting title insurance rate data and quarterly market premium and loss data Restoration of funding would allow TDI to continue promulgating title rates and monitoring market competition at the current level.
10. Restore enforcement of laws related to losses due to fire(D.1.1). Request restoration of \$591,098 and 7.3 FTEs to the State Fire Marshal's Office for the purpose of maintaining current service levels in inspections of state owned and licensed facilities investigations of licensing complaints against fire alarm, fire extinguisher, fire sprinkler and fireworks firms and individuals, fire and arson investigations, and fire safety and prevention through outreach initiatives
11. Restore windstorm inspections and loss control services(C.1.1). Request restoration of \$2,279,072 and 24.6 FTEs to decrease potential insurance losses through the windstorm inspection program and inspections of loss control programs
12. Maintain and enhance security services at Hobby Building(G.1.3). Request \$830,244 to maintain and enhance security for the Hobby Building Current funding for these services is provided through the Department of Public Safety. This funding will expire on August 31, 2007, leaving TDI responsible for funding all security for the Hobby Building.

## **1.A. ORGANIZATIONAL CHART**

# Texas Department of Insurance Functional Organizational Chart



## **2. SUMMARIES OF REQUEST**

**2.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
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Goal / Objective / STRATEGY	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<b>1</b> Encourage Fair Competition in the Insurance Industry					
<b>1</b> Reduce Impediments to Competition and Improve Insurance Availability					
1 CONSUMER ED. AND MKT. ANALYSES	3,333,426	4,115,796	3,983,853	2,849,262	2,849,262
2 RATES, FORMS AND LICENSES	8,665,451	9,111,636	9,712,612	9,482,454	9,482,454
3 PROMOTE UNDERSERVED COVERAGE	194,756	159,660	158,266	153,298	153,298
<b>2</b> Reduce Unfair and Illegal Insurer Practices					
1 RESOLVE COMPLAINTS	2,462,208	2,659,633	2,818,923	2,561,209	2,561,209
2 INVESTIGATION AND ENFORCEMENT	2,963,815	3,319,236	3,019,667	2,893,212	2,893,212
3 INSURER FRAUD	1,039,004	1,196,495	1,236,566	976,030	976,030
4 TEXASONLINE	283,608	383,594	296,100	296,100	296,100
<b>TOTAL, GOAL 1</b>	<b>\$18,942,268</b>	<b>\$20,946,050</b>	<b>\$21,225,987</b>	<b>\$19,211,565</b>	<b>\$19,211,565</b>
<b>2</b> Encourage the Financial Health of the Insurance Industry					
<b>1</b> Regulate Insurance Industry Solvency					
1 INSURERS FINANCIAL CONDITION	11,045,317	11,323,018	11,897,309	10,080,327	10,080,326
<b>TOTAL, GOAL 2</b>	<b>\$11,045,317</b>	<b>\$11,323,018</b>	<b>\$11,897,309</b>	<b>\$10,080,327</b>	<b>\$10,080,326</b>
<b>3</b> Decrease Insurance Industry Loss Costs					
<b>1</b> Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info					
1 LOSS CONTROL PROGRAMS	2,328,565	2,672,193	2,676,886	1,606,690	1,606,690
2 PROVIDER AND CONSUMER FRAUD	979,440	1,223,575	1,305,996	1,286,961	1,286,961
3 WORKERS' COMPENSATION FRAUD	235,150	245,106	253,095	214,152	214,152

2.A. SUMMARY OF BASE REQUEST BY STRATEGY  
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<b>TOTAL, GOAL 3</b>	<b>\$3,543,155</b>	<b>\$4,140,874</b>	<b>\$4,235,977</b>	<b>\$3,107,803</b>	<b>\$3,107,803</b>
<b>4 Reduce Loss of Life and Property Due to Fire</b>					
<b>1 Protect the Public against Loss of Life &amp; Property Resulting from Fire</b>					
1 FIRE PROTECTION	3,486,288	3,783,722	3,946,899	3,651,812	3,651,812
<b>TOTAL, GOAL 4</b>	<b>\$3,486,288</b>	<b>\$3,783,722</b>	<b>\$3,946,899</b>	<b>\$3,651,812</b>	<b>\$3,651,812</b>
<b>5 To Promote Safe and Healthy Workplaces</b>					
<b>1 Promote Safe/Healthy Workplaces through Incentives and Education</b>					
1 HEALTH AND SAFETY SERVICES	4,497,253	4,384,987	4,513,976	4,076,655	4,076,655
<b>2 Encourage Safe and Timely Return to Work</b>					
1 RETURN-TO-WORK EDUCATION	194,961	186,755	334,870	337,456	337,456
<b>TOTAL, GOAL 5</b>	<b>\$4,692,214</b>	<b>\$4,571,742</b>	<b>\$4,848,846</b>	<b>\$4,414,111</b>	<b>\$4,414,111</b>
<b>6 Ensure the Appropriate Delivery of Workers Compensation Benefits</b>					
<b>1 Ensure the Appropriate Payment of Health Care</b>					
1 MEDICAL COST CONTAINMENT	1,900,552	2,024,850	3,184,139	1,939,542	1,939,542
<b>2 Promote Compliance &amp; Address Noncompliance w/ Workers' Comp Rules/Laws</b>					
1 MONITORING AND ENFORCEMENT	2,577,846	2,410,364	2,759,680	2,435,660	2,435,660
<b>3 Inform System Participants and Provide Service through Technology</b>					
1 DEVELOP AND IMPLEMENT PROCESSES	6,700,895	5,876,417	6,597,894	6,289,152	6,289,152

**2.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
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Goal / Objective / STRATEGY	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>4</u> <i>Certify &amp; Regulate Private Employers that Qualify to Self-insure</i>					
1 CERTIFY SELF-INSURANCE	603,806	586,945	738,916	660,872	660,872
<u>5</u> <i>Minimize and Resolve Disputes</i>					
1 DISPUTE RESOLUTION	19,188,269	15,017,299	16,185,816	14,874,899	14,874,899
<u>6</u> <i>Manage the Subsequent Injury Fund</i>					
1 SUBSEQUENT INJURY FUND ADMIN	2,790,681	3,731,333	3,738,591	3,737,525	3,737,525
<b>TOTAL, GOAL      6</b>	<b>\$33,762,049</b>	<b>\$29,647,208</b>	<b>\$33,205,036</b>	<b>\$29,937,650</b>	<b>\$29,937,650</b>
<u>7</u> <i>Indirect Administration</i>					
<u>1</u> <i>Indirect Administration</i>					
1 CENTRAL ADMINISTRATION	7,939,672	6,890,181	8,022,673	7,770,810	7,770,810
2 INFORMATION RESOURCES	13,739,323	12,241,968	13,708,476	10,238,301	10,238,301
3 OTHER SUPPORT SERVICES	3,013,032	2,522,569	2,894,760	2,781,391	2,781,392
<b>TOTAL, GOAL      7</b>	<b>\$24,692,027</b>	<b>\$21,654,718</b>	<b>\$24,625,909</b>	<b>\$20,790,502</b>	<b>\$20,790,503</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>



2.A. SUMMARY OF BASE REQUEST BY STRATEGY  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2006  
 TIME: 5:13:28PM

Agency code: 454 Agency name: Department of Insurance

Goal / Objective / STRATEGY	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<b>METHOD OF FINANCING:</b>					
<b>General Revenue Funds:</b>					
1 GENERAL REVENUE FUND	47,656,555	6,520	0	0	0
888 EARNED FEDERAL FUNDS	224,406	224,406	224,406	224,406	224,406
8042 INSURANCE MAINT TAX FEES	30,125,264	32,560,475	34,088,269	30,528,448	30,528,448
<b>SUBTOTAL</b>	<b>\$78,006,225</b>	<b>\$32,791,401</b>	<b>\$34,312,675</b>	<b>\$30,752,854</b>	<b>\$30,752,854</b>
<b>General Revenue Dedicated Funds:</b>					
36 DEPT INS OPERATING ACCT	15,586,140	55,437,365	60,987,026	52,968,853	52,968,853
5101 SUBSEQUENT INJURY FUND	2,705,767	3,670,140	3,670,140	3,670,140	3,670,140
<b>SUBTOTAL</b>	<b>\$18,291,907</b>	<b>\$59,107,505</b>	<b>\$64,657,166</b>	<b>\$56,638,993</b>	<b>\$56,638,993</b>
<b>Federal Funds:</b>					
555 FEDERAL FUNDS	2,346,277	2,599,266	2,254,623	2,254,623	2,254,623
<b>SUBTOTAL</b>	<b>\$2,346,277</b>	<b>\$2,599,266</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>
<b>Other Funds:</b>					
666 APPROPRIATED RECEIPTS	1,435,368	1,482,537	2,703,899	1,489,700	1,489,700
777 INTERAGENCY CONTRACTS	83,541	86,623	57,600	57,600	57,600
<b>SUBTOTAL</b>	<b>\$1,518,909</b>	<b>\$1,569,160</b>	<b>\$2,761,499</b>	<b>\$1,547,300</b>	<b>\$1,547,300</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>

\*Rider appropriations for the historical years are included in the strategy amounts.

**2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 80th Regular Session, Agency Submission, Version I  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2006  
 TIME: 5:14:10PM

Agency code: 454

Agency name: Department of Insurance

OBJECT OF EXPENSE	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1001 SALARIES AND WAGES	\$71,756,439	\$68,746,624	\$74,879,262	\$68,049,087	\$68,049,087
1002 OTHER PERSONNEL COSTS	\$3,385,687	\$2,061,132	\$2,606,032	\$2,492,726	\$2,492,726
2001 PROFESSIONAL FEES AND SERVICES	\$5,977,076	\$5,063,326	\$6,600,818	\$2,150,509	\$2,150,509
2002 FUELS AND LUBRICANTS	\$82,011	\$117,931	\$109,550	\$109,550	\$109,550
2003 CONSUMABLE SUPPLIES	\$707,386	\$882,409	\$705,164	\$664,916	\$664,916
2004 UTILITIES	\$1,033,206	\$979,460	\$921,366	\$865,929	\$865,929
2005 TRAVEL	\$2,431,003	\$2,330,061	\$2,253,177	\$1,925,249	\$1,925,249
2006 RENT - BUILDING	\$3,163,846	\$3,047,863	\$3,044,895	\$2,962,701	\$2,962,701
2007 RENT - MACHINE AND OTHER	\$424,626	\$402,855	\$524,475	\$513,379	\$513,379
2009 OTHER OPERATING EXPENSE	\$10,559,231	\$11,980,331	\$11,915,621	\$11,166,120	\$11,136,120
5000 CAPITAL EXPENDITURES	\$642,807	\$455,340	\$425,603	\$293,604	\$323,604
<b>OOE Total (Excluding Riders)</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>

**2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:14:30PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1 Encourage Fair Competition in the Insurance Industry <i>Reduce Impediments to Competition and Improve Insurance Availability</i>					
<b>1 Percent of Company Licenses Completed within 60 Days</b>					
	100.00%	98.00%	98.00%	98.00%	98.00%
<b>KEY 2 Percent of Agent License Filings Completed within 15 Days</b>					
	95.00%	96.00%	96.00%	96.00%	96.00%
<b>KEY 3 Percent of Statutory Rate and Form Filings Completed within 90 Days</b>					
	88.00%	87.00%	87.00%	63.00%	63.00%
<b>KEY 4 Number of Autos in Underserved Markets With Voluntary Coverage</b>					
	76.00%	76.00%	69.00%	69.00%	69.00%
<b>KEY 5 % of Personal Auto &amp; Res Prop Rate &amp; Form Filings within 60 Days</b>					
	96.00%	95.00%	95.00%	95.00%	95.00%
<i>Reduce Unfair and Illegal Insurer Practices</i>					
<b>1 Percent of Insurer Fraud Referrals to Appropriate Authorities</b>					
	54.00%	55.00%	55.00%	55.00%	55.00%
<b>KEY 2 Percent of Licensees Who Renew Online</b>					
	45.00%	55.00%	55.00%	55.00%	55.00%

**2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version I  
Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:14:40PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
2 Encourage the Financial Health of the Insurance Industry <i>Regulate Insurance Industry Solvency</i>					
<b>KEY 1 Percent of Statutorily Mandated Examinations Complete within 18 Months</b>	100.00%	93.00%	94.00%	96.00%	97.00%
<b>2 Percent of Identified Companies Reviewed</b>	99.00%	97.00%	97.00%	97.00%	97.00%
<b>KEY 3 Special Deputy Receiver Asset Recovery Expenses As % of Collections</b>	9.00%	15.00%	15.00%	15.00%	15.00%
<b>KEY 4 Average # of Days from "At Risk" Identification to Solvency Action</b>	15.00	27.00	31.00	31.00	31.00
<b>5 % of Insurers Meeting Capital and Surplus Requirements</b>	99.00%	97.00%	97.00%	94.00%	94.00%
<b>KEY 6 Percent of Companies Rehabilitated after TDI Intervention</b>	25.00%	18.00%	18.00%	9.00%	9.00%
3 Decrease Insurance Industry Loss Costs <i>Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info</i>					
<b>1 Percent of Insurers Providing Adequate Loss Control Programs</b>	100.00%	98.00%	93.00%	0.00%	0.00%
<b>KEY 2 % Commercial Property Inspections That Meet Filed Rating Schedule Reqs</b>	84.00%	88.00%	85.00%	85.00%	85.00%
<b>KEY 3 Percent of Windstorm Inspections That Result in an "Approved" Status</b>	36.00%	35.00%	35.00%	0.00%	0.00%
<b>4 % of Consumer and Provider Fraud Referral Resulting in Legal Action</b>	60.00%	70.00%	55.00%	60.00%	60.00%
<b>5 % of WC Consumer/Provider Fraud Referral Resulting in Legal Action</b>	0.00	55.00	55.00	55.00	55.00

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

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Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
4 Reduce Loss of Life and Property Due to Fire <i>Protect the Public against Loss of Life &amp; Property Resulting from Fire</i>					
<b>KEY 1 % of SFMO Criminal Referrals Resulting in Legal Action</b>	61.00%	65.00%	79.00%	79.00%	79.00%
<b>KEY 2 Percent of Registrations, Licenses, and Permits Issued</b>	100.00%	99.00%	99.00%	95.00%	95.00%
5 To Promote Safe and Healthy Workplaces <i>Promote Safe/Healthy Workplaces through Incentives and Education</i>					
<b>1 Incidence of Injuries and Illness Per 100 Full-time Employees</b>	4.00	3.70	3.90	3.90	3.90
<b>2 % Change in Injury Rate for Employers after Inspection</b>	0.00	20.00	20.00	20.00	20.00
<i>Encourage Safe and Timely Return to Work</i>					
<b>1 Percent of TIBs Recipients Returning to Work Within 90 Days of Injury</b>	0.00	50.00	53.00	56.00	58.00

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006  
 Time: 5:14:40PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
6 Ensure the Appropriate Delivery of Workers Compensation Benefits <i>Ensure the Appropriate Payment of Health Care</i>					
<b>1 Percentage of Medical Bills Processed Timely</b>					
	0.00	94.00	94.00	95.00	95.00
<i>Promote Compliance &amp; Address Noncompliance w/ Workers' Comp Rules/Laws</i>					
<b>1 \$ Amount returned to System Participants through Complaint Resolution</b>					
	0.00	428,750.00	525,000.00	500,000.00	475,000.00
<b>2 Average Days from Benefit Accrue Date to Initial Payment</b>					
	7.06	7.10	7.10	7.10	7.10
<b>3 % of First Income Benefit Payment Made Timely</b>					
	89.11	90.00	91.00	92.00	93.00
<i>Inform System Participants and Provide Service through Technology</i>					
<b>1 Percentage of Documents Received &amp; Maintained Electronically by DWC</b>					
	79.24	70.00	70.00	70.00	70.00
<i>Certify &amp; Regulate Private Employers that Qualify to Self-insure</i>					
<b>1 % Market Share of Self-insurance to Total WC Insurance Market</b>					
	10.07	10.00	10.00	10.00	10.00
<i>Minimize and Resolve Disputes</i>					
<b>1 % of Indemnity Disputes Resolved Prior to Benefit Review Conference</b>					
	0.00	41.50	41.50	42.00	43.00
<b>2 Percentage of Indemnity Disputes Resolved in Dispute Resolution</b>					
	0.00	57.00	57.00	56.00	55.00
<b>3 Average Days to Resolve Indemnity Disputes through Dispute Resolution</b>					
	0.00	117.00	117.00	116.00	115.00
<b>4 Percentage of Medical Fee Disputes Resolved by Agency Decision</b>					
	0.00	98.00	95.00	95.00	95.00
<i>Manage the Subsequent Injury Fund</i>					
<b>1 Total Payments Made out of the SIF for Benefits &amp; Reimbursements</b>					
	2,700,211.00	2,398,055.00	2,851,000.00	3,373,000.00	3,654,500.00

