



Part I Report of Program Activities

This section of the Texas Department of Insurance's *130th Annual Report* gives a brief summary of major activity of agency programs and divisions during Fiscal Year 2005. This report reflects the agency structure as it existed on August 31, 2005.

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Texas Department of Insurance

Preface

FY 2005 WAS A YEAR OF PROGRESS for the Texas Department of Insurance (TDI) as it sought to balance the needs of insurers and consumers. Decreasing rates and increased consumer choice were evident in the key market-driven lines of homeowners, auto, and medical malpractice insurance. At the same time insurance companies increased their writings and new companies entered the Texas market in all of these lines. In addition, insurers benefited from a relatively quiet storm season in FY 2005, a situation that changed dramatically as the fiscal year ended and one that will no doubt affect the entire insurance market going forward.

Another key development in FY 2005 that will have a significant future impact on the agency and the state of Texas was legislation transferring the administration of the workers' compensation system to TDI. While this change did not take effect until after the end of FY 2005, TDI was heavily involved in the preparatory work necessary to make the September 1 launch successful.

Following are some of the specific developments of the past year:

Medical Malpractice Insurance

With two years of implementation of Proposition 12, the turnaround in the medical malpractice market has been significant:

- Reported claims are down. Data after the reform, November 2003 through August 2005, show post-reform reported claims for top four physician writers averaging 198 per month, compared to approximately 344 reported claims per month before reform.
- Participation in the insurer of last resort (the Texas Medical Liability Insurance Underwriting Association, or JUA) is down, having dropped by 15 percent in the first half of 2005.
- The number of new and start-up medical malpractice insurers is increasing, with 21 new entities having either begun operations or are in various stages of filing to do so.
- Reinsurers are showing renewed interest in insuring Texas medical malpractice insurers and rate decreases for physicians have become common. Texas Medical Liability Trust, which covers approximately 13,000 Texas physicians, reduced rates by 16.4 percent; American Physicians Exchange (covering about 3,000 physicians) reduced rates an average of 17.4 percent; the Doctors' Company (covering about 750 physicians) reduced rates an average of 8.6 percent; and the JUA, which insures approximately 2,000 physicians, reduced rates by 10 percent.
- Additionally, nursing home medical malpractice rates through the JUA were reduced by 14.5 percent and Healthcare Indemnity, the largest hospital writer in Texas, lowered its rates by 17.6 percent.

Workers' Compensation Insurance

Workers' compensation reform, including the Sunset review of the Texas Workers' Compensation Commission (TWCC), was a primary legislative goal for the 79th Legislature. High medical costs, poor return-to-work outcomes, high insurance premiums and a declining employer participation rate in the workers' compensation system sparked considerable legislative interest in enacting significant legislative reform during the session. This interest culminated in the passage of House Bill (HB) 7, which represents the most significant reform to the Texas workers' compensation system since its overhaul in 1989. Key changes HB 7 made to the system include:

- Abolishing TWCC and transferring most of its administrative functions to a newly created Division of Workers' Compensation at TDI, governed by a Commissioner of Workers' Compensation appointed by the Governor;
- Creating the Office of Injured Employee Counsel, as a separate state agency, to assist injured workers and represent them as a class during rulemaking;
- Introducing managed care into the workers' compensation system by allowing insurance carriers to create or contract with workers' compensation health care networks that are certified by TDI; and

- Clarifying the mission and goals for the workers' compensation system and highlighting the importance of safe and timely return-to-work for injured workers.

HB 7 was signed by Governor Perry on June 1, 2005, with its principal provisions effective September 1, 2005.

Homeowners Insurance

It is clear that the 2003 reforms enacted by Senate Bill (SB) 14 have had a positive impact on the Texas homeowners insurance market:

- The homeowners market has rebounded with increased market competition, better product availability, and a downward trend in rates for several companies. Rate levels in FY 2005 are currently about 8 percent lower than they were in early 2003 prior to the rate action.
- Companies that had stopped or restricted sales to new customers have become more aggressive in seeking new business. Ten companies not previously writing residential property insurance in Texas began writing residential property insurance in Texas in 2005 – increasing the total number of new entrants into the residential property insurance market to 20 since the enactment of SB 14.
- Another sign of the turnaround is that the Fair Access to Insurance Requirements (FAIR) Plan – the state's insurer of last resort – is experiencing a decline in new policy applications.
- In December 2004, as authorized by SB 14, homeowners insurers moved to a file-and-use rating system and began filing more refined rating systems that allowed more custom fit policies.
- Following an unusually calm storm season the previous year, homeowners insurers posted record low loss ratios in 2004 (27.8 percent). As a result, TDI ordered the top homeowners insurers to file their rates and justifications by May 1, 2005. A number of companies filed decreases, some of which were double-digit decreases. The impact of recent hurricane activity (August-September 2005) on reinsurance markets may warrant rate changes for some companies.