**2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST**

80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006

TIME : 5:14:54PM

Agency code: 454

Agency name: Department of Insurance

Priority	Item	2008			2009			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Restore DWC Accident Prevention Svc	\$190,565	\$190,565	5.0	\$190,565	\$190,565	5.0	\$381,130	\$381,130
2	Replace DWC obsolete infrastructure	\$238,211	\$238,211		\$238,211	\$238,211		\$476,422	\$476,422
3	Restore solvency regulation	\$2,231,625	\$2,231,625	40.6	\$2,231,625	\$2,231,625	40.6	\$4,463,250	\$4,463,250
4	Restore review of filings	\$1,049,002	\$1,049,002	26.9	\$1,049,002	\$1,049,002	26.9	\$2,098,004	\$2,098,004
5	Restore regulation of Cont Ed	\$250,607	\$250,607	7.3	\$250,607	\$250,607	7.3	\$501,214	\$501,214
6	Restore review of insurance ads	\$293,931	\$293,931	6.6	\$293,931	\$293,931	6.6	\$587,862	\$587,862
7	Replace DWC phone system	\$966,000	\$966,000		\$0	\$0		\$966,000	\$966,000
8	Relocate DWC	\$487,258	\$487,258		\$0	\$0		\$487,258	\$487,258
9	Restore P&C data collection	\$105,166	\$105,166	2.5	\$105,166	\$105,166	2.5	\$210,332	\$210,332
10	Restore enforcement of losses	\$295,549	\$295,549	7.3	\$295,549	\$295,549	7.3	\$591,098	\$591,098
11	Restore windstorm inspections	\$1,139,536	\$1,139,536	24.6	\$1,139,536	\$1,139,536	24.6	\$2,279,072	\$2,279,072
12	Enhance Hobby security	\$415,122	\$415,122		\$415,122	\$415,122		\$830,244	\$830,244
<b>Total, Exceptional Items Request</b>		<b>\$7,662,572</b>	<b>\$7,662,572</b>	<b>120.8</b>	<b>\$6,209,314</b>	<b>\$6,209,314</b>	<b>120.8</b>	<b>\$13,871,886</b>	<b>\$13,871,886</b>
<b>Method of Financing</b>									
	General Revenue	\$3,757,538	\$3,757,538		\$3,757,538	\$3,757,538		\$7,515,076	\$7,515,076
	General Revenue - Dedicated	3,905,034	3,905,034		2,451,776	2,451,776		6,356,810	6,356,810
	Federal Funds								
	Other Funds								
		<b>\$7,662,572</b>	<b>\$7,662,572</b>		<b>\$6,209,314</b>	<b>\$6,209,314</b>		<b>\$13,871,886</b>	<b>\$13,871,886</b>

**Full Time Equivalent Positions**

**120.8**

**120.8**

Agency code: 454

Agency name: Department of Insurance

Priority	Item	2008			2009			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
	Number of 100% Federally Funded FTEs			0.0			0.0		



**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE : 8/24/2006  
 TIME : 5:15:27PM

Agency code: 454 Agency name: Department of Insurance

<b>Goal/Objective/STRATEGY</b>	<b>Base 2008</b>	<b>Base 2009</b>	<b>Exceptional 2008</b>	<b>Exceptional 2009</b>	<b>Total Request 2008</b>	<b>Total Request 2009</b>
<b>1 Encourage Fair Competition in the Insurance Industry</b>						
<i>1 Reduce Impediments to Competition and Improve Insurance Availabilit</i>						
1 CONSUMER ED. AND MKT. ANALYSES	\$2,849,262	\$2,849,262	\$95,445	\$95,445	\$2,944,707	\$2,944,707
2 RATES, FORMS AND LICENSES	9,482,454	9,482,454	1,182,347	1,182,347	10,664,801	10,664,801
3 PROMOTE UNDERSERVED COVERAGE	153,298	153,298	0	0	153,298	153,298
<i>2 Reduce Unfair and Illegal Insurer Practices</i>						
1 RESOLVE COMPLAINTS	2,561,209	2,561,209	241,652	241,652	2,802,861	2,802,861
2 INVESTIGATION AND ENFORCEMENT	2,893,212	2,893,212	0	0	2,893,212	2,893,212
3 INSURER FRAUD	976,030	976,030	12,500	12,500	988,530	988,530
4 TEXASONLINE	296,100	296,100	0	0	296,100	296,100
<b>TOTAL, GOAL 1</b>	<b>\$19,211,565</b>	<b>\$19,211,565</b>	<b>\$1,531,944</b>	<b>\$1,531,944</b>	<b>\$20,743,509</b>	<b>\$20,743,509</b>
<b>2 Encourage the Financial Health of the Insurance Industry</b>						
<i>1 Regulate Insurance Industry Solvency</i>						
1 INSURERS FINANCIAL CONDITION	10,080,327	10,080,326	2,049,272	2,049,272	12,129,599	12,129,598
<b>TOTAL, GOAL 2</b>	<b>\$10,080,327</b>	<b>\$10,080,326</b>	<b>\$2,049,272</b>	<b>\$2,049,272</b>	<b>\$12,129,599</b>	<b>\$12,129,598</b>
<b>3 Decrease Insurance Industry Loss Costs</b>						
<i>1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info</i>						
1 LOSS CONTROL PROGRAMS	1,606,690	1,606,690	1,053,115	1,053,115	2,659,805	2,659,805
2 PROVIDER AND CONSUMER FRAUD	1,286,961	1,286,961	12,500	12,500	1,299,461	1,299,461
3 WORKERS' COMPENSATION FRAUD	214,152	214,152	0	0	214,152	214,152
<b>TOTAL, GOAL 3</b>	<b>\$3,107,803</b>	<b>\$3,107,803</b>	<b>\$1,065,615</b>	<b>\$1,065,615</b>	<b>\$4,173,418</b>	<b>\$4,173,418</b>

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE : 8/24/2006  
 TIME : 5:15:30PM

Agency code: 454                      Agency name: Department of Insurance

<b>Goal/Objective/STRATEGY</b>	<b>Base 2008</b>	<b>Base 2009</b>	<b>Exceptional 2008</b>	<b>Exceptional 2009</b>	<b>Total Request 2008</b>	<b>Total Request 2009</b>
<b>4 Reduce Loss of Life and Property Due to Fire</b>						
1 <i>Protect the Public against Loss of Life &amp; Property Resulting from Fire</i>						
1 FIRE PROTECTION	\$3,651,812	\$3,651,812	\$268,000	\$268,000	\$3,919,812	\$3,919,812
<b>TOTAL, GOAL 4</b>	<b>\$3,651,812</b>	<b>\$3,651,812</b>	<b>\$268,000</b>	<b>\$268,000</b>	<b>\$3,919,812</b>	<b>\$3,919,812</b>
<b>5 To Promote Safe and Healthy Workplaces</b>						
1 <i>Promote Safe/Healthy Workplaces through Incentives and Education</i>						
1 HEALTH AND SAFETY SERVICES	4,076,655	4,076,655	190,565	190,565	4,267,220	4,267,220
2 <i>Encourage Safe and Timely Return to Work</i>						
1 RETURN-TO-WORK EDUCATION	337,456	337,456	0	0	337,456	337,456
<b>TOTAL, GOAL 5</b>	<b>\$4,414,111</b>	<b>\$4,414,111</b>	<b>\$190,565</b>	<b>\$190,565</b>	<b>\$4,604,676</b>	<b>\$4,604,676</b>
<b>6 Ensure the Appropriate Delivery of Workers Compensation Benefits</b>						
1 <i>Ensure the Appropriate Payment of Health Care</i>						
1 MEDICAL COST CONTAINMENT	1,939,542	1,939,542	0	0	1,939,542	1,939,542
2 <i>Promote Compliance &amp; Address Noncompliance w/ Workers' Comp Rules</i>						
1 MONITORING AND ENFORCEMENT	2,435,660	2,435,660	0	0	2,435,660	2,435,660
3 <i>Inform System Participants and Provide Service through Technology</i>						
1 DEVELOP AND IMPLEMENT PROCESSES	6,289,152	6,289,152	415,380	0	6,704,532	6,289,152
4 <i>Certify &amp; Regulate Private Employers that Qualify to Self-insure</i>						
1 CERTIFY SELF-INSURANCE	660,872	660,872	0	0	660,872	660,872
5 <i>Minimize and Resolve Disputes</i>						
1 DISPUTE RESOLUTION	14,874,899	14,874,899	550,620	0	15,425,519	14,874,899
6 <i>Manage the Subsequent Injury Fund</i>						
1 SUBSEQUENT INJURY FUND ADMIN	3,737,525	3,737,525	0	0	3,737,525	3,737,525
<b>TOTAL, GOAL 6</b>	<b>\$29,937,650</b>	<b>\$29,937,650</b>	<b>\$966,000</b>	<b>\$0</b>	<b>\$30,903,650</b>	<b>\$29,937,650</b>

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE : 8/24/2006  
 TIME : 5:15:30PM

Agency code: 454                      Agency name: Department of Insurance							
<u>Goal/Objective/STRATEGY</u>		<b>Base 2008</b>	<b>Base 2009</b>	<b>Exceptional 2008</b>	<b>Exceptional 2009</b>	<b>Total Request 2008</b>	<b>Total Request 2009</b>
7 Indirect Administration							
1 Indirect Administration							
1 CENTRAL ADMINISTRATION		\$7,770,810	\$7,770,810	\$64,528	\$64,528	\$7,835,338	\$7,835,338
2 INFORMATION RESOURCES		10,238,301	10,238,301	552,285	552,285	10,790,586	10,790,586
3 OTHER SUPPORT SERVICES		2,781,391	2,781,392	974,363	487,105	3,755,754	3,268,497
<b>TOTAL, GOAL 7</b>		<b>\$20,790,502</b>	<b>\$20,790,503</b>	<b>\$1,591,176</b>	<b>\$1,103,918</b>	<b>\$22,381,678</b>	<b>\$21,894,421</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>		<b>\$91,193,770</b>	<b>\$91,193,770</b>	<b>\$7,662,572</b>	<b>\$6,209,314</b>	<b>\$98,856,342</b>	<b>\$97,403,084</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>							
<b>GRAND TOTAL, AGENCY REQUEST</b>		<b>\$91,193,770</b>	<b>\$91,193,770</b>	<b>\$7,662,572</b>	<b>\$6,209,314</b>	<b>\$98,856,342</b>	<b>\$97,403,084</b>

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE : 8/24/2006  
 TIME : 5:15:30PM

Agency code: 454 Agency name: Department of Insurance

<i>Goal/Objective/STRATEGY</i>	<b>Base 2008</b>	<b>Base 2009</b>	<b>Exceptional 2008</b>	<b>Exceptional 2009</b>	<b>Total Request 2008</b>	<b>Total Request 2009</b>
36 DEPT INS OPERATING ACCT	\$52,968,853	\$52,968,853	\$3,905,034	\$2,451,776	\$56,873,887	\$55,420,629
5101 SUBSEQUENT INJURY FUND	3,670,140	3,670,140	0	0	\$3,670,140	\$3,670,140
	<b>\$56,638,993</b>	<b>\$56,638,993</b>	<b>\$3,905,034</b>	<b>\$2,451,776</b>	<b>\$60,544,027</b>	<b>\$59,090,769</b>
555 FEDERAL FUNDS	2,254,623	2,254,623	0	0	\$2,254,623	\$2,254,623
	<b>\$2,254,623</b>	<b>\$2,254,623</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>
1 GENERAL REVENUE FUND	0	0	0	0	\$0	\$0
888 EARNED FEDERAL FUNDS	224,406	224,406	0	0	\$224,406	\$224,406
8042 INSURANCE MAINT TAX FEES	30,528,448	30,528,448	3,757,538	3,757,538	\$34,285,986	\$34,285,986
	<b>\$30,752,854</b>	<b>\$30,752,854</b>	<b>\$3,757,538</b>	<b>\$3,757,538</b>	<b>\$34,510,392</b>	<b>\$34,510,392</b>
666 APPROPRIATED RECEIPTS	1,489,700	1,489,700	0	0	\$1,489,700	\$1,489,700
777 INTERAGENCY CONTRACTS	57,600	57,600	0	0	\$57,600	\$57,600
	<b>\$1,547,300</b>	<b>\$1,547,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,547,300</b>	<b>\$1,547,300</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>	<b>\$7,662,572</b>	<b>\$6,209,314</b>	<b>\$98,856,342</b>	<b>\$97,403,084</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>1,583.6</b>	<b>1,583.6</b>	<b>120.8</b>	<b>120.8</b>	<b>1,704.4</b>	<b>1,704.4</b>

2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES

80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:15:42PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome

		BL 2008	BL 2009	Excp 2008	Excp 2009	Total Request 2008	Total Request 2009
1	Encourage Fair Competition in the Insurance Industry						
1	Reduce Impediments to Competition and Improve Insurance Availability						
	<b>1 Percent of Company Licenses Completed within 60 Days</b>						
		98.00%	98.00%			98.00%	98.00%
KEY	<b>2 Percent of Agent License Filings Completed within 15 Days</b>						
		96.00%	96.00%			96.00%	96.00%
KEY	<b>3 Percent of Statutory Rate and Form Filings Completed within 90 Days</b>						
		63.00%	63.00%	87.00%	87.00%	87.00%	87.00%
KEY	<b>4 Number of Autos in Underserved Markets With Voluntary Coverage</b>						
		69.00%	69.00%			69.00%	69.00%
KEY	<b>5 % of Personal Auto &amp; Res Prop Rate &amp; Form Filings within 60 Days</b>						
		95.00%	95.00%			95.00%	95.00%
2	Reduce Unfair and Illegal Insurer Practices						
	<b>1 Percent of Insurer Fraud Referrals to Appropriate Authorities</b>						
		55.00%	55.00%			55.00%	55.00%
KEY	<b>2 Percent of Licensees Who Renew Online</b>						
		55.00%	55.00%			55.00%	55.00%
2	Encourage the Financial Health of the Insurance Industry						
1	Regulate Insurance Industry Solvency						

**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:15:46PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome

		BL 2008	BL 2009	Excp 2008	Excp 2009	Total Request 2008	Total Request 2009
<b>KEY</b>	<b>1 Percent of Statutorily Mandated Examinations Complete within 18 Months</b>	96.00%	97.00%			96.00%	97.00%
	<b>2 Percent of Identified Companies Reviewed</b>	97.00%	97.00%			97.00%	97.00%
<b>KEY</b>	<b>3 Special Deputy Receiver Asset Recovery Expenses As % of Collections</b>	15.00%	15.00%			15.00%	15.00%
<b>KEY</b>	<b>4 Average # of Days from "At Risk" Identification to Solvency Action</b>	31.00	31.00			31.00	31.00
	<b>5 % of Insurers Meeting Capital and Surplus Requirements</b>	94.00%	94.00%	97.00%	97.00%	97.00%	97.00%
<b>KEY</b>	<b>6 Percent of Companies Rehabilitated after TDI Intervention</b>	9.00%	9.00%	18.00%	18.00%	18.00%	18.00%
3	Decrease Insurance Industry Loss Costs						
1	Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info						
	<b>1 Percent of Insurers Providing Adequate Loss Control Programs</b>	0.00%	0.00%	93.00%	93.00%	93.00%	93.00%
<b>KEY</b>	<b>2 % Commercial Property Inspections That Meet Filed Rating Schedule Reqs</b>	85.00%	85.00%			85.00%	85.00%

**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:15:46PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome

		BL 2008	BL 2009	Excp 2008	Excp 2009	Total Request 2008	Total Request 2009
<b>KEY</b>	<b>3 Percent of Windstorm Inspections That Result in an "Approved" Status</b>	0.00%	0.00%	35.00%	35.00%	35.00%	35.00%
	<b>4 % of Consumer and Provider Fraud Referral Resulting in Legal Action</b>	60.00%	60.00%			60.00%	60.00%
	<b>5 % of WC Consumer/Provider Fraud Referral Resulting in Legal Action</b>	55.00	55.00			55.00	55.00
4	Reduce Loss of Life and Property Due to Fire						
1	<i>Protect the Public against Loss of Life &amp; Property Resulting from Fire</i>						
<b>KEY</b>	<b>1 % of SFMO Criminal Referrals Resulting in Legal Action</b>	79.00%	79.00%			79.00%	79.00%
<b>KEY</b>	<b>2 Percent of Registrations, Licenses, and Permits Issued</b>	95.00%	95.00%	99.00%	99.00%	99.00%	99.00%
5	To Promote Safe and Healthy Workplaces						
1	<i>Promote Safe/Healthy Workplaces through Incentives and Education</i>						
	<b>1 Incidence of Injuries and Illness Per 100 Full-time Employees</b>	3.90	3.90			3.90	3.90
	<b>2 % Change in Injury Rate for Employers after Inspection</b>	20.00	20.00			20.00	20.00
2	<i>Encourage Safe and Timely Return to Work</i>						

**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006  
Time: 5:15:46PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome

	<b>BL 2008</b>	<b>BL 2009</b>	<b>Excp 2008</b>	<b>Excp 2009</b>	<b>Total Request 2008</b>	<b>Total Request 2009</b>
<b>1 Percent of TIBs Recipients Returning to Work Within 90 Days of Injury</b>	56.00	58.00			56.00	58.00
6 Ensure the Appropriate Delivery of Workers Compensation Benefits						
1 <i>Ensure the Appropriate Payment of Health Care</i>						
<b>1 Percentage of Medical Bills Processed Timely</b>	95.00	95.00			95.00	95.00
2 <i>Promote Compliance &amp; Address Noncompliance w/ Workers' Comp Rules/Laws</i>						
<b>1 \$ Amount returned to System Participants through Complaint Resolution</b>	500,000.00	475,000.00			500,000.00	475,000.00
<b>2 Average Days from Benefit Accrue Date to Initial Payment</b>	7.10	7.10			7.10	7.10
<b>3 % of First Income Benefit Payment Made Timely</b>	92.00	93.00			92.00	93.00
3 <i>Inform System Participants and Provide Service through Technology</i>						
<b>1 Percentage of Documents Received &amp; Maintained Electronically by DWC</b>	70.00	70.00			70.00	70.00
4 <i>Certify &amp; Regulate Private Employers that Qualify to Self-insure</i>						
<b>1 % Market Share of Self-insurance to Total WC Insurance Market</b>	10.00	10.00			10.00	10.00
5 <i>Minimize and Resolve Disputes</i>						



**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas(ABEST)

Date : 8/24/2006

Time: 5:15:46PM

Agency code: 454

Agency name: Department of Insurance

Goal/ Objective / Outcome

	BL 2008	BL 2009	Excp 2008	Excp 2009	Total Request 2008	Total Request 2009
<b>1 % of Indemnity Disputes Resolved Prior to Benefit Review Conference</b>	42.00	43.00			42.00	43.00
<b>2 Percentage of Indemnity Disputes Resolved in Dispute Resolution</b>	56.00	55.00			56.00	55.00
<b>3 Average Days to Resolve Indemnity Disputes through Dispute Resolution</b>	116.00	115.00			116.00	115.00
<b>4 Percentage of Medical Fee Disputes Resolved by Agency Decision</b>	95.00	95.00			95.00	95.00
<b>6 Manage the Subsequent Injury Fund</b>						
<b>1 Total Payments Made out of the SIF for Benefits &amp; Reimbursements</b>	3,373,000.00	3,654,500.00			3,373,000.00	3,654,500.00

### **3. STRATEGY REQUESTS**

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:55PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 1 Analyze Market Data and Provide Information Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Inquiries Answered	920,436.00	960,000.00	960,000.00	1,000,000.00	1,000,000.00
2	Number of Rate Guides Distributed	861,235.00	920,000.00	797,000.00	800,000.00	800,000.00
3	Number of Consumer Information Publications Distributed	3,079,365.00	3,400,000.00	3,270,000.00	3,300,000.00	3,300,000.00
4	Number of Consumer Information Presentations Made	542.00	576.00	540.00	575.00	575.00
5	Number of TDI Calls to Insurance Industry for Data	17.00	20.00	20.00	18.00	18.00
<b>Explanatory/Input Measures:</b>						
1	Aggregate Overhead Cost As a Percent of Premiums Paid by Consumers	18.00	18.00	21.00	21.00	21.00
2	# of Insured Automobiles as a Percentage of Total Registered Vehicles	86.00	85.00	79.00	79.00	79.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,589,287	\$2,848,520	\$3,265,270	\$2,154,683	\$2,154,683
1002	OTHER PERSONNEL COSTS	\$79,084	\$80,800	\$52,068	\$52,068	\$52,068
2001	PROFESSIONAL FEES AND SERVICES	\$255,247	\$578,375	\$179,616	\$179,616	\$179,616
2003	CONSUMABLE SUPPLIES	\$14,926	\$66,528	\$29,824	\$29,172	\$29,172
2004	UTILITIES	\$8,222	\$10,577	\$10,577	\$10,577	\$10,577
2005	TRAVEL	\$33,519	\$73,189	\$17,219	\$17,219	\$17,219
2006	RENT - BUILDING	\$2,294	\$10,413	\$10,413	\$10,413	\$10,413
2007	RENT - MACHINE AND OTHER	\$5,046	\$5,646	\$6,448	\$6,448	\$6,448
2009	OTHER OPERATING EXPENSE	\$332,298	\$423,301	\$398,489	\$386,313	\$385,449
5000	CAPITAL EXPENDITURES	\$13,503	\$18,447	\$13,929	\$2,753	\$3,617
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$3,333,426</b>	<b>\$4,115,796</b>	<b>\$3,983,853</b>	<b>\$2,849,262</b>	<b>\$2,849,262</b>

**Method of Financing:**

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 1 Analyze Market Data and Provide Information Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1	GENERAL REVENUE FUND	\$0	\$0	\$0	\$0	\$0
8042	INSURANCE MAINT TAX FEES	\$2,032,385	\$2,372,230	\$2,548,113	\$1,781,274	\$1,781,274
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$2,032,385</b>	<b>\$2,372,230</b>	<b>\$2,548,113</b>	<b>\$1,781,274</b>	<b>\$1,781,274</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$1,051,659	\$1,228,059	\$1,291,141	\$923,389	\$923,389
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$1,051,659</b>	<b>\$1,228,059</b>	<b>\$1,291,141</b>	<b>\$923,389</b>	<b>\$923,389</b>
<b>Method of Financing:</b>						
555	FEDERAL FUNDS					
93.256.000	Planning Hlth Care Access-Uninsured	\$79,170	\$344,643	\$0	\$0	\$0
CFDA Subtotal, Fund	555	\$79,170	\$344,643	\$0	\$0	\$0
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$79,170</b>	<b>\$344,643</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$95,007	\$92,759	\$92,759	\$92,759	\$92,759
777	INTERAGENCY CONTRACTS	\$75,205	\$78,105	\$51,840	\$51,840	\$51,840
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$170,212</b>	<b>\$170,864</b>	<b>\$144,599</b>	<b>\$144,599</b>	<b>\$144,599</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,849,262</b>	<b>\$2,849,262</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>					<b>\$2,849,262</b>	<b>\$2,849,262</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>53.9</b>	<b>54.5</b>	<b>61.5</b>	<b>47.1</b>	<b>47.1</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 1 Analyze Market Data and Provide Information Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The agency is directed by statute (primarily Tex. Ins. Code, Chapter 38) to collect and analyze market data and provide information and reports to elected officials, consumers and industry; to collect data about consumer complaints and distribute information to the public(Sections 521.001, 521.002, 521.004, 521.052, 521.054, 521.055, 541.060 and 542.003); and to provide requested assistance to the legislature (TIC, §301.028). Data for the statutorily mandated reports are collected through agency statistical plans or special data calls(e.g. Legislative Report on Market Conditions).

TDI supports competition by educating consumers through its toll free Consumer Help Line website, publications, and presentations (Section 521.051). Information includes company complaints and financial data and publications on insurance issues including rate guides.

This strategy coordinates with agency strategy 113, providing information and analyzing data to promote coverage of underserved areas, 121, providing information to help resolve complaints; 122, analyzing data which may identify trends that assist in investigating questionable practices and enforcing statutes and rules and 123 and 321, educating consumers to help them identify and avoid fraudulent entities or activities

Strategy 111 contributes to statewide goal 07 and statewide benchmark 01 of assisting market competition by helping consumers with purchasing decisions and providing Legislators and agency leadership with information for decision-making.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Legislation, market trends, information needs of policymakers and consumers and population and demographic changes impact this strategy. Changes in state or federal laws may expand or decrease regulation. Recent legislation relating to form filings for residential property and automobile authorizes the use of new policy forms, which allows consumers to have a wider range of policy form choices with coverage and price more varied between companies

As product variety increases and market conditions change both policymakers and consumers face greater challenges. Policymakers, whose decisions affect the products available, need data and analysis for public policy decisions, and consumers need information to match their needs with products available. Consumers face challenges in selecting a policy that most cost-effectively meets their needs, increasing the agency's role in consumer education. As the population ages and becomes more diverse, TDI will ensure its information is available in appropriate languages and formats.

Internal factors include the increased degree of automation and the need to use technology that is compatible with what is used by the industry, consumers and other parties. Market conditions may also change rapidly, and the agency must balance the need to provide comprehensive data with providing it quickly. Changing market conditions also require the agency to manage resources to ensure that data collected, analyzed and distributed reflects the information needs of consumers, legislators and other interested parties.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability  
 STRATEGY: 2 Process Rates, Forms and Licenses

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Life/Health Insurance Filings Completed	28,339.00	29,800.00	29,800.00	29,800.00	29,800.00
2	Number of Health Maintenance Organization (HMO) Form Filings Completed	1,538.00	1,500.00	1,500.00	1,500.00	1,500.00
3	Number of Property and Casualty Rate and Form Filings Completed	19,254.00	15,000.00	19,000.00	18,660.00	18,660.00
<b>Explanatory/Input Measures:</b>						
1	Total Number of Licensed Agents	278,174.00	292,000.00	307,000.00	322,000.00	338,000.00
2	Number of Texas-based Regulated Companies	792.00	785.00	780.00	780.00	780.00
3	Number of Non-Texas-based Regulated Companies	1,948.00	1,925.00	1,915.00	1,915.00	1,915.00
4	Number of Licensed Health Maintenance Organizations (HMOs)	55.00	45.00	43.00	43.00	43.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$7,595,692	\$8,045,939	\$8,775,952	\$8,681,018	\$8,681,018
1002	OTHER PERSONNEL COSTS	\$350,312	\$320,364	\$339,847	\$339,847	\$339,847
2001	PROFESSIONAL FEES AND SERVICES	\$32,732	\$28,237	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$49,551	\$99,014	\$83,306	\$54,007	\$54,007
2004	UTILITIES	\$399	\$670	\$915	\$915	\$915
2005	TRAVEL	\$16,593	\$29,783	\$35,059	\$27,059	\$27,059
2007	RENT - MACHINE AND OTHER	\$28,508	\$22,202	\$23,004	\$23,004	\$23,004
2009	OTHER OPERATING EXPENSE	\$530,151	\$495,496	\$391,073	\$341,270	\$336,458
5000	CAPITAL EXPENDITURES	\$61,513	\$69,931	\$63,456	\$15,334	\$20,146
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$8,665,451</b>	<b>\$9,111,636</b>	<b>\$9,712,612</b>	<b>\$9,482,454</b>	<b>\$9,482,454</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$5,710,533	\$6,252,289	\$6,446,260	\$6,409,504	\$6,409,504

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 2 Process Rates, Forms and Licenses Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$5,710,533</b>	<b>\$6,252,289</b>	<b>\$6,446,260</b>	<b>\$6,409,504</b>	<b>\$6,409,504</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$2,954,918	\$2,859,347	\$3,266,352	\$3,072,950	\$3,072,950
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$2,954,918</b>	<b>\$2,859,347</b>	<b>\$3,266,352</b>	<b>\$3,072,950</b>	<b>\$3,072,950</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$9,482,454</b>	<b>\$9,482,454</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$8,665,451</b>	<b>\$9,111,636</b>	<b>\$9,712,612</b>	<b>\$9,482,454</b>	<b>\$9,482,454</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>188.4</b>	<b>185.0</b>	<b>206.8</b>	<b>186.6</b>	<b>186.6</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

The agency is directed by statute to review rates, filings and policy forms for property, casualty, credit, life, accident and health, annuity, workers' compensation networks, and HMO coverages (TX. Ins. Code, Chapters 5, 1701, 20A, 37, 843, 1271, 1272, 1305, 1111 and 1153). TDI also reviews and approves registration or certification applications for prospective agents, adjusters, insurers, third party administrators, utilization review agents, independent review organizations, workers' compensation health care networks and selfinsured groups as well as viatical and life settlement entities, and other specialized risk-bearing entities (TIC, Chapters 21.58A, 21.58C, 801, 822, 841, and 1111). After licensure, TDI reviews subsequent filings submitted in connection with moving books and records contracting with viatical and life settlement entities, withdrawing from lines of business and expanding service areas.

Form filings consist of policy forms applications, riders, evidence or outline of coverages, actuarial memorandums, amendments and endorsements Rate filings consist of rates, actuarial memorandum and support, rating plans, rating methodologies and rating manuals Licensing and registration of insurers and other risk-bearing entities consist of applications, business plans and background checks

Strategy 112 provides information to support strategy 113, 122, 123, and 321. This strategy contributes to the statewide goal07 and the statewide benchmark01 by assisting the agency in regulating the industry and in examining rates for appropriateness

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	1	Encourage Fair Competition in the Insurance Industry	Statewide Goal/Benchmark:	7	1
OBJECTIVE:	1	Reduce Impediments to Competition and Improve Insurance Availability	Service Categories:		
STRATEGY:	2	Process Rates, Forms and Licenses	Service:	17	Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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State and federal legislation, changes in the economy and market trends impact this strategy State legislation has increased the number of rate and form filings in the automobile and residential property markets and authorized new policy forms which have increased the number and complexity of these filings State legislation has also provided carriers the opportunity to design new health coverages

In response to changes in economy market trends and state statutes insurers have developed more complex products Changes in market conditions can also affect the type of coverages offered and the rates charged. Mergers and consolidations, particularly in the HMO market, have resulted in fewer form filings Economic conditions, including costs of medical services, building materials, repair services and other cost factors associated with claims also affect rates and the types of coverages offered

Internal factors affecting this strategy include the increased degree of automation necessary to track and review filings Due to the variety of lines of insurance, as well as the variety of coverages offered within individual lines, the cost-effective use of staff resources requires significant cross-training to ensure timely processing of filings



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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 3 Create Incentives and Requirements for Coverage in Underserved Markets Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$180,756	\$140,522	\$145,539	\$145,539	\$145,539
1002	OTHER PERSONNEL COSTS	\$1,400	\$6,145	\$0	\$0	\$0
2001	PROFESSIONAL FEES AND SERVICES	\$8	\$495	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$765	\$1,317	\$1,062	\$1,062	\$1,062
2005	TRAVEL	\$0	\$412	\$412	\$412	\$412
2007	RENT - MACHINE AND OTHER	\$615	\$615	\$615	\$615	\$615
2009	OTHER OPERATING EXPENSE	\$9,137	\$8,016	\$8,362	\$5,412	\$5,331
5000	CAPITAL EXPENDITURES	\$2,075	\$2,138	\$2,276	\$258	\$339
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$194,756</b>	<b>\$159,660</b>	<b>\$158,266</b>	<b>\$153,298</b>	<b>\$153,298</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$128,344	\$105,200	\$105,041	\$101,744	\$101,744
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$128,344</b>	<b>\$105,200</b>	<b>\$105,041</b>	<b>\$101,744</b>	<b>\$101,744</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$66,412	\$54,460	\$53,225	\$51,554	\$51,554
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$66,412</b>	<b>\$54,460</b>	<b>\$53,225</b>	<b>\$51,554</b>	<b>\$51,554</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$153,298</b>	<b>\$153,298</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$194,756</b>	<b>\$159,660</b>	<b>\$158,266</b>	<b>\$153,298</b>	<b>\$153,298</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>4.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Reduce Impediments to Competition and Improve Insurance Availability Service Categories:  
 STRATEGY: 3 Create Incentives and Requirements for Coverage in Underserved Markets Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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TDI is directed by statute (Tex. Ins. Code, Arts. 5.35-3 and 21.49A) to improve insurance availability by identifying underserved markets creating incentives, and implementing requirements for insurers to write automobile and residential property insurance in underserved markets

The Texas Automobile Insurance Plan Association has incentive programs to encourage companies to move policyholders from the assigned risk program to the voluntary market based on underserved areas identified by TDI (TIC, Art. 21.81 § 3(e)). The Commissioner is authorized to establish a Fair Access to Insurance Requirements(FAIR) plan (TIC, Art. 21.49A), which is an insurer of last resort

Other strategies support coverage in underserved areas by providing consumer education and market analysis resolving consumer complaints and enforcing regulations against unfair trade practices that may affect insurance availability(TIC, Arts. 21.21-6 and 21.21-8). Success in enforcement actions will reduce refusal by the industry to write insurance for certain segments of the population and certain geographical areas

This strategy contributes to statewide goal 07 and benchmark 01 in that incentive programs comply with statutes regulating the industry in underserved areas and help to reduce rates paid by those in underserved areas.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The primary external factors affecting this strategy are market conditions and legislation The FAIR plan was implemented in 2002 to address availability problems in the homeowners market.

Recent legislation relating to form filings for residential property and automobile authorizes the use of new policy forms TDI believes this flexibility in forms will increase the availability of insurance, in general, and also encourage companies to write in underserved areas

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices  
 STRATEGY: 1 Respond Promptly and Act on Complaints

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Complaints Resolved	25,898.00	26,050.00	26,200.00	0.00	0.00
2	Number of Insurance Advertising Filings Reviewed	6,065.00	6,000.00	6,000.00	0.00	0.00
3	Dollar Amount Returned to Consumers through Complaint Resolution	39,357,722.00	56,000,000.00	36,000,000.00	36,000,000.00	36,000,000.00
4	Number of Complaints Against Health Maintenance Organizations Resolved	2,422.00	1,000.00	1,000.00	1,000.00	1,000.00
<b>Efficiency Measures:</b>						
1	Average Response Time (in Days) to Complaints	33.00	38.00	38.00	38.00	38.00
2	Average Time (in Days) for HMO Complaint Resolution	6.00	10.00	10.00	10.00	10.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,199,181	\$2,310,030	\$2,514,864	\$2,280,272	\$2,280,272
1002	OTHER PERSONNEL COSTS	\$67,500	\$78,431	\$96,514	\$96,514	\$96,514
2001	PROFESSIONAL FEES AND SERVICES	\$2,769	\$7,961	\$902	\$902	\$902
2003	CONSUMABLE SUPPLIES	\$16,039	\$23,045	\$16,260	\$13,966	\$13,966
2004	UTILITIES	\$1,975	\$4,242	\$3,988	\$3,988	\$3,988
2005	TRAVEL	\$34,779	\$74,377	\$34,981	\$34,981	\$34,981
2006	RENT - BUILDING	\$0	\$4,500	\$4,500	\$4,500	\$4,500
2007	RENT - MACHINE AND OTHER	\$4,762	\$4,328	\$4,328	\$4,328	\$4,328
2009	OTHER OPERATING EXPENSE	\$116,942	\$132,528	\$125,106	\$116,672	\$115,076
5000	CAPITAL EXPENDITURES	\$18,261	\$20,191	\$17,480	\$5,086	\$6,682
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,462,208</b>	<b>\$2,659,633</b>	<b>\$2,818,923</b>	<b>\$2,561,209</b>	<b>\$2,561,209</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$1,622,595	\$1,752,432	\$1,870,919	\$1,699,874	\$1,699,874

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices  
 STRATEGY: 1 Respond Promptly and Act on Complaints

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,622,595</b>	<b>\$1,752,432</b>	<b>\$1,870,919</b>	<b>\$1,699,874</b>	<b>\$1,699,874</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$839,613	\$907,201	\$948,004	\$861,335	\$861,335
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$839,613</b>	<b>\$907,201</b>	<b>\$948,004</b>	<b>\$861,335</b>	<b>\$861,335</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,561,209</b>	<b>\$2,561,209</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,462,208</b>	<b>\$2,659,633</b>	<b>\$2,818,923</b>	<b>\$2,561,209</b>	<b>\$2,561,209</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>56.8</b>	<b>55.6</b>	<b>59.7</b>	<b>54.1</b>	<b>54.1</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

TDI is directed by statute to facilitate the resolution of consumer complaints and assist consumers in recovering valid claims(Tex. Ins. Code Section 521.002 and §843.282). The agency maintains a complaint resolution process to resolve complaints from the public and while doing so to educate consumers about insurance coverages and policies. To assure that insurers are promoting certain insurance products in a fair and equitable manner, TDI also reviews advertising for long term care, Medicare supplement, and other products (Sections 31.002, 101.102, 541.051, 541.052, 541.053, and 541.061).