Health Insurance

Federal data released in August 2005 showed that lack of health insurance is still a major problem in Texas. The most recent data from the U.S. Census Bureau shows that 24.8 percent of Texans lack health insurance, slightly down from 25.2 percent last year. While much of the high rate of uninsurance can be attributed to the large number of small employers in the state and the lower rate of employment-related insurance, TDI is actively working to increase the number of insured:

- The agency completed the second year of work on the federally funded supplemental State Planning Grant study of options for expanding health insurance to uninsured Texans. Activities included a statewide survey of small employers and a survey of Texas universities to identify health insurance options for enrolled students.
- Under the grant, TDI hosted a series of seven Health Insurance Fairs and focus groups across the state, aimed at both small businesses and uninsured Texans.
- In addition, in August 2005 TDI launched TexasHealthOptions.com, a "one-stop" resource for Texans shopping for health insurance. The new website features step-by-step information on finding affordable coverage and provides information and lists of companies offering various types of health plans.

Auto Insurance

- In general, losses are trending downward, as are overall rates for a number of companies.
- Seven companies not previously writing personal automobile insurance in Texas began writing personal automobile in Texas in 2005 – an increase from one in 2004.
- On December 1, 2004, as mandated by SB 14 (78th Legislature), auto insurers moved from a benchmark to a file-and-use system for rate filing. The new system is a more modern form of rate setting than the previous benchmark system, and allows companies to quickly adjust to changing market conditions.
- In June 2005, TDI began reviewing information on the overall personal auto market, including the number of writers, policies in force, loss ratios, rates, and market shares. While the focus was on overall market trends, additional scrutiny was given to the county mutual market, whose rates in the past were not subject to regulation, to ensure compliance with the Texas Insurance Code and to transition them to the new regulatory environment post SB 14. While Texas' average premiums (not rates) have been in the top third of the nation for several years, the addition of county mutual data may result in a different ranking.

Fraud

- In February 2005, TDI's Fraud Unit hired a special prosecutor to work insurance fraud cases in the Dallas County District Attorney's Office. In just the first three months, the special prosecutor oversaw cases resulting in two dozen indictments for insurance fraud-related crimes, far exceeding expectations for the arrangement.
- Also in FY 2005, the TDI Fraud Unit continued its work with the Texas Committee on Insurance Fraud and responded to Governor Perry's Executive Order RP 36, relating to preventing, detecting and eliminating fraud, waste and abuse.
- In January 2005 the Fraud Unit hosted its 7th annual training session for insurance company special investigation units and law enforcement.

State Fire Marshal's Office (SFMO)

- A new State Fire Marshal was selected early in FY 2005. Paul Maldonado brings to SFMO more than 25 years of experience as both a firefighter and fire administrator with the City of Austin.
- In February 2005, the SFMO issued a statewide directive to Texas state agencies and universities ordering that they take immediate steps to ensure that natural gas piping systems that they own or control are properly maintained. The directive provided a comprehensive guide for officials to follow based on state and federal law as well as national safety standards covering installation, maintenance, inspection and testing of gas piping systems.

Commissioner's Office

THE COMMISSIONER, appointed by the Governor with the advice and consent of the Senate, is the agency's chief executive and administrative officer.

As the agency's chief administrator, the Commissioner oversees agency regulatory functions, establishes agency operating procedures and enforces state insurance laws. Enforcement includes disciplinary and legal actions against violators.

As part of his regulatory duties, the Commissioner issues presumptive rates for credit life and credit disability insurance. He also reviews and regulates all residential property rates and can order reductions when appropriate. The Commissioner also promulgates rates for title insurance and Texas Automobile Insurance Plan Association (TAIPA) coverages. The Texas Windstorm Insurance Association (TWIA) must submit its proposed rates for the Commissioner's approval.