While assisting with complaints and questions, TDI is able to detect possible deceptive or fraudulent practices by agents or other regulated entities as described in strategies 122, Investigation/Enforcement, and 123, Insurer Fraud. In addition, this strategy contributes to the statewide goal 07 and statewide benchmark 01 by encouraging fair competition in the insurance industry.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            1    Encourage Fair Competition in the Insurance Industry

Statewide Goal/Benchmark:    7    1

OBJECTIVE:    2    Reduce Unfair and Illegal Insurer Practices

Service Categories:

STRATEGY:    1    Respond Promptly and Act on Complaints

Service: 17    Income: A.2    Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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Changes in the economy, weather conditions such as natural disasters, catastrophes, market changes, industry compliance, and publicity about insurance issues may lead to increased consumer complaints.

Legislative changes also may affect complaints In 2003, SB 14 deregulated insurance policies, and insurance companies were no longer required to provide mold coverage As a result, mold complaints have dropped. Alternatively, following the enactment of prompt pay statutes and regulations in2001, the department saw an increase in complaints received from doctors and other health care providers. However, in 2003, SB 418 provided additional prompt pay protections. TDI completed a comprehensive educational campaign and the number of complaints from physicians and providers has dropped The total number of complaints received by TDI has continued to decline through FY2005 and FY 2006.

TDI implemented a scanning and imaging workflow or“paperless” complaints process for more than 90 percent of the complaints received. As a result of efficiencies gained, TDI can process more complaints with existing staff resources

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices  
 STRATEGY: 2 Investigate Trade Practices and Enforcement as Needed

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Enforcement Actions Concluded	417.00	350.00	350.00	350.00	350.00
2	Dollar Amount of Penalties Assessed for Unfair and Illegal Practices	12,744,166.00	8,620,000.00	8,350,000.00	8,350,000.00	8,350,000.00
3	Dollar Amount of Restitution Assessed for Unfair and Illegal Practices	18,031,974.00	22,100,000.00	10,500,000.00	10,500,000.00	10,500,000.00
4	Number of Contested Cases Closed	268.00	250.00	250.00	250.00	250.00
5	Number of Quality Assurance Examinations Conducted	16.00	18.00	12.00	14.00	14.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Quality Assurance Examination	4,178.00	4,500.00	7,000.00	7,000.00	7,000.00
<b>Explanatory/Input Measures:</b>						
1	Percent of Contested Cases Finalized within 180 Days	74.00	74.00	75.00	75.00	75.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,571,506	\$2,800,290	\$2,584,786	\$2,483,718	\$2,483,718
1002	OTHER PERSONNEL COSTS	\$80,722	\$81,102	\$131,760	\$131,760	\$131,760
2001	PROFESSIONAL FEES AND SERVICES	\$15,469	\$94,835	\$86,523	\$86,523	\$86,523
2003	CONSUMABLE SUPPLIES	\$24,844	\$53,898	\$28,319	\$28,319	\$28,319
2004	UTILITIES	\$870	\$1,136	\$719	\$719	\$719
2005	TRAVEL	\$17,774	\$35,457	\$28,014	\$28,014	\$28,014
2006	RENT - BUILDING	\$76	\$110	\$123	\$123	\$123
2007	RENT - MACHINE AND OTHER	\$11,837	\$11,819	\$9,410	\$9,410	\$9,410
2009	OTHER OPERATING EXPENSE	\$220,934	\$219,049	\$131,076	\$120,238	\$118,861
5000	CAPITAL EXPENDITURES	\$19,783	\$21,540	\$18,937	\$4,388	\$5,765
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,963,815</b>	<b>\$3,319,236</b>	<b>\$3,019,667</b>	<b>\$2,893,212</b>	<b>\$2,893,212</b>

**Method of Financing:**

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices Service Categories:  
 STRATEGY: 2 Investigate Trade Practices and Enforcement as Needed Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
8042	INSURANCE MAINT TAX FEES	\$1,953,154	\$2,187,045	\$2,004,153	\$1,955,609	\$1,955,609
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,953,154</b>	<b>\$2,187,045</b>	<b>\$2,004,153</b>	<b>\$1,955,609</b>	<b>\$1,955,609</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$1,010,661	\$1,132,191	\$1,015,514	\$937,603	\$937,603
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$1,010,661</b>	<b>\$1,132,191</b>	<b>\$1,015,514</b>	<b>\$937,603</b>	<b>\$937,603</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,893,212</b>	<b>\$2,893,212</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,963,815</b>	<b>\$3,319,236</b>	<b>\$3,019,667</b>	<b>\$2,893,212</b>	<b>\$2,893,212</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>55.5</b>	<b>57.1</b>	<b>52.2</b>	<b>50.3</b>	<b>50.3</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The agency is directed by statute (Tex. Ins. Code, Chapter 21, Subchapter B; Section 31.002; and Chapter 82, Subchapter B) to take action against entities engaged in unfair/illegal practices. TDI investigates possible deceptive/ fraudulent practices or other violations by regulated entities and resolves violations of state law or rules informally through warning letters, consent orders and informal settlements. Violations are also resolved through contested case proceedings before the State Office of Administrative Hearings(SOAH). The Commissioner enters a final order based on the proposal of the SOAH administrative law judge. Remedies may include cessation of illegal conduct, license revocations, fines and/or restitution.

TDI also conducts examinations of the state's HMOs, workers' compensation networks, IROs, and URAs in order to monitor compliance with Texas' quality of care guidelines and network access and availability. Exams are performed for the investigation of complaints and for determining whether to grant an HMO or workers' compensation network a certificate of authority or to allow an existing HMO or workers' compensation network to expand its service area.

This strategy contributes to the statewide goal 07 and benchmark 01 by investigating and enforcing Texas statutes which supports fair rates and practices by insurance companies and other regulated entities.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	1	Encourage Fair Competition in the Insurance Industry	Statewide Goal/Benchmark:	7	1
OBJECTIVE:	2	Reduce Unfair and Illegal Insurer Practices	Service Categories:		
STRATEGY:	2	Investigate Trade Practices and Enforcement as Needed	Service:	17	Income: A.2      Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2005</b>	<b>Est 2006</b>	<b>Bud 2007</b>	<b>BL 2008</b>	<b>BL 2009</b>
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Legislation, economic changes, and market forces affect this strategy. Changes in economy or market forces may lead to increased enforcement activity For example, high reinsurance rates and weather concerns may result in companies restricting their writing and TDI is required to monitor those practices to ensure compliance with Texas law New legislation may create additional industry requirements, which TDI will then monitor for compliance

Internal factors affecting this strategy include agency practices Opportunity for informal resolution of actions and concern for particular issues such as availability of insurance at reasonable rates, non-discrimination and health insurance affect TDI's enforcement efforts.



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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry

Statewide Goal/Benchmark: 7 1

OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices

Service Categories:

STRATEGY: 3 Investigate Potential Insurer Fraud and Initiate Legal Action

Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Referrals of Alleged Insurer Fraud to Approp Authorities	71.00	78.00	70.00	70.00	70.00
<b>Efficiency Measures:</b>						
1	Average Number of Days Per Insurer Fraud Enforcement Case Referred	311.00	340.00	300.00	300.00	300.00
<b>Explanatory/Input Measures:</b>						
1	Estimated Dollar Amount (in Millions) of Insurer Fraud Referred	6.11	10.00	7.00	7.00	7.00
2	Number of Reports of Insurer Fraud Received	543.00	785.00	850.00	850.00	850.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$913,003	\$1,027,613	\$1,099,970	\$849,319	\$849,319
1002	OTHER PERSONNEL COSTS	\$8,296	\$16,000	\$228	\$228	\$228
2001	PROFESSIONAL FEES AND SERVICES	\$1,150	\$7,081	\$4,807	\$4,807	\$4,807
2003	CONSUMABLE SUPPLIES	\$5,501	\$11,263	\$8,783	\$8,749	\$8,749
2004	UTILITIES	\$4,130	\$7,269	\$7,269	\$7,269	\$7,269
2005	TRAVEL	\$42,389	\$50,007	\$45,563	\$45,563	\$45,563
2006	RENT - BUILDING	\$807	\$1,819	\$1,931	\$1,931	\$1,931
2007	RENT - MACHINE AND OTHER	\$1,785	\$2,021	\$1,999	\$1,999	\$1,999
2009	OTHER OPERATING EXPENSE	\$54,811	\$65,325	\$59,188	\$54,664	\$54,193
5000	CAPITAL EXPENDITURES	\$7,132	\$8,097	\$6,828	\$1,501	\$1,972
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,039,004</b>	<b>\$1,196,495</b>	<b>\$1,236,566</b>	<b>\$976,030</b>	<b>\$976,030</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$681,957	\$785,564	\$818,797	\$644,911	\$644,911

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices Service Categories:  
 STRATEGY: 3 Investigate Potential Insurer Fraud and Initiate Legal Action Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$681,957</b>	<b>\$785,564</b>	<b>\$818,797</b>	<b>\$644,911</b>	<b>\$644,911</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$352,879	\$406,672	\$414,889	\$328,239	\$328,239
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$352,879</b>	<b>\$406,672</b>	<b>\$414,889</b>	<b>\$328,239</b>	<b>\$328,239</b>
<b>Method of Financing:</b>						
777	INTERAGENCY CONTRACTS	\$4,168	\$4,259	\$2,880	\$2,880	\$2,880
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$4,168</b>	<b>\$4,259</b>	<b>\$2,880</b>	<b>\$2,880</b>	<b>\$2,880</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$976,030</b>	<b>\$976,030</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,039,004</b>	<b>\$1,196,495</b>	<b>\$1,236,566</b>	<b>\$976,030</b>	<b>\$976,030</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>20.9</b>	<b>21.1</b>	<b>23.7</b>	<b>18.1</b>	<b>18.1</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Statutes (Tex. Ins. Code, §701, Subchapter C) direct TDI to investigate cases involving fraudulent activities in the insurance industry and to initiate legal action when appropriate TDI receives, evaluates and investigates potentially fraudulent insurance activities reported by staff the general public, the insurance industry and other regulatory or law enforcement agencies. The Fraud Program is a law enforcement agency (Tex. Crim. Proc. Code, Art. 2.12(28)) and has access to crime databases. It may make arrests, execute search warrants and subpoenas, refer cases to district attorneys, and participate in state and federal criminal investigation task forces. Cases may culminate in referrals to district attorneys and federal prosecutors for criminal prosecution.

This strategy protects consumers and ensures the insurance industry maintains integrity in its business practices. In order to reduce fraud, this strategy coordinates with strategy 111 to educate the public about fraudulent activities.

This strategy contributes to statewide goal 07 and statewide benchmark 01. Eliminating and deterring fraud reduces unfair and illegal practices which encourages fair competition in the insurance industry. It protects consumers' insurance assets from financial loss related to the purchase of fraudulent products and protects the state's general revenues by helping to avoid insurer insolvencies and by collecting penalties.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL:	1	Encourage Fair Competition in the Insurance Industry	Statewide Goal/Benchmark:	7	1
OBJECTIVE:	2	Reduce Unfair and Illegal Insurer Practices	Service Categories:		
STRATEGY:	3	Investigate Potential Insurer Fraud and Initiate Legal Action	Service:	34	Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Fraudulent activities can victimize insurance consumers when agents convert premiums to personal use unauthorized insurers sell fake coverage, or company officers or managers use company assets for personal gain and cause a company to fail

State and federal legislation affects this strategy. Insurance fraud committed within the industry is addressed at the national level by the National Association of Insurance Commissioners which maintains an anti-fraud task force that has recommended insurance fraud model laws As more states enact tougher fraud statutes and enforcement all insurance consumers and taxpayers will benefit On a statewide level, the Governor recently issued an Executive Order relating to preventing and eliminating fraud waste and abuse.

Economic trends directly affect the amount and type of fraudulent activities occurring in the state Additionally, the regulatory climate (for example, the availability and affordability of workers' compensation and health coverage) may lead to voids in the marketplace, which are filled by fraudulent operators

Internal activities affect the ability to combat fraud TDI participated in the "Texas Committee on Insurance Fraud" to enhance fraud awareness, and added a special prosecutor in the Dallas County District Attorney's Office to assist in investigations Continued funding for and access to national and statewide insurer databases and the maintenance enhancement and expanded use of existing TDI databases and case management systems are essential tools in combating fraud

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
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DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 1 Encourage Fair Competition in the Insurance Industry  
 OBJECTIVE: 2 Reduce Unfair and Illegal Insurer Practices  
 STRATEGY: 4 TexasOnline. Estimated and Nontransferable

Statewide Goal/Benchmark: 7 8  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Objects of Expense:</b>						
2009	OTHER OPERATING EXPENSE	\$283,608	\$383,594	\$296,100	\$296,100	\$296,100
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$283,608</b>	<b>\$383,594</b>	<b>\$296,100</b>	<b>\$296,100</b>	<b>\$296,100</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$3,156	\$6,520	\$0	\$0	\$0
8042	INSURANCE MAINT TAX FEES	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$3,156</b>	<b>\$6,520</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$280,452	\$377,074	\$296,100	\$296,100	\$296,100
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$280,452</b>	<b>\$377,074</b>	<b>\$296,100</b>	<b>\$296,100</b>	<b>\$296,100</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$296,100</b>	<b>\$296,100</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$283,608</b>	<b>\$383,594</b>	<b>\$296,100</b>	<b>\$296,100</b>	<b>\$296,100</b>

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL:	1	Encourage Fair Competition in the Insurance Industry	Statewide Goal/Benchmark:	7	8
OBJECTIVE:	2	Reduce Unfair and Illegal Insurer Practices	Service Categories:		
STRATEGY:	4	TexasOnline. Estimated and Nontransferable	Service:	17	Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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In 2000, TDI began on-line agent license renewals as a pilot project of the Electronic Government Task Force, authorized by the 76th Legislature. This Texas e-government initiative (Gov. Code, Sec. Chapter 2054, Subchapter I ) was established to provide the citizens of Texas access to Texas governmental services 24 hours a day, seven days a week, and 365 days a year.

TDI prints and mails out renewal notices as required by the Texas Insurance Code, Chapter 4003, however, licensees have the option to renew their license(s) online by submitting payment through a third-party system, including, but not limited to TexasOnline, Sircon, and the National Insurance Producer Registry. The online payment is sent through ePay, Global Payment Services (the bank that handles the state's credit card transactions), and the Comptroller. The Comptroller processes the payments and sends a daily credit card (ePay) file to TDI.

Strategy 124 provides information to support strategy 112 in efforts to complete agent license filings within fifteen days. This strategy contributes to statewide goal 07 and statewide benchmark 08.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Online services increase customer convenience, access to government services and allows for automated error-checking. The number of licensees renewing online is hard to predict due to many external factors. However, the continued growth in Texas' population, the number of agents remaining active in the insurance industry, the steady recruitment of new agents and the continued evolution of the online service industry will be contributing factors.

This development provides an infrastructure upon which subsequent programs and services can be added so that TDI can continue to progress in the online technology era and be a positive change in the way government does business in Texas.

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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 2 Encourage the Financial Health of the Insurance Industry

Statewide Goal/Benchmark: 7 1

OBJECTIVE: 1 Regulate Insurance Industry Solvency

Service Categories:

STRATEGY: 1 Analyze the Financial Condition of Insurers and Take Solvency Action

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Entities Receiving TDI Solvency-related Intervention	10.00	10.00	13.00	9.00	9.00
2	Dollar Amount (in Millions) of Net Asset Recoveries Collected	40.10	24.00	20.00	20.00	20.00
3	Number of Holding Company Transactions Reviewed	755.00	750.00	750.00	750.00	750.00
4	Number of Actuarial Examinations Completed	84.00	80.00	80.00	60.00	60.00
5	Number of On-site Examinations Conducted	160.00	160.00	160.00	100.00	100.00
6	Number of Reviews of Annual and Interim Financial Statements Conducted	2,050.00	1,950.00	1,950.00	1,950.00	1,950.00
<b>Efficiency Measures:</b>						
1	Average State Cost Per Examination	29,341.00	31,061.00	29,482.00	42,070.00	42,070.00
<b>Explanatory/Input Measures:</b>						
1	Dollar Amount (in Millions) of Insurance Company Insolvencies	16.60	20.00	20.00	80.00	80.00
2	Number of Estates Placed in Receivership	3.00	4.00	4.00	8.00	8.00
3	% Companies Subject to Statutorily Mandated Examinations during the FY	30.00 %	28.00 %	28.00 %	28.00 %	28.00 %
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$8,957,137	\$9,239,796	\$9,853,995	\$8,424,013	\$8,424,013
1002	OTHER PERSONNEL COSTS	\$302,640	\$289,998	\$253,183	\$253,183	\$253,183
2001	PROFESSIONAL FEES AND SERVICES	\$270	\$5,209	\$1,611	\$1,611	\$1,611
2003	CONSUMABLE SUPPLIES	\$63,663	\$84,097	\$69,342	\$64,756	\$64,756
2004	UTILITIES	\$41,819	\$51,366	\$51,792	\$37,468	\$37,468
2005	TRAVEL	\$933,302	\$986,323	\$985,075	\$738,243	\$738,243
2006	RENT - BUILDING	\$53,682	\$50,577	\$51,479	\$51,479	\$51,479

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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 2 Encourage the Financial Health of the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Regulate Insurance Industry Solvency Service Categories:  
 STRATEGY: 1 Analyze the Financial Condition of Insurers and Take Solvency Action Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
2007	RENT - MACHINE AND OTHER	\$24,582	\$25,336	\$26,138	\$26,138	\$26,138
2009	OTHER OPERATING EXPENSE	\$596,689	\$539,047	\$538,689	\$468,547	\$463,875
5000	CAPITAL EXPENDITURES	\$71,533	\$51,269	\$66,005	\$14,889	\$19,560
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$11,045,317</b>	<b>\$11,323,018</b>	<b>\$11,897,309</b>	<b>\$10,080,327</b>	<b>\$10,080,326</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$7,455,226	\$7,378,374	\$8,009,804	\$6,688,702	\$6,688,702
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$7,455,226</b>	<b>\$7,378,374</b>	<b>\$8,009,804</b>	<b>\$6,688,702</b>	<b>\$6,688,702</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$3,577,260	\$3,819,644	\$3,762,505	\$3,266,625	\$3,266,624
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$3,577,260</b>	<b>\$3,819,644</b>	<b>\$3,762,505</b>	<b>\$3,266,625</b>	<b>\$3,266,624</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$12,831	\$125,000	\$125,000	\$125,000	\$125,000
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$12,831</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$10,080,327</b>	<b>\$10,080,326</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$11,045,317</b>	<b>\$11,323,018</b>	<b>\$11,897,309</b>	<b>\$10,080,327</b>	<b>\$10,080,326</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>183.5</b>	<b>174.2</b>	<b>191.8</b>	<b>160.5</b>	<b>160.5</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION</b>						

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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 2 Encourage the Financial Health of the Insurance Industry Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Regulate Insurance Industry Solvency Service Categories:  
 STRATEGY: 1 Analyze the Financial Condition of Insurers and Take Solvency Action Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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TDI is directed by statute to monitor the financial stability of insurers by analyzing their financial statement filings(Tex. Ins. Code, Arts. 1.15, 1.15A, 1.32 and §802.001), performing on-site examinations (Art. 1.15), reviewing actuarial opinions and performing actuarial analysis(Arts. 1.32, 3.28 and §802.002) and reviewing holding company transactions(Chapter 823) and risk sharing contracts (Art. 3.10 and 5.75-1).

TDI uses various intervention strategies to address insurers with financial problems including holding informal insurer management conferences requiring insurers to file corrective business plans, placing insurers under administrative oversight and taking formal administrative action to rehabilitate troubled companies such as issuing orders that place companies in conservation (TIC, Arts. 1.15, 1.32, 21A, and 21.28A). TDI also conducts additional follow-up monitoring of companies released from rehabilitation

When rehabilitation is not possible, the Commissioner appoints Special Deputy Receivers(SDRs) to liquidate insolvent companies. TDI analyzes the business plans, budgets and expenses of all SDRs to assure that they appropriately manage the estates(TIC, Art. 21A). TDI also monitors the Guaranty Associations to ascertain that claims are paid in a timely manner (TIC, Arts. 9.48, 21.28-C and 21.28-D).

This strategy contributes to the statewide goal07 and statewide benchmark 01 by encouraging the financial health of the industry.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Changes in federal legislation may pre-empt state regulations and TDI's ability to regulate certain segments of the insurance industry. Many external factors affect insurers including the general health of the economy, changes in investment yields and the volatility of financial markets, adverse trends in claims due to catastrophic or unexpected losses, and an increasing number of acquisitions, mergers and reorganizations. These factors affect the complexity of TDI's analysis as well as the amount of time required to perform that analysis. The health of the economy also affects TDI's ability to carry out this strategy as recruitment/retention of qualified staff replacements is difficult.

Adequate computer resources are critical to the success of this strategy. The automation of data and the development of automated programs, as well as access to the NAIC database, will continue to be important to the financial analysis process.



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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 1 Inspect Loss Control Programs and Assure Code and Schedule Compliance Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Windstorm Inspections Completed	8,780.00	19,000.00	11,500.00	0.00	0.00
2	Number of Inspections of Insurer Loss Control Programs Completed	202.00	200.00	200.00	0.00	0.00
3	Number of Commercial Property Oversight Inspections Completed	1,160.00	1,160.00	1,160.00	1,160.00	1,160.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Windstorm Inspection	55.41	52.00	50.00	0.00	0.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,829,253	\$2,004,521	\$2,179,419	\$1,348,305	\$1,348,305
1002	OTHER PERSONNEL COSTS	\$59,135	\$67,051	\$72,634	\$72,634	\$72,634
2001	PROFESSIONAL FEES AND SERVICES	\$64	\$27,748	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$13,467	\$18,877	\$13,313	\$13,313	\$13,313
2004	UTILITIES	\$46,101	\$47,013	\$47,013	\$0	\$0
2005	TRAVEL	\$130,832	\$206,026	\$150,596	\$77,500	\$77,500
2006	RENT - BUILDING	\$93,305	\$82,194	\$82,194	\$0	\$0
2007	RENT - MACHINE AND OTHER	\$13,121	\$13,769	\$13,769	\$2,673	\$2,673
2009	OTHER OPERATING EXPENSE	\$126,256	\$169,108	\$106,568	\$89,884	\$89,137
5000	CAPITAL EXPENDITURES	\$17,031	\$35,886	\$11,380	\$2,381	\$3,128
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,328,565</b>	<b>\$2,672,193</b>	<b>\$2,676,886</b>	<b>\$1,606,690</b>	<b>\$1,606,690</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$1,534,524	\$1,760,708	\$1,776,649	\$1,066,360	\$1,066,360
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,534,524</b>	<b>\$1,760,708</b>	<b>\$1,776,649</b>	<b>\$1,066,360</b>	<b>\$1,066,360</b>

Method of Financing:

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 1 Inspect Loss Control Programs and Assure Code and Schedule Compliance Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
36	DEPT INS OPERATING ACCT	\$794,041	\$911,485	\$900,237	\$540,330	\$540,330
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$794,041</b>	<b>\$911,485</b>	<b>\$900,237</b>	<b>\$540,330</b>	<b>\$540,330</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,606,690</b>	<b>\$1,606,690</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,328,565</b>	<b>\$2,672,193</b>	<b>\$2,676,886</b>	<b>\$1,606,690</b>	<b>\$1,606,690</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>45.2</b>	<b>47.7</b>	<b>51.2</b>	<b>27.7</b>	<b>27.7</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

Statutes direct TDI to provide windstorm inspection for coastal structures as required for coverage through the Windstorm Insurance Association and oversight of non-TDI inspectors who provide inspections, training and education on building code requirements(TIC, Art. 21.49); oversight inspections of fire ratings for commercial structures(TIC, Art. 5.25); evaluation of loss control programs provided to commercial policyholders(Arts. 5.06-4, 5.12-2, 5-15-3); enforce amusement ride inspections(TX. Occ. Code, §2151.051, 2101.053); and certify inspectors for the state Voluntary Inspection Program for homeowners needing to provide proof of insurability(TIC, Art. 5.33).

The strategy addresses the need to reduce insured losses through safety precautions resulting in reductions in costs, property losses, injuries, and loss of life. TDI evaluates insurers' loss control programs for quality and effective services Coastal construction is inspected to assure compliance with codes and to determine eligibility for wind/hail insurance. Oversight fire rating inspections ensure correct fire rates.

The strategy contributes to statewide goal 07 and statewide benchmark 01 by reducing costs that may increase rates and reducing financial exposure to the general revenue fund Strategy 311 supports strategy 111 in developing efforts to educate consumers about loss prevention and safety and 113 in regulating the industry in underserved areas by providing recourse for homeowners needing proof of insurability and benefiting businesses in underserved areas

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	3	Decrease Insurance Industry Loss Costs	Statewide Goal/Benchmark:	7	1
OBJECTIVE:	1	Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info	Service Categories:		
STRATEGY:	1	Inspect Loss Control Programs and Assure Code and Schedule Compliance	Service: 17	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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Legislation, market conditions, population changes and weather patterns may impact this strategy. Since the adoption of the 2000 edition of the International Residential Code and International Building Code as the standard(s) for windstorm certification, TDI has provided training for engineers, builders, architects and homeowners to promote compliance with building code requirements. Prior to Hurricane Rita, market trends indicated decreasing requests for TDI inspections in favor of inspections by private sector entities. Although there was a significant increase in inspection requests as a result of Rita, it is anticipated the previous trend of declining requests will resume barring another significant wind event. As a result, TDI has increased its emphasis on oversight of non-TDI inspections and expanded training related to building requirements for property owners and building trade professionals.

Population growth has increased the number of insured residences in windstorm prone areas and many meteorologists believe increased hurricane activity will continue in the near future.

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 2 Investigate Provider/Consumer Fraud & Refer Violations for Prosecution Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Referrals of Consumer & Provider Fraud for Enforcement	119.00	110.00	110.00	110.00	110.00
<b>Efficiency Measures:</b>						
1	Avg # of Days Per Consumer or Provider Fraud Enforcement Case Referred	283.00	200.00	265.00	265.00	265.00
<b>Explanatory/Input Measures:</b>						
1	Number of Reports of Possible Consumer and Provider Fraud Received	6,267.00	7,000.00	7,500.00	7,500.00	7,500.00
2	Estimated Dollar Amount (in Millions) of Consumer and Provider Fraud	12.43	1.25	2.00	2.00	2.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$834,002	\$1,011,718	\$1,114,827	\$1,102,479	\$1,102,479
1002	OTHER PERSONNEL COSTS	\$19,479	\$33,000	\$44,628	\$44,628	\$44,628
2001	PROFESSIONAL FEES AND SERVICES	\$1,239	\$10,798	\$5,330	\$5,330	\$5,330
2003	CONSUMABLE SUPPLIES	\$6,305	\$12,060	\$9,621	\$9,588	\$9,588
2004	UTILITIES	\$4,528	\$7,988	\$7,988	\$7,988	\$7,988
2005	TRAVEL	\$49,616	\$54,974	\$50,530	\$50,530	\$50,530
2006	RENT - BUILDING	\$883	\$1,929	\$2,054	\$2,054	\$2,054
2007	RENT - MACHINE AND OTHER	\$1,926	\$2,185	\$2,160	\$2,160	\$2,160
2009	OTHER OPERATING EXPENSE	\$54,998	\$77,542	\$62,030	\$60,254	\$59,642
5000	CAPITAL EXPENDITURES	\$6,464	\$11,381	\$6,828	\$1,950	\$2,562
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$979,440</b>	<b>\$1,223,575</b>	<b>\$1,305,996</b>	<b>\$1,286,961</b>	<b>\$1,286,961</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$642,704	\$803,407	\$864,878	\$851,276	\$851,276

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 2 Investigate Provider/Consumer Fraud & Refer Violations for Prosecution Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$642,704</b>	<b>\$803,407</b>	<b>\$864,878</b>	<b>\$851,276</b>	<b>\$851,276</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$332,568	\$415,909	\$438,238	\$432,805	\$432,805
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$332,568</b>	<b>\$415,909</b>	<b>\$438,238</b>	<b>\$432,805</b>	<b>\$432,805</b>
<b>Method of Financing:</b>						
	777 INTERAGENCY CONTRACTS	\$4,168	\$4,259	\$2,880	\$2,880	\$2,880
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$4,168</b>	<b>\$4,259</b>	<b>\$2,880</b>	<b>\$2,880</b>	<b>\$2,880</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,286,961</b>	<b>\$1,286,961</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>					<b>\$1,286,961</b>	<b>\$1,286,961</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>19.2</b>	<b>21.4</b>	<b>23.2</b>	<b>22.9</b>	<b>22.9</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Statutes (Tex. Ins. Code, §701, Subchapter C) direct TDI to investigate possible provider and consumer fraud and refer violations for prosecution as appropriate TDI's Fraud Program receives, evaluates and investigates reports of fraud from the industry, general public and regulatory and law enforcement agencies TDI's Fraud Program is a law enforcement agency (Tex. Crim. Proc. Code, Art. 2.12(28)) and has access to national and regional crime databases. The program may make arrests, execute search warrants and subpoenas, refer cases to district attorneys, and participate in joint state and federal criminal investigation task forces TDI provides technical assistance to the industry and prosecutors on fraud cases TDI provides speakers for insurance industry groups (particularly companies' special investigations units) and advises industry officials regarding relevant statutes and fraud prevention procedures.

This strategy ensures the insurance industry maintains integrity in its business practices. In addition, this strategy coordinates with strategy 111 to educate the public about fraudulent activities. This strategy contributes to the statewide goal 07 and statewide benchmark 01. Eliminating or deterring fraud reduces unfair and illegal practices which encourages competition in the industry and reduces insurance costs related to fraudulent claims. It also protects state general revenue by helping to avoid insurer insolvencies and collecting penalties.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 2 Investigate Provider/Consumer Fraud & Refer Violations for Prosecution Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

State and federal legislation affects this strategy. Anti-fraud efforts are addressed at the national level. Claimant insurance fraud is addressed by the Coalition Against Insurance Fraud and the National Insurance Crime Bureau (NICB), and provider fraud is addressed by the National Health Care Anti-fraud Association. As fraud reduction efforts increase, all insurance consumers and taxpayers will benefit. On a statewide level, the Governor recently issued an Executive Order relating to preventing and eliminating fraud waste and abuse.

Changes in the economy have an effect on the volume of fraudulent activities since a downturn in the economy and a tight market creates an optimal climate for fraudulent operators. An increase in fraudulent activities usually causes an increase in fraud reports to TDI. Additionally, the Fraud Program's more frequent contact with insurance industry officials and statutory requirements increase the number of reported claimant fraud cases.

Agency activities also affect TDI's ability to combat fraud. TDI participated in the "Texas Committee on Insurance Fraud" to enhance fraud awareness, and added a special prosecutor in the Dallas County District Attorney's Office to assist in investigations. Continued funding for and access to national and statewide databases is essential to this strategy. The maintenance, enhancement and expanded use of existing TDI databases and case management systems are also essential.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 3 Investigate Workers' Compensation Insurance Fraud Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Referrals of Workers' Comp Fraud for Enforcement	0.00	14.00	45.00	45.00	45.00
<b>Efficiency Measures:</b>						
1	Average # of Days Per Workers' Comp Fraud Enforcement Case Referred	0.00	110.00	200.00	200.00	200.00
<b>Explanatory/Input Measures:</b>						
1	Number of Reports of Possible Workers' Comp Insurance Fraud Received	0.00	1,500.00	1,500.00	1,500.00	1,500.00
2	Estimated Dollar Amount (in Millions) of Workers' Comp Insurance Fraud	0.00	0.02	0.23	0.23	0.23
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$218,832	\$227,950	\$234,789	\$195,502	\$195,502
1002	OTHER PERSONNEL COSTS	\$1,000	\$1,200	\$1,200	\$1,200	\$1,200
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$2,298	\$2,393	\$2,500	\$2,500	\$2,500
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$8,885	\$9,255	\$10,000	\$10,000	\$10,000
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0
2007	RENT - MACHINE AND OTHER	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$4,135	\$4,308	\$4,606	\$4,606	\$4,498
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$344	\$452
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$235,150</b>	<b>\$245,106</b>	<b>\$253,095</b>	<b>\$214,152</b>	<b>\$214,152</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$235,150	\$0	\$0	\$0	\$0

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 3 Decrease Insurance Industry Loss Costs Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info Service Categories:  
 STRATEGY: 3 Investigate Workers' Compensation Insurance Fraud Service: 34 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$235,150</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$0	\$245,106	\$253,095	\$214,152	\$214,152
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$0</b>	<b>\$245,106</b>	<b>\$253,095</b>	<b>\$214,152</b>	<b>\$214,152</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$214,152</b>	<b>\$214,152</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$235,150</b>	<b>\$245,106</b>	<b>\$253,095</b>	<b>\$214,152</b>	<b>\$214,152</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Statutes (Tex. Ins. Code, §701, Subchapter C) direct TDI to investigate possible claimant, provider and premium insurance fraud related to workers' compensation and refer violations for prosecution as appropriate. TDI's Fraud Program receives, evaluates and investigates reports of fraud from the industry, general public and regulatory and law enforcement agencies. TDI's Fraud Program is a law enforcement agency (Tex. Crim. Proc. Code, Art. 2.12(28)) and has access to national and regional crime databases. The program may make arrests, execute search warrants and subpoenas, refer cases to district attorneys, and participate in joint state and federal criminal investigation task forces. TDI provides technical assistance to the industry and prosecutors on fraud cases. TDI provides speakers for insurance industry groups (particularly companies' special investigations units) and advises industry officials regarding relevant statutes and fraud prevention procedures.

This strategy works to ensure that the insurance industry maintains integrity in its business practices. In addition, this strategy coordinates with strategy 111 to educate the public about fraudulent activities. This strategy contributes to the statewide goal 07 and statewide benchmark 01. Eliminating or deterring fraud reduces unfair and illegal practices which encourages competition in the industry and reduces insurance costs related to fraudulent claims.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**



**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	3	Decrease Insurance Industry Loss Costs	Statewide Goal/Benchmark:	7	1
OBJECTIVE:	1	Assure Loss Control Services, Windstorm Inspections, C/P Fraud Info	Service Categories:		
STRATEGY:	3	Investigate Workers' Compensation Insurance Fraud	Service:	34	Income: A.2      Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2005</b>	<b>Est 2006</b>	<b>Bud 2007</b>	<b>BL 2008</b>	<b>BL 2009</b>
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State and federal legislation affects this strategy. Anti-fraud efforts are addressed at the national level. Claimant insurance fraud is addressed by the Coalition Against Insurance Fraud and the National Insurance Crime Bureau (NICB), and provider fraud is addressed by the National Health Care Anti-fraud Association. As fraud reduction efforts increase, all insurance consumers and taxpayers will benefit. On a statewide level, the Governor recently issued an Executive Order relating to preventing and eliminating fraud waste and abuse.

Changes in the economy have an effect on the volume of fraudulent activities since a downturn in the economy and a tight market creates an optimal climate for fraudulent operators. An increase in fraudulent activities usually causes an increase in fraud reports to TDI. Additionally, the Fraud Program's more frequent contact with insurance industry officials and statutory requirements increase the number of reported claimant fraud cases.