The Commissioner may review rates submitted to TDI under "file-and-use" provisions for such lines as boiler and machinery, business owners, commercial multi-peril, credit and involuntary unemployment, crime, fire and allied lines commercial, general liability, glass, miscellaneous liability, mortgage guaranty, medical malpractice, other professional liability and commercial umbrella.

The Commissioner adopts rules implementing new laws and addressing problems in regulating companies and agents. In addition, the Commissioner appoints individuals to advisory boards and committees and oversees their operation.

In FY 2005, the Commissioner's Office included the Chief of Staff and five activities.

Chief of Staff and Senior Associate Commissioner for Administration oversees the Administrative Operations Division, which includes the agency's computer and data services, business planning and redesign, accounting, budget, building and records management, purchasing, mail services, human resources and the agency ombudsman and ethics advisor.

General Counsel/Chief Clerk serves as the Commissioner's legal adviser on contested cases and assists in developing rules, setting rates and handling various appeals to the Commissioner, including appeals from decisions of boards and associations supervised by the Commissioner. In addition, the office coordinates matters involving contested case proceedings, policy issues, and rule-making; performs legal research; certifies rules for the agency; and maintains records and proceedings involving Commissioner actions. The office also handles several hearings-related duties related to contested case proceedings, including coordinating hearing notices and scheduling of hearings with the State Office of Administrative Hearings (SOAH), along with providing a required court reporter.

Executive Services provides executive support services to the Commissioner and staff.

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the agency's operations. Internal Audit helps the agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Government Relations serves as TDI's liaison with the Legislature and other governmental entities. Major responsibilities include helping the Commissioner develop legislative recommendations for improving insurance regulation in Texas; reporting information regarding TDI activities and the insurance market to the Legislature; coordinating and tracking agency-wide responses to legislative and constituent inquiries, including responding to inquiries related to workers' compensation or coordinating responses with the Texas Workers' Compensation Commission; assist

TDI's Workers' Compensation Research Group on research projects; monitoring and analyzing legislation affecting the agency; updating agency staff on the status of legislation; coordinating the appearance of agency staff for testimony before various legislative committees; overseeing implementation of legislation; compiling and indexing all insurance and agency-related legislation for inclusion on TDI's website; distributing requested information to legislators, committees and other governmental entities; and researching and reviewing possible appointments to various boards and committees required to assist the Department.

Public Information Office serves as the agency's primary contact with the news media. The office also responds to information requests from consumers, the insurance industry and other regulators and government agencies. Major communication responsibilities include:

- Researching, writing, editing and distributing news releases announcing agency actions; conducting and coordinating interviews with the news media; assisting the Commissioner in drafting articles and consumer columns for various publications; and responding to information requests from the media.
- Managing content of TDI's websites, with assistance from Information Services and other divisions.
- Coordinating electronic mail among TDI, other state insurance departments and the National Association of Insurance Commissioners, and answering general information e-mails via TDI's website.
- Coordinating the writing and editing of the Annual Report to the Governor and Legislature.
- Writing and editing the agency's regulatory newsletter (*TDI InSight*).
- Designing, illustrating and producing agency publications and related print materials.
- Writing and overseeing production of radio and television public service announcements and other videos.
- Producing the agency's Bulletin Board@TDINet, an in-house electronic bulletin board for TDI information.
- Writing speeches and helping edit various agency reports and documents.

Highlights

In Fiscal Year 2005, the Commissioner's Office:

General Counsel/Chief Clerk

- Reviewed, briefed and advised the Commissioner on 40 contested cases heard by SOAH, and 20 hearings and public meetings conducted by the Commissioner. Also reviewed, briefed and advised the Commissioner on other rate matters including the TAIPA and TWIA commercial rate filings.
- Briefed and advised the Commissioner on three appeals of TWIA decisions.
- Provided legal and technical review in connection with the adoption of 14 new Texas Administrative Code (TAC) rules, the repeal of nine TAC rules and the amendment of 19 previously adopted TAC rules. Nine proposed TAC rules were pending at the end of FY 2005.
- Provided legal and technical review in connection with the adoption of six manual rule proposals under Article 5.96 of the *Texas Insurance Code* (TIC). Eight proposals to adopt new or amended manual rules were pending at the end of FY 2005.
- Reviewed and advised the Commissioner regarding 278 consent orders, 113 default orders and 38 contested orders in connection with agents and insurers.
- Continued work on streamlining the agency's internal rulemaking process.
- Continued work on updating and revising portions of TDI's database of Commissioner orders and bulletins. The database now includes 42 years of orders by insurance commissioners and the former State Board of Insurance.
- Maintained the Commissioner's agendas, bulletins, TAC and manual rules posted on the Agency website.
- Approved and processed bulletins and other non-disciplinary and non-rate orders.
- Maintained and prepared for archiving all contested-case hearing files (Official Administrative Record) and all other administrative hearing files of the Commissioner of Insurance or his delegate, as well as assisted the Office of the Attorney General in related appeals filed with the District Court.
- Briefed and advised the Commissioner and TDI staff in hearings concerning rules and other regulatory matters.