Agency activities also affect TDI's ability to combat fraud. TDI participated in the "Texas Committee on Insurance Fraud" to enhance fraud awareness, and added a special prosecutor in the Dallas County District Attorney's Office to assist in investigations. Continued funding for and access to national and statewide databases is essential to this strategy. The maintenance, enhancement and expanded use of existing TDI databases and case management systems are also essential.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version I  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 4 Reduce Loss of Life and Property Due to Fire Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Protect the Public against Loss of Life & Property Resulting from Fire Service Categories:  
 STRATEGY: 1 Provide Fire Prevention through Education & Enforcement of Regulations Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	# of Individuals Attending SFMO Fire Prevention/Safety Presentations	0.00	22,500.00	22,500.00	20,925.00	20,925.00
2	Number of Fire Investigations Completed	493.00	620.00	507.00	472.00	472.00
3	Number of Samples Analyzed in the Arson Lab	3,273.00	3,273.00	2,300.00	2,300.00	2,300.00
4	Number of SFMO Criminal Referrals for Prosecution	109.00	110.00	110.00	102.00	102.00
5	# Alarm, Extinguisher, Sprinkler & Works Cos & Personnel Licensed	11,711.00	11,250.00	11,250.00	10,463.00	10,463.00
6	Number of Licensing Investigations or Inspections Conducted	1,134.00	1,100.00	1,100.00	1,023.00	1,023.00
7	Number of Buildings Inspected or Reinspected for Fire Safety Hazards	5,482.00	5,500.00	5,000.00	4,650.00	4,650.00
8	# of Communities/Partners Accepting SFMO Programs/Initiatives	0.00	40.00	40.00	40.00	40.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Fire Safety Inspection	132.00	130.00	145.00	145.00	145.00
2	Average Time to Complete Fire Investigations	123.00	135.00	180.00	180.00	180.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,697,646	\$2,790,200	\$2,982,790	\$2,717,850	\$2,717,850
1002	OTHER PERSONNEL COSTS	\$87,638	\$121,000	\$106,320	\$103,260	\$103,260
2001	PROFESSIONAL FEES AND SERVICES	\$4,609	\$11,213	\$3,500	\$3,500	\$3,500
2002	FUELS AND LUBRICANTS	\$71,347	\$107,500	\$93,500	\$93,500	\$93,500
2003	CONSUMABLE SUPPLIES	\$65,686	\$52,790	\$45,220	\$45,220	\$45,220
2004	UTILITIES	\$46,298	\$45,294	\$45,294	\$45,294	\$45,294
2005	TRAVEL	\$136,917	\$152,419	\$152,113	\$152,113	\$152,113
2006	RENT - BUILDING	\$17,033	\$7,693	\$7,693	\$7,693	\$7,693
2007	RENT - MACHINE AND OTHER	\$6,097	\$5,339	\$5,339	\$5,339	\$5,339

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 4 Reduce Loss of Life and Property Due to Fire Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Protect the Public against Loss of Life & Property Resulting from Fire Service Categories:  
 STRATEGY: 1 Provide Fire Prevention through Education & Enforcement of Regulations Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
2009	OTHER OPERATING EXPENSE	\$282,267	\$273,814	\$286,646	\$275,244	\$273,738
5000	CAPITAL EXPENDITURES	\$70,750	\$216,460	\$218,484	\$202,799	\$204,305
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$3,486,288</b>	<b>\$3,783,722</b>	<b>\$3,946,899</b>	<b>\$3,651,812</b>	<b>\$3,651,812</b>
<b>Method of Financing:</b>						
8042	INSURANCE MAINT TAX FEES	\$2,274,601	\$2,492,681	\$2,619,111	\$2,467,664	\$2,467,664
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$2,274,601</b>	<b>\$2,492,681</b>	<b>\$2,619,111</b>	<b>\$2,467,664</b>	<b>\$2,467,664</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$1,176,994	\$1,290,369	\$1,327,116	\$1,183,476	\$1,183,476
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$1,176,994</b>	<b>\$1,290,369</b>	<b>\$1,327,116</b>	<b>\$1,183,476</b>	<b>\$1,183,476</b>
<b>Method of Financing:</b>						
555	FEDERAL FUNDS					
97.044.000	Assistance to Firefighters Grant	\$34,023	\$0	\$0	\$0	\$0
CFDA Subtotal, Fund	555	\$34,023	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$34,023</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$670	\$672	\$672	\$672	\$672
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$670</b>	<b>\$672</b>	<b>\$672</b>	<b>\$672</b>	<b>\$672</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$3,651,812</b>	<b>\$3,651,812</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$3,486,288</b>	<b>\$3,783,722</b>	<b>\$3,946,899</b>	<b>\$3,651,812</b>	<b>\$3,651,812</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>69.3</b>	<b>67.0</b>	<b>70.0</b>	<b>63.0</b>	<b>63.0</b>

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 4 Reduce Loss of Life and Property Due to Fire Statewide Goal/Benchmark: 7 1  
 OBJECTIVE: 1 Protect the Public against Loss of Life & Property Resulting from Fire Service Categories:  
 STRATEGY: 1 Provide Fire Prevention through Education & Enforcement of Regulations Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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**STRATEGY DESCRIPTION AND JUSTIFICATION**

The State Fire Marshal’s Office (SFMO) is directed by statute (Tex. Ins. Code, Arts. 5.43-1, 5.43-2, 5.43-3 and Tex. Occ. Code, Chapter 2154) to license and enforce regulations pertaining to the sales, service and installation of fire alarms, extinguishers and sprinklers, and the sales, storage and public display of fireworks

The SFMO conducts fire safety inspections of buildings(TGC, Sec. 417.008), inspections of fire escapes and smoke detectors(Tex. Health & Safety Code, Chapters 791-92) and inspections of retail service stations for potential violations of flammable liquid storage tanks(THSC, Chapter 753). Upon request, the SFMO investigates fires and assists in the prosecution of suspected arsonists (TGC, Chapters 417.006-07). Additionally, the statute (TGC, Sec. 417.004) authorizes TDI to provide engineering assistance to local governments and investigate firefighter line-of-duty deaths (TGC, Sec. 417.0075).

The statute (Tex. Gov. Code, Sec. 417.0051-52) authorizes SFMO to provide fire prevention education to Texas citizens and to maintain the Texas Fire Incident Reporting System The SFMO maintains the statewide Juvenile Firesetter Intervention Program a home fire escape training program utilizing a fire safety house and the development and distribution of fire safety curriculum for schools

This strategy contributes to the statewide goal07 and statewide benchmark01 by helping to lower insurance premiums through the reduction of risks associated with fire

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

SFMO is impacted by external factors such as demographic changes and the capabilities of local jurisdictions The delivery of fire prevention, investigation, inspection, and education services continues to be impacted by increases in the state population and its demographic composition Increases in population and the growth of cities and local municipalities not only exposes more people to the risk of preventable fires, but could redefine the types of services currently required of the SFMO The State Fire Marshal continually assesses its service delivery plan to ensure that it remains an effective fire prevention resource for Texas A key component of inspections and investigations is the need for reliable stateowned vehicles for transport of equipment and personnel to perform mission critical functions

In addition, the SFMO continues to work with local communities to enhance their ability to provide needed services in their communities

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 5 To Promote Safe and Healthy Workplaces Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 1 Promote Safe/Healthy Workplaces through Incentives and Education Service Categories:  
 STRATEGY: 1 Provide Health and Safety Services in Texas Workplaces Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Consultations and Inspections Provided to Employers	0.00	3,492.00	3,360.00	3,085.00	3,085.00
2	Number of Texas Employers Receiving Safety Educational Products/Svcs	10,258.00	8,904.00	9,500.00	10,000.00	10,500.00
3	Number of Texas Employees Receiving Safety Educational Products/Svcs	164,560.00	121,655.00	146,300.00	154,000.00	161,700.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Consultation and Inspection	0.00	800.00	820.00	820.00	820.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$3,228,843	\$3,075,327	\$3,168,700	\$2,714,756	\$2,714,756
1002	OTHER PERSONNEL COSTS	\$166,696	\$59,526	\$156,839	\$153,524	\$153,524
2001	PROFESSIONAL FEES AND SERVICES	\$58,420	\$53,981	\$100,536	\$100,536	\$100,536
2003	CONSUMABLE SUPPLIES	\$28,087	\$55,400	\$50,133	\$50,133	\$50,133
2004	UTILITIES	\$63,972	\$30,099	\$38,997	\$38,997	\$38,997
2005	TRAVEL	\$308,275	\$279,666	\$286,678	\$286,678	\$286,678
2006	RENT - BUILDING	\$289,817	\$410,402	\$404,305	\$404,305	\$404,305
2007	RENT - MACHINE AND OTHER	\$13,981	\$6,307	\$16,161	\$16,161	\$16,161
2009	OTHER OPERATING EXPENSE	\$319,272	\$414,279	\$291,627	\$306,766	\$305,260
5000	CAPITAL EXPENDITURES	\$19,890	\$0	\$0	\$4,799	\$6,305
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$4,497,253</b>	<b>\$4,384,987</b>	<b>\$4,513,976</b>	<b>\$4,076,655</b>	<b>\$4,076,655</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$1,813,974	\$0	\$0	\$0	\$0
888	EARNED FEDERAL FUNDS	\$224,406	\$224,406	\$224,406	\$224,406	\$224,406

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 5 To Promote Safe and Healthy Workplaces Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 1 Promote Safe/Healthy Workplaces through Incentives and Education Service Categories:  
 STRATEGY: 1 Provide Health and Safety Services in Texas Workplaces Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$2,038,380</b>	<b>\$224,406</b>	<b>\$224,406</b>	<b>\$224,406</b>	<b>\$224,406</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$0	\$1,565,531	\$1,794,947	\$1,357,626	\$1,357,626
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$0</b>	<b>\$1,565,531</b>	<b>\$1,794,947</b>	<b>\$1,357,626</b>	<b>\$1,357,626</b>
<b>Method of Financing:</b>						
	555 FEDERAL FUNDS					
	17.005.001 OSHA BUREAU OF LABOR STATISTICS	\$194,140	\$201,375	\$217,956	\$217,956	\$217,956
	17.504.001 OSHA Consultation Agreements	\$1,955,412	\$1,995,075	\$1,961,268	\$1,961,268	\$1,961,268
	17.504.002 OSHA Consultation Agreements	\$83,532	\$58,173	\$75,399	\$75,399	\$75,399
CFDA Subtotal, Fund	555	\$2,233,084	\$2,254,623	\$2,254,623	\$2,254,623	\$2,254,623
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$2,233,084</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>	<b>\$2,254,623</b>
<b>Method of Financing:</b>						
	666 APPROPRIATED RECEIPTS	\$225,789	\$340,427	\$240,000	\$240,000	\$240,000
	777 INTERAGENCY CONTRACTS	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$225,789</b>	<b>\$340,427</b>	<b>\$240,000</b>	<b>\$240,000</b>	<b>\$240,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$4,076,655</b>	<b>\$4,076,655</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>					<b>\$4,497,253</b>	<b>\$4,076,655</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>94.7</b>	<b>81.8</b>	<b>85.9</b>	<b>76.9</b>	<b>76.9</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION</b>						

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 5 To Promote Safe and Healthy Workplaces Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 1 Promote Safe/Healthy Workplaces through Incentives and Education Service Categories:  
 STRATEGY: 1 Provide Health and Safety Services in Texas Workplaces Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The agency is directed by statute (Texas Labor Code, Sections 411.001-110 and Texas Insurance Code, Article 5.76-3, Section 8) to promote safe and health workplaces, and to develop and provide health and safety services to employers, employees, academic institutions, and other entities in the Texas workforce. Detailed data is compiled, coded, and published on the frequency and number of occupational injuries, illnesses, and fatalities both by industry and the case characteristics and demographics associated with those incidents.

The agency provides safety outreach and education, information and training to increase the effectiveness of health and safety programs in Texas workplaces. Inspections, consultations, and investigations of employers and insurance companies are conducted to assist in developing effective health and safety programs, identifying and controlling hazards in the workplace, and understanding state and federal regulations. The agency maintains a bilingual English and Spanish language 24-hour toll-free hotline for citizens to report suspected health and safety violations.

This strategy coordinates with agency strategy 521, promoting timely return to work, through educational seminars and outreach efforts to employers and employees on the benefits and principles of returning injured employees to the workplace.

Strategy 511 contributes to statewide goal 07 and statewide benchmark 06 by assisting employers and employees in providing safe workplaces and reducing the number of workplace injuries.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The agency's ability to analyze injury data and to target its safety education and outreach efforts depends on the receipt of accurate injury and employment data, the use of changing technology, and the ability to deliver state-of-the-art educational programs and customer service.

Consultative and inspection activities are influenced by the number of insurance companies writing worker's compensation insurance in Texas, the number of employers placed into the Rejected Risk program by Texas Mutual Insurance Company (the insurer of last resort) based on statutory identification criteria contained in the Insurance Code, and employer postings of the toll-free hotline information.

Changes to state and federal laws, rules, policies, court rulings, and federal funding of grant programs may require program adjustments.

The ability to recruit and retain qualified personnel with experience and training on health and safety issues remains a workforce challenge.

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 5 To Promote Safe and Healthy Workplaces Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 2 Encourage Safe and Timely Return to Work Service Categories:  
 STRATEGY: 1 Provide Education on Disability Management and Return-to-work Programs Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Persons receiving Return-to-work Training	0.00	9,470.00	9,470.00	10,417.00	10,417.00
2	# of Workers' Compensation Income Benefit Recipients Referred to DARS	0.00	4,025.00	4,226.00	4,437.00	4,437.00
<b>Efficiency Measures:</b>						
1	Average Number of Participants per Return-to-Work Seminar	69.50	69.00	70.00	70.00	70.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$170,816	\$139,531	\$205,790	\$205,790	\$205,790
1002	OTHER PERSONNEL COSTS	\$4,200	\$3,620	\$4,800	\$4,800	\$4,800
2001	PROFESSIONAL FEES AND SERVICES	\$3,001	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$1,474	\$3,015	\$1,350	\$3,000	\$3,000
2004	UTILITIES	\$0	\$0	\$180	\$180	\$180
2005	TRAVEL	\$9,436	\$37,360	\$19,750	\$19,750	\$19,750
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0
2007	RENT - MACHINE AND OTHER	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$6,034	\$3,229	\$103,000	\$103,573	\$103,459
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$363	\$477
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$194,961</b>	<b>\$186,755</b>	<b>\$334,870</b>	<b>\$337,456</b>	<b>\$337,456</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$194,961	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$194,961</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$0	\$186,755	\$234,870	\$237,456	\$237,456



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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 5 To Promote Safe and Healthy Workplaces Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 2 Encourage Safe and Timely Return to Work Service Categories:  
 STRATEGY: 1 Provide Education on Disability Management and Return-to-work Programs Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		\$0	\$186,755	\$234,870	\$237,456	\$237,456
<b>Method of Financing:</b>						
	666 APPROPRIATED RECEIPTS	\$0	\$0	\$100,000	\$100,000	\$100,000
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		\$0	\$0	\$100,000	\$100,000	\$100,000
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					\$337,456	\$337,456
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		\$194,961	\$186,755	\$334,870	\$337,456	\$337,456
<b>FULL TIME EQUIVALENT POSITIONS:</b>		5.0	4.7	5.0	5.0	5.0

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The agency provides return-to-work (RTW) education and information to system participants. The training products and services include seminars, web-based training, publications and on-site visits to system participants to provide effective tools for managing lost time durations associated with workplace injuries(TX Labor Code, §§413.018, 413.021, 413.023, 413,024, 413.025)

The agency assists recipients of income benefits return to the workplace by providing RTW education through trained personnel who interact with injured employees at the DWC field and central offices (Texas Labor Code, §413.025). The adoption of an RTW guideline (§413.011) provides a benchmark for expected lost time durations for various types of injuries and illnesses.

The Division of Workers' Compensation administers a RTW Pilot Program for an employer with 50 or less employees that provides reimbursement for purchases to assist injured employees return to work as early as possible(TX Labor Code, Section 413.022). This program is publicized to employers and industry associations. This strategy coordinates with agency strategy 611 to ensure medical policies and rules are consistent with the goal of returning injured employees to the workforce as soon as possible and with agency strategy 651 to ensure field staff are trained and able to assist injured employees with return to work questions and requests for assistance. Strategy 521 contributes to statewide goal 07 and statewide benchmark 06 by establishing clear standards for expected lost time durations for workplace injuries.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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DATE: 8/24/2006  
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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	5	To Promote Safe and Healthy Workplaces	Statewide Goal/Benchmark:	7	6
OBJECTIVE:	2	Encourage Safe and Timely Return to Work	Service Categories:		
STRATEGY:	1	Provide Education on Disability Management and Return-to-work Programs	Service:	17	Income: A.2    Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2005</b>	<b>Est 2006</b>	<b>Bud 2007</b>	<b>BL 2008</b>	<b>BL 2009</b>
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Changing demographics of employees and employers in Texas workplaces require that customized RTW education products and other services be developed and delivered throughout the state.

Changes to the Labor Code, Insurance Code, and other state laws; court rulings; and rule and policy changes may change the services provided to employers and employees related to return to work.

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits

Statewide Goal/Benchmark: 7 6

OBJECTIVE: 1 Ensure the Appropriate Payment of Health Care

Service Categories:

STRATEGY: 1 Ensure Appropriate Utilization of Medical Services

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Quality of Care Reviews Completed	0.00	82.00	82.00	82.00	82.00
2	# System Participants Who Receive Medical Benefits Training	3,451.00	3,500.00	4,500.00	4,725.00	4,725.00
<b>Efficiency Measures:</b>						
1	Avg Days per Quality of Care HC Provider/Insurance Carrier/IRO Review	0.00	150.00	150.00	150.00	150.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,274,949	\$1,248,160	\$1,456,697	\$1,418,804	\$1,418,804
1002	OTHER PERSONNEL COSTS	\$46,865	\$19,825	\$27,899	\$27,063	\$27,063
2001	PROFESSIONAL FEES AND SERVICES	\$264,583	\$342,871	\$1,264,898	\$50,700	\$50,700
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$12,259	\$32,248	\$24,013	\$24,013	\$24,013
2004	UTILITIES	\$10,430	\$6,160	\$4,778	\$4,778	\$4,778
2005	TRAVEL	\$8,208	\$49,229	\$85,255	\$85,255	\$85,255
2006	RENT - BUILDING	\$193,087	\$85,578	\$87,809	\$87,809	\$87,809
2007	RENT - MACHINE AND OTHER	\$18,880	\$13,194	\$22,002	\$22,002	\$22,002
2009	OTHER OPERATING EXPENSE	\$71,291	\$227,585	\$210,788	\$216,613	\$215,827
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$2,505	\$3,291
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,900,552</b>	<b>\$2,024,850</b>	<b>\$3,184,139</b>	<b>\$1,939,542</b>	<b>\$1,939,542</b>

**Method of Financing:**

1	GENERAL REVENUE FUND	\$1,649,289	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,649,289</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Method of Financing:**

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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 1 Ensure the Appropriate Payment of Health Care Service Categories:  
 STRATEGY: 1 Ensure Appropriate Utilization of Medical Services Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
36	DEPT INS OPERATING ACCT	\$0	\$1,724,850	\$1,867,689	\$1,837,290	\$1,837,290
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$0</b>	<b>\$1,724,850</b>	<b>\$1,867,689</b>	<b>\$1,837,290</b>	<b>\$1,837,290</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$251,263	\$300,000	\$1,316,450	\$102,252	\$102,252
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$251,263</b>	<b>\$300,000</b>	<b>\$1,316,450</b>	<b>\$102,252</b>	<b>\$102,252</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,939,542</b>	<b>\$1,939,542</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,900,552</b>	<b>\$2,024,850</b>	<b>\$3,184,139</b>	<b>\$1,939,542</b>	<b>\$1,939,542</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>26.7</b>	<b>27.6</b>	<b>31.1</b>	<b>29.0</b>	<b>29.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

TDI monitors and regulates the delivery of medical care through the adoption of medical policies and rules relating to payment of medical services and to delivery of medical benefits to ensure timely and appropriate care and reimbursement (Texas Labor Code, Chapter 413, Subchapter B). The Medical Advisor and medical quality review panel assist in the quality review process of health care providers, insurance carriers, peer review and designated doctors, and Independent Review Organizations (IROs) (Texas Labor Code, Sections 413.0511, 413.0512). The agency processes applications for the Approved Doctor List and Designated Doctor List and provides education and outreach services to system participants on the established medical policies, processes, and rules.

This strategy coordinates with agency strategy 112, establishing compatible and consistent policies for network and non-network health care; strategy 521, ensuring medical policies/rules promote the goal of early return to work; 621 and 651, identifying issues requiring clarification through rule/process changes or education to reduce complaints and disputes.

Strategy 611 contributes to statewide goal 07 and statewide benchmark 06 by establishing medical rules and policies that ensure access to timely and quality care

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	6	Ensure the Appropriate Delivery of Workers Compensation Benefits	Statewide Goal/Benchmark:	7	6
OBJECTIVE:	1	Ensure the Appropriate Payment of Health Care	Service Categories:		
STRATEGY:	1	Ensure Appropriate Utilization of Medical Services	Service:	17	Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The implementation of networks and adoption of treatment guidelines and planning are expected to simplify the handling of worker's compensation claims. These changes will require extensive training for internal and external system participants. Litigation related to quality reviews and to fee/treatment guidelines rules could affect the activities performed in this strategy.

Medical quality reviews are heavily funded by a onetime grant. Additional funds may be needed in the future to pay for professional medical quality review functions

Increased use of technology for data collection and analysis will continue to be important to the medical quality review process

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 2 Promote Compliance & Address Noncompliance w/ Workers' Comp Rules/Laws Service Categories:  
 STRATEGY: 1 Monitor Stakeholder Activity and Take Enforcement Action Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	# of Complaints Completed Involving Workers Comp System Participants	0.00	2,885.00	2,885.00	2,885.00	2,885.00
2	Number of Performance Reviews Completed	93.00	58.00	80.00	80.00	80.00
<b>Efficiency Measures:</b>						
1	Avg Days to Complete a Complaint Involving Workers Comp Participants	0.00	105.00	120.00	120.00	120.00
2	Average Number of Days to Complete a Performance Review	168.09	144.00	180.00	180.00	180.00
<b>Explanatory/Input Measures:</b>						
1	Total Number of Administrative Remedies Issued for Violations	0.00	2,825.00	657.00	657.00	657.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,191,435	\$2,134,633	\$2,450,485	\$2,140,308	\$2,140,308
1002	OTHER PERSONNEL COSTS	\$153,478	\$52,200	\$62,673	\$47,580	\$47,580
2001	PROFESSIONAL FEES AND SERVICES	\$218	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$9,264	\$11,335	\$14,027	\$11,527	\$11,527
2004	UTILITIES	\$8,136	\$9,197	\$7,703	\$7,703	\$7,703
2005	TRAVEL	\$28,809	\$26,211	\$34,991	\$24,991	\$24,991
2006	RENT - BUILDING	\$113,685	\$111,112	\$126,667	\$126,667	\$126,667
2007	RENT - MACHINE AND OTHER	\$14,879	\$15,000	\$6,049	\$6,049	\$6,049
2009	OTHER OPERATING EXPENSE	\$49,443	\$50,676	\$57,085	\$67,049	\$65,861
5000	CAPITAL EXPENDITURES	\$8,499	\$0	\$0	\$3,786	\$4,974
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,577,846</b>	<b>\$2,410,364</b>	<b>\$2,759,680</b>	<b>\$2,435,660</b>	<b>\$2,435,660</b>

**Method of Financing:**

**3.A. STRATEGY REQUEST**  
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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits

Statewide Goal/Benchmark: 7 6

OBJECTIVE: 2 Promote Compliance & Address Noncompliance w/ Workers' Comp Rules/Laws

Service Categories:

STRATEGY: 1 Monitor Stakeholder Activity and Take Enforcement Action

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1	GENERAL REVENUE FUND	\$2,436,120	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$2,436,120</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$0	\$2,322,941	\$2,666,773	\$2,342,753	\$2,342,753
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$0</b>	<b>\$2,322,941</b>	<b>\$2,666,773</b>	<b>\$2,342,753</b>	<b>\$2,342,753</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$141,726	\$87,423	\$92,907	\$92,907	\$92,907
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$141,726</b>	<b>\$87,423</b>	<b>\$92,907</b>	<b>\$92,907</b>	<b>\$92,907</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,435,660</b>	<b>\$2,435,660</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,577,846</b>	<b>\$2,410,364</b>	<b>\$2,759,680</b>	<b>\$2,435,660</b>	<b>\$2,435,660</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>56.7</b>	<b>52.7</b>	<b>54.9</b>	<b>51.8</b>	<b>51.8</b>

STRATEGY DESCRIPTION AND JUSTIFICATION

**3.A. STRATEGY REQUEST**  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 2 Promote Compliance & Address Noncompliance w/ Workers' Comp Rules/Laws Service Categories:  
 STRATEGY: 1 Monitor Stakeholder Activity and Take Enforcement Action Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The Texas Labor Code, Chapter 414, directs the Division of Workers' Compensation to monitor the conduct of all persons subject to the Texas Workers' Compensation Act for compliance through complaints, investigations and performance reviews. The Division's complaint intake and handling process provides customer service, resolves complaints, collects and reports complaint data, and refers matters for further investigation and appropriate enforcement action (TX Labor Code, §402.021 and §402.023). Data analysis supports the conduct of performance reviews and investigations of participants, identifies where education and outreach is needed to improve performance, and is used to place insurance carriers and health care providers into performance tiers (TX Labor Code, §402.075). The Division conducts investigations of noncompliance by system participants by making referrals to other authorities, and initiating administrative actions (TX Labor Code, § 414.005 and §414.006).

This strategy coordinates with strategies 121, 511, 521, 611, 631, 641, and 651 in providing analysis of performance by system participants in the workers' compensation system that serves as a resource in the development of rule and process changes, enforcement initiatives, and educational outreach initiatives.

Strategy 621 contributes to goal 07 and benchmark 06 by ensuring Texans are effectively and efficiently served by high-quality medical providers, employers and insurance carriers and by establishing clear standards for compliance and monitoring performance against those standards.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The availability of useful data and changes in legislation may affect the monitoring activities of the Division. The implementation of a performance based oversight model may change the nature of enforcement functions performed by the agency.

Internal factors impacting this strategy include the use of automation to collect and analyze and disseminate performance information and to conduct investigations.



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DATE: 8/24/2006  
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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 3 Inform System Participants and Provide Service through Technology Service Categories:  
 STRATEGY: 1 Develop and Implement Processes Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Documents Received and Maintained Electronically by the DWC	1,179,432.00	1,220,903.00	1,226,777.00	1,232,886.00	1,239,239.00
2	Number of Reportable Injury Records Created	123,784.00	117,500.00	117,500.00	117,500.00	117,500.00
3	Number of Injury Records in Which Indemnity Benefits are Initiated	0.00	65,800.00	65,800.00	65,800.00	65,800.00
4	# Workers' Comp Educational Publications Provided in Electronic Format	0.00	1,682,405.00	1,786,800.00	1,788,800.00	1,790,800.00
<b>Efficiency Measures:</b>						
1	Average Number of Days to Create Reportable Injury Records	1.08	2.00	2.00	2.00	2.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$4,889,541	\$4,575,949	\$5,229,909	\$4,880,224	\$4,880,224
1002	OTHER PERSONNEL COSTS	\$308,985	\$148,601	\$241,860	\$238,313	\$238,313
2001	PROFESSIONAL FEES AND SERVICES	\$33,433	\$18,788	\$16,269	\$16,269	\$16,269
2003	CONSUMABLE SUPPLIES	\$66,135	\$57,705	\$58,105	\$58,105	\$58,105
2004	UTILITIES	\$41,917	\$39,744	\$35,407	\$35,407	\$35,407
2005	TRAVEL	\$49,839	\$16,354	\$15,880	\$15,880	\$15,880
2006	RENT - BUILDING	\$783,497	\$571,117	\$572,068	\$572,068	\$572,068
2007	RENT - MACHINE AND OTHER	\$18,463	\$17,273	\$25,375	\$25,375	\$25,375
2009	OTHER OPERATING EXPENSE	\$509,085	\$430,886	\$403,021	\$438,888	\$436,182
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$8,623	\$11,329
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$6,700,895</b>	<b>\$5,876,417</b>	<b>\$6,597,894</b>	<b>\$6,289,152</b>	<b>\$6,289,152</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$6,103,108	\$0	\$0	\$0	\$0

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 3 Inform System Participants and Provide Service through Technology Service Categories:  
 STRATEGY: 1 Develop and Implement Processes Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$6,103,108</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
	36 DEPT INS OPERATING ACCT	\$0	\$5,408,970	\$5,966,644	\$5,657,903	\$5,657,903
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$0</b>	<b>\$5,408,970</b>	<b>\$5,966,644</b>	<b>\$5,657,903</b>	<b>\$5,657,903</b>
<b>Method of Financing:</b>						
	666 APPROPRIATED RECEIPTS	\$597,787	\$467,447	\$631,250	\$631,249	\$631,249
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$597,787</b>	<b>\$467,447</b>	<b>\$631,250</b>	<b>\$631,249</b>	<b>\$631,249</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$6,289,152</b>	<b>\$6,289,152</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$6,700,895</b>	<b>\$5,876,417</b>	<b>\$6,597,894</b>	<b>\$6,289,152</b>	<b>\$6,289,152</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>196.7</b>	<b>181.5</b>	<b>187.6</b>	<b>174.8</b>	<b>174.8</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The agency is directed by statute to receive, collect and maintain information on every compensable injury that is reported to the Division of Workers Compensation. The agency also provides information and reports to qualified individuals, insurance carriers and employers. (Texas Labor Code, Chapters 402, 406, 408 and 409). Information is collected through various methods including receipt of paper reports and forms and electronic data interchange (EDI). The information received is maintained in paper, microfiche, microfilm and electronic format. The information is maintained as required by records retention schedules established under Ch 441.185 Texas Gov't Code.

This strategy coordinates with and supports agency strategies 511, 521, 611, 621, and 651 through the collection and maintenance of workers' compensation claim information.

Strategy 631 contributes to statewide goal 07 and statewide benchmark 06 by providing agency staff with the most up-to-date claim administration and proof of coverage in order to provide high quality information and assistance to system participants.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            6    Ensure the Appropriate Delivery of Workers Compensation Benefits  
 OBJECTIVE:    3    Inform System Participants and Provide Service through Technology  
 STRATEGY:    1    Develop and Implement Processes

Statewide Goal/Benchmark:    7    6  
 Service Categories:  
 Service: 17    Income: A.2    Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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Legislative changes and information needs of policyholders and consumers impact this strategy. Changes in state law and agency rules may expand or decrease the functions performed under this strategy, based on the information required to be received and maintained by the Division

The use of technology can have a major impact on this strategy. Increasing the ability to process and store information electronically is a key goal for the agency

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits  
 OBJECTIVE: 4 Certify & Regulate Private Employers that Qualify to Selfinsure  
 STRATEGY: 1 Certify and Regulate Private Employers that Qualify to SelfInsure

Statewide Goal/Benchmark: 7 6  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Active Self-Insured Employers	0.00	224.00	226.00	227.00	228.00
<b>Efficiency Measures:</b>						
1	Average Cost per Certified Self-Insured Employer	0.00	17,857.00	18,000.00	18,039.00	18,077.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$494,470	\$502,023	\$631,471	\$546,696	\$546,696
1002	OTHER PERSONNEL COSTS	\$17,670	\$7,970	\$16,271	\$25,440	\$25,440
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$723	\$1,691	\$2,180	\$2,180	\$2,180
2004	UTILITIES	\$2,676	\$1,944	\$2,429	\$8,329	\$8,329
2005	TRAVEL	\$5,939	\$10,197	\$8,285	\$8,285	\$8,285
2006	RENT - BUILDING	\$35,198	\$26,404	\$36,925	\$36,925	\$36,925
2007	RENT - MACHINE AND OTHER	\$1,250	\$1,250	\$1,226	\$1,226	\$1,226
2009	OTHER OPERATING EXPENSE	\$45,880	\$35,466	\$40,129	\$30,825	\$30,522
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$966	\$1,269
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$603,806</b>	<b>\$586,945</b>	<b>\$738,916</b>	<b>\$660,872</b>	<b>\$660,872</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$603,806	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$603,806</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$0	\$586,945	\$738,916	\$660,872	\$660,872
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$0</b>	<b>\$586,945</b>	<b>\$738,916</b>	<b>\$660,872</b>	<b>\$660,872</b>

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 4 Certify & Regulate Private Employers that Qualify to Selfinsure Service Categories:  
 STRATEGY: 1 Certify and Regulate Private Employers that Qualify to SelfInsure Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$660,872</b>	<b>\$660,872</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$603,806</b>	<b>\$586,945</b>	<b>\$738,916</b>	<b>\$660,872</b>	<b>\$660,872</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>11.9</b>	<b>11.7</b>	<b>17.0</b>	<b>12.0</b>	<b>12.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

The agency is directed by statute to ensure certified selfinsuring employers meet statutory financial claims administration, and safety requirements through an ongoing process of qualifying, renewing, and revoking certification (Texas Labor Code, Sec. 407.001 – 407.133). The Division of Workers' Compensation administers a regulatory program for private sector employers who qualify to selfinsure. The program serves as an alternative to commercial workers' compensation and, as a result, helps to moderate general insurance rates charged by insurance companies in Texas. The costs of regulation are directly paid by the active certified selfinsurers in the form of a regulatory fee.

This strategy coordinates with agency strategy 112 to ensure the processes and mechanisms for certification of group selfinsurers and private employer selfinsurers are consistent, as appropriate.

Strategy 641 contributes to statewide goal 07 and statewide benchmark 06 by making the process for employers to be certified to selfinsure their workers' compensation liabilities clear and by monitoring certified employers to ensure that they are able to cover their liabilities.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The availability of "large deductible" workers' compensation insurance policies, that enable employers to directly self-fund claims below the deductible, affects participation in the program. In addition, the availability and cost of commercial workers' compensation insurance affect the selfinsurance program. The risk of assessment by the Texas Certified Self Insurance Guaranty Association (TCSIGA) to cover the liabilities of an impaired certified self-insurer may also limit participation in the program.

The effectiveness of the program is contingent on the public awareness of the program including presentation of the program on the agency's web site.