Executive Services

- Assisted the Commissioner and staff in responding to all inquiries directed to the Commissioner of Insurance.
- Coordinated the activities of the Commissioner and agency staff as directed by the Commissioner.

Internal Audit

- Conducted five financial-related or performance audits, including a statutorily required audit of seized/forfeited property. One of the five audits was ongoing at fiscal year-end.
- Served as TDI's liaison to external auditors on two State Auditor's Office projects.
- Assisted in preparation of the agency response to the Governor's Fraud Initiative, RP 36, and served as the agency's coordinator to implement a program of internal fraud prevention and elimination.
- Served as an advisor on two advisory/monitoring projects that were long-term projects spanning multiple years.
- Conducted three investigations as authorized under Section 2102.003 (2) (E) of the Government Code. All three of the investigations were completed by the end of FY 2005.
- Conducted five information system/telecommunication audits, including an audit of telephone services and an audit of TDI's Internet firewall logs. Fieldwork was complete on all five audits and three reports were pending as of fiscal year end.

Government Relations

- Tracked and coordinated implementation activities of 126 insurance-related bills passed by the 79th Legislature (2005), which resulted in approximately 302 implementation items for TDI.
- Worked with bill authors and sponsors of legislation and kept them advised of implementation developments.
- Published bill implementation information on TDI's website.
- Monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner.
- Several legislative committees were charged with studying insurance-related issues. These activities required the preparation of 10 committee presentations by the Commissioner or TDI staff during the session.
- Continued to maintain a liaison for workers' compensation inquiries.
- Assisted TDI staff with appointment of members to advisory committees and boards, including the Fire Extinguisher Advisory Council, Fire Protection Sprinkler System Advisory Council and the Fire Detection and Alarm Devices Advisory Council.

Public Information Office

- Published six bimonthly issues of *TDInSight* in FY 2005. *TDInSight* provides industry stakeholders and policymakers with timely information on key issues and regulatory actions, in a readable, visually interesting format.
- Designed and implemented a new website, TexasHealthOptions.com, to provide "one-stop shopping" for Texans seeking health insurance.
- Maintained and updated the web publication "Straight Talk About Insurance." "Straight Talk" provides accurate, up-do-date information on current insurance topics to address issues that often receive conflicting interpretations from special interest groups.
- Completed a major overhaul of TDI's website to enhance utility, organization and ease of navigation.
- Incorporated the entire content of the Texas Workers' Compensation Commission's website into the TDI website in anticipation of legislatively mandated transfer of workers' compensation regulatory functions to TDI.
- Produced four quarterly issues of the employee newsletter Bulletin Board as an electronic publication on the TDI intranet.
- Redesigned the employee intranet website to be more user friendly, better organized and more intuitive.
- Wrote and coordinated dissemination of 30 press releases to statewide Texas media in FY 2005.
- Provided speechwriting and presentation assistance for the Commissioner at 41 events statewide during the fiscal year.
- Continued to provide daily news clipping service, monitoring all major Texas newspapers for insurance-related news.
- Provided live and archived Internet audio of public hearings.

Figure 1 Summary of Activity: Commissioner's Office

	FY 2004	FY 2005
Commissioner's Hearings/Meetings	30	20
Commissioner's Orders*	1,419	1,187

* Commissioner's Orders in FY 2005 included 429 disciplinary orders (including contested, consent and default orders), 41 rules/manual orders, 634 company activities orders, 75 authority orders for temporary acting commissioner, 1 delegation order for routine actions and 7 other orders.

Figure 2 Commissioner's Contested Cases by Type

	FY 2004	FY