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits  
 OBJECTIVE: 5 Minimize and Resolve Disputes  
 STRATEGY: 1 Minimize and Resolve Indemnity and Medical Disputes

Statewide Goal/Benchmark: 7 6  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Indemnity Disputes Concluded in Benefit Review Conference	18,624.00	14,500.00	15,000.00	15,000.00	15,000.00
2	Number of Indemnity Disputes Concluded in Contested Case Hearings	7,210.00	6,500.00	6,700.00	6,700.00	6,800.00
3	Number of Medical Fee Disputes Resolved Prior to a Decision	0.00	2,553.00	1,975.00	1,778.00	1,600.00
4	Number of Medical Fee Dispute Decisions Issued	0.00	6,302.00	7,562.00	7,562.00	7,562.00
<b>Efficiency Measures:</b>						
1	Average Number of Days from Request for BRC to Conclusion of BRC	77.00	67.00	67.00	67.00	67.00
2	Average # Days from Request for Contested Hearing to Decision	78.00	77.00	77.00	77.00	77.00
3	Average Days from Receipt of Med Fee Dispute to Date Decision Issued	0.00	989.00	700.00	300.00	180.00
<b>Explanatory/Input Measures:</b>						
1	Number of Indemnity Disputes Received by Division	46,073.00	35,500.00	36,000.00	36,000.00	36,000.00
2	Number of Medical Fee Disputes Received by the Division	0.00	7,964.00	6,371.00	5,734.00	5,160.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$15,061,439	\$12,076,401	\$12,700,000	\$11,763,047	\$11,763,047
1002	OTHER PERSONNEL COSTS	\$905,594	\$249,878	\$456,202	\$404,164	\$404,164
2001	PROFESSIONAL FEES AND SERVICES	\$555,828	\$400,359	\$506,800	\$106,800	\$106,800
2003	CONSUMABLE SUPPLIES	\$116,480	\$91,725	\$88,654	\$86,021	\$86,021
2004	UTILITIES	\$84,460	\$90,003	\$90,000	\$90,000	\$90,000
2005	TRAVEL	\$517,937	\$188,070	\$199,689	\$209,689	\$209,689

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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            6    Ensure the Appropriate Delivery of Workers Compensation Benefits

Statewide Goal/Benchmark:    7    6

OBJECTIVE:    5    Minimize and Resolve Disputes

Service Categories:

STRATEGY:    1    Minimize and Resolve Indemnity and Medical Disputes

Service: 17    Income: A.2    Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
2006	RENT - BUILDING	\$1,066,468	\$1,167,799	\$1,143,365	\$1,143,365	\$1,143,365
2007	RENT - MACHINE AND OTHER	\$119,105	\$116,007	\$189,756	\$189,756	\$189,756
2009	OTHER OPERATING EXPENSE	\$760,958	\$637,057	\$811,350	\$861,283	\$854,764
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$20,774	\$27,293
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$19,188,269</b>	<b>\$15,017,299</b>	<b>\$16,185,816</b>	<b>\$14,874,899</b>	<b>\$14,874,899</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$19,077,974	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$19,077,974</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$0	\$14,948,490	\$16,080,955	\$14,770,038	\$14,770,038
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$0</b>	<b>\$14,948,490</b>	<b>\$16,080,955</b>	<b>\$14,770,038</b>	<b>\$14,770,038</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$110,295	\$68,809	\$104,861	\$104,861	\$104,861
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$110,295</b>	<b>\$68,809</b>	<b>\$104,861</b>	<b>\$104,861</b>	<b>\$104,861</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$14,874,899</b>	<b>\$14,874,899</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$19,188,269</b>	<b>\$15,017,299</b>	<b>\$16,185,816</b>	<b>\$14,874,899</b>	<b>\$14,874,899</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>423.0</b>	<b>323.8</b>	<b>325.7</b>	<b>303.2</b>	<b>303.2</b>

STRATEGY DESCRIPTION AND JUSTIFICATION

**3.A. STRATEGY REQUEST**  
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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:	6	Ensure the Appropriate Delivery of Workers Compensation Benefits	Statewide Goal/Benchmark:	7	6
OBJECTIVE:	5	Minimize and Resolve Disputes	Service Categories:		
STRATEGY:	1	Minimize and Resolve Indemnity and Medical Disputes	Service:	17	Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The agency attempts to minimize and resolve disputes at the lowest level(Texas Labor Code, §402.00114 and §402.021).  
 For disputes on injuries that occurred prior to 1/1/1991, the agency holds Pre-Hearing Conferences (PHCs), issues Award Recommendations and approves Compromise Settlement Agreements regarding benefits for injured workers [Vernon's TX Civil Statutes Article 8306, 8307, 8309; SB1 (1989 Act) Article 17, §17.18].

For disputes relating to injuries that occur on or after 1/1/1991, in the event disputes regarding income benefits and spinal surgery necessity remain unresolved after the parties attempt to resolve the issues, there is mediation, followed by a hearing officer decision or arbitration deciding the parties' disputes. Parties may appeal a hearing officer decision to the Appeals Panel for Appeals Panel decisions appealed to court; the agency provides a certified copy of the administrative record on request(TX Labor Code, Chapter 410).

For disputes regarding medical fees for services provided and the necessity for medical services provided or requested that remain unresolved after the parties attempt to resolve the issues, there is a medical dispute resolution process(TX Labor Code, Chapter 413 Subchapter C). For disputes regarding medical fees, agency personnel make a decision on the amount to be paid. For disputes regarding the necessity for the medical services agency personnel assign the dispute to an IRO.

Strategy 651 contributes to goal 07 and benchmark 06 by attempting to resolve disputes effectively and efficiently.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The need for the agency's dispute resolution services may increase and decrease if there is a rise and fall on the numbers of claims filed by injured workers

The establishment of networks to provide medical care to injured workers, rules on medical fee guidelines and rules on medical treatment guidelines may all have an affect on the volume and complexity of disputes. With changes from HB 7 (TX Legislature, 2005), if networks penetrate the market heavily, the amount of incoming disputes to DWC may be reduced.

Changes in agency rules and statutory changes as well as issues that are in litigation may affect the processing of medical disputes and income disputes and require training for agency staff.



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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits  
 OBJECTIVE: 6 Manage the Subsequent Injury Fund  
 STRATEGY: 1 Subsequent Injury Fund Administration

Statewide Goal/Benchmark: 7 6  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Injured Workers Receiving LIB Payments through the SIF	37.00	36.00	40.00	41.00	42.00
2	# of Requests for Reimbursement for Overpayment of Benefits Processed	119.00	120.00	126.00	133.00	140.00
3	# Requests Filed for Reimbursement of Multiple Employ. Benefits Paid	43.00	41.00	34.00	50.00	71.00
<b>Efficiency Measures:</b>						
1	Avg Days from Close of Quarter to Payment of Request for Reimbursement	60.13	57.00	62.00	62.00	62.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$72,481	\$53,486	\$60,549	\$59,168	\$59,168
1002	OTHER PERSONNEL COSTS	\$2,198	\$260	\$48	\$0	\$0
2001	PROFESSIONAL FEES AND SERVICES	\$148	\$307	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$463	\$408	\$174	\$174	\$174
2004	UTILITIES	\$342	\$311	\$284	\$284	\$284
2005	TRAVEL	\$496	\$479	\$87	\$87	\$87
2006	RENT - BUILDING	\$4,458	\$4,000	\$4,098	\$4,098	\$4,098
2007	RENT - MACHINE AND OTHER	\$516	\$500	\$772	\$772	\$772
2009	OTHER OPERATING EXPENSE	\$2,709,579	\$3,671,582	\$3,672,579	\$3,672,837	\$3,672,804
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$105	\$138
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,790,681</b>	<b>\$3,731,333</b>	<b>\$3,738,591</b>	<b>\$3,737,525</b>	<b>\$3,737,525</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$84,914	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$84,914</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 6 Ensure the Appropriate Delivery of Workers Compensation Benefits Statewide Goal/Benchmark: 7 6  
 OBJECTIVE: 6 Manage the Subsequent Injury Fund Service Categories:  
 STRATEGY: 1 Subsequent Injury Fund Administration Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$0	\$61,193	\$68,451	\$67,385	\$67,385
5101	SUBSEQUENT INJURY FUND	\$2,705,767	\$3,670,140	\$3,670,140	\$3,670,140	\$3,670,140
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$2,705,767</b>	<b>\$3,731,333</b>	<b>\$3,738,591</b>	<b>\$3,737,525</b>	<b>\$3,737,525</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$3,737,525</b>	<b>\$3,737,525</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,790,681</b>	<b>\$3,731,333</b>	<b>\$3,738,591</b>	<b>\$3,737,525</b>	<b>\$3,737,525</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>1.5</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

Section 403.007, Texas Labor Code provides that the Division of Workers' Compensation is to maintain the Subsequent Injury Fund(SIF), a general revenue dedicated account. SIF is liable for the timely payment of authorized lifetime income benefits to eligible injured employees who meet the statutory criteria due to a second workrelated injury (Texas Labor Code, §408.162). SIF is also liable for reimbursement of eligible insurance carrier overpayments made pursuant to a Division interlocutory order or decision that is later reversed or modified, and for the reimbursement of eligible insurance carrier multiple employment claims(Texas Labor Code, §408.042) and certain pharmaceutical claims (Texas Labor Code, §413.0141). SIF staff monitor proper financial administration of the payment of lifetime income benefits in coordination with TDIs accounting staff. Insurance carrier requests for reimbursements to the SIF are reviewed, processed and paid on a quarterly basis.

This strategy coordinates with agency strategy 651 to ensure payments from the SIF are based on final adjudication of any questions about lifetime income benefit eligibility and other disputed issues.

Strategy 661 contributes to statewide goal 07 and statewide benchmark 06 by ensuring eligible injured employees receive lifetime income benefits in accordance with the Texas Labor Code and by effectively distributing reimbursements to eligible insurance carrier for overpayment of benefits

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            6    Ensure the Appropriate Delivery of Workers Compensation Benefits

Statewide Goal/Benchmark:    7    6

OBJECTIVE:    6    Manage the Subsequent Injury Fund

Service Categories:

STRATEGY:    1    Subsequent Injury Fund Administration

Service: 17    Income: A.2    Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The number of claims and disputes filed by injured employees and insurance carriers may affect the amount of payment from the SIF Also, the number of insurance carrier requests for reimbursement may affect the amount of SIF payments

The financial condition of the SIF may be impacted by changes in statute andor rules regarding the types of payments that may be made from the SIF

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Agency code: **454** Agency name: **Department of Insurance**

GOAL: 7 Indirect Administration  
 OBJECTIVE: 1 Indirect Administration  
 STRATEGY: 1 Central Administration

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$6,723,476	\$5,726,862	\$6,715,940	\$6,555,812	\$6,555,812
1002	OTHER PERSONNEL COSTS	\$334,374	\$206,018	\$253,139	\$222,960	\$222,960
2001	PROFESSIONAL FEES AND SERVICES	\$151,799	\$171,466	\$157,517	\$157,517	\$157,517
2003	CONSUMABLE SUPPLIES	\$38,836	\$32,025	\$41,273	\$41,273	\$41,273
2004	UTILITIES	\$24,792	\$9,455	\$8,365	\$8,365	\$8,365
2005	TRAVEL	\$48,393	\$41,204	\$57,929	\$57,929	\$57,929
2006	RENT - BUILDING	\$206,184	\$91,122	\$2,000	\$2,000	\$2,000
2007	RENT - MACHINE AND OTHER	\$48,947	\$17,702	\$36,652	\$36,652	\$36,652
2009	OTHER OPERATING EXPENSE	\$362,871	\$594,327	\$749,858	\$688,302	\$688,302
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$7,939,672</b>	<b>\$6,890,181</b>	<b>\$8,022,673</b>	<b>\$7,770,810</b>	<b>\$7,770,810</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$3,841,314	\$0	\$0	\$0	\$0
8042	INSURANCE MAINT TAX FEES	\$2,700,842	\$3,038,015	\$3,222,920	\$3,190,832	\$3,190,832
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$6,542,156</b>	<b>\$3,038,015</b>	<b>\$3,222,920</b>	<b>\$3,190,832</b>	<b>\$3,190,832</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$1,397,516	\$3,852,166	\$4,799,753	\$4,579,978	\$4,579,978
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$1,397,516</b>	<b>\$3,852,166</b>	<b>\$4,799,753</b>	<b>\$4,579,978</b>	<b>\$4,579,978</b>

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 7 Indirect Administration

Statewide Goal/Benchmark: 7 1

OBJECTIVE: 1 Indirect Administration

Service Categories:

STRATEGY: 1 Central Administration

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$7,770,810</b>	<b>\$7,770,810</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$7,939,672</b>	<b>\$6,890,181</b>	<b>\$8,022,673</b>	<b>\$7,770,810</b>	<b>\$7,770,810</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>137.9</b>	<b>108.5</b>	<b>127.9</b>	<b>124.5</b>	<b>124.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            7   Indirect Administration  
 OBJECTIVE:    1   Indirect Administration  
 STRATEGY:    2   Information Resources

Statewide Goal/Benchmark:    7    1  
 Service Categories:  
 Service: 09    Income: A.2    Age:    B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$5,530,408	\$5,478,251	\$6,018,404	\$5,942,667	\$5,942,667
1002	OTHER PERSONNEL COSTS	\$306,250	\$166,352	\$186,194	\$178,280	\$178,280
2001	PROFESSIONAL FEES AND SERVICES	\$4,591,515	\$3,292,625	\$4,271,009	\$1,434,898	\$1,434,898
2003	CONSUMABLE SUPPLIES	\$124,987	\$89,395	\$68,727	\$68,860	\$68,860
2004	UTILITIES	\$583,334	\$586,226	\$515,086	\$515,086	\$515,086
2005	TRAVEL	\$35,461	\$7,388	\$22,563	\$22,563	\$22,563
2006	RENT - BUILDING	\$171,324	\$200,776	\$183,057	\$183,057	\$183,057
2007	RENT - MACHINE AND OTHER	\$7,207	\$1,999	\$6,694	\$6,694	\$6,694
2009	OTHER OPERATING EXPENSE	\$2,190,972	\$2,418,956	\$2,436,742	\$1,886,196	\$1,886,196
5000	CAPITAL EXPENDITURES	\$197,865	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$13,739,323</b>	<b>\$12,241,968</b>	<b>\$13,708,476</b>	<b>\$10,238,301</b>	<b>\$10,238,301</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$9,982,748	\$0	\$0	\$0	\$0
8042	INSURANCE MAINT TAX FEES	\$2,475,625	\$2,583,014	\$2,718,520	\$2,635,369	\$2,635,369
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$12,458,373</b>	<b>\$2,583,014</b>	<b>\$2,718,520</b>	<b>\$2,635,369</b>	<b>\$2,635,369</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$1,280,950	\$9,658,954	\$10,989,956	\$7,602,932	\$7,602,932
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS- DEDICATED)</b>		<b>\$1,280,950</b>	<b>\$9,658,954</b>	<b>\$10,989,956</b>	<b>\$7,602,932</b>	<b>\$7,602,932</b>

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 7 Indirect Administration  
 OBJECTIVE: 1 Indirect Administration  
 STRATEGY: 2 Information Resources

Statewide Goal/Benchmark: 7 1  
 Service Categories:  
 Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$10,238,301</b>	<b>\$10,238,301</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$13,739,323</b>	<b>\$12,241,968</b>	<b>\$13,708,476</b>	<b>\$10,238,301</b>	<b>\$10,238,301</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>129.5</b>	<b>114.2</b>	<b>126.0</b>	<b>124.0</b>	<b>124.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION**

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454**      Agency name: **Department of Insurance**

GOAL:            7   Indirect Administration  
 OBJECTIVE:    1   Indirect Administration  
 STRATEGY:    3   Other Support Services

Statewide Goal/Benchmark:    7   1  
 Service Categories:  
 Service: 09    Income: A.2    Age:    B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,532,286	\$1,288,902	\$1,489,116	\$1,439,117	\$1,439,117
1002	OTHER PERSONNEL COSTS	\$82,171	\$51,791	\$101,725	\$95,280	\$95,280
2001	PROFESSIONAL FEES AND SERVICES	\$4,574	\$10,977	\$1,500	\$1,500	\$1,500
2002	FUELS AND LUBRICANTS	\$10,664	\$10,431	\$16,050	\$16,050	\$16,050
2003	CONSUMABLE SUPPLIES	\$45,633	\$82,180	\$48,978	\$48,978	\$48,978
2004	UTILITIES	\$58,805	\$30,766	\$42,582	\$42,582	\$42,582
2005	TRAVEL	\$13,604	\$1,681	\$12,508	\$12,508	\$12,508
2006	RENT - BUILDING	\$132,048	\$220,318	\$324,214	\$324,214	\$324,214
2007	RENT - MACHINE AND OTHER	\$83,119	\$120,363	\$126,578	\$126,578	\$126,578
2009	OTHER OPERATING EXPENSE	\$921,620	\$705,160	\$731,509	\$674,584	\$674,585
5000	CAPITAL EXPENDITURES	\$128,508	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$3,013,032</b>	<b>\$2,522,569</b>	<b>\$2,894,760</b>	<b>\$2,781,391</b>	<b>\$2,781,392</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$1,630,041	\$0	\$0	\$0	\$0
8042	INSURANCE MAINT TAX FEES	\$912,774	\$1,049,516	\$1,083,104	\$1,035,329	\$1,035,329
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$2,542,815</b>	<b>\$1,049,516</b>	<b>\$1,083,104</b>	<b>\$1,035,329</b>	<b>\$1,035,329</b>
<b>Method of Financing:</b>						
36	DEPT INS OPERATING ACCT	\$470,217	\$1,473,053	\$1,811,656	\$1,746,062	\$1,746,063
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$470,217</b>	<b>\$1,473,053</b>	<b>\$1,811,656</b>	<b>\$1,746,062</b>	<b>\$1,746,063</b>



**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
 TIME: 5:15:59PM

Agency code: **454** Agency name: **Department of Insurance**

GOAL: 7 Indirect Administration

Statewide Goal/Benchmark: 7 1

OBJECTIVE: 1 Indirect Administration

Service Categories:

STRATEGY: 3 Other Support Services

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,781,391</b>	<b>\$2,781,392</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$3,013,032</b>	<b>\$2,522,569</b>	<b>\$2,894,760</b>	<b>\$2,781,391</b>	<b>\$2,781,392</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>50.0</b>	<b>39.7</b>	<b>45.0</b>	<b>43.0</b>	<b>43.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
80th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas(ABEST)

DATE: 8/24/2006  
TIME: 5:15:59PM

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$91,193,770</b>	<b>\$91,193,770</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$100,163,318</b>	<b>\$96,067,332</b>	<b>\$103,985,963</b>	<b>\$91,193,770</b>	<b>\$91,193,770</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>1,835.3</b>	<b>1,638.8</b>	<b>1,755.3</b>	<b>1,583.6</b>	<b>1,583.6</b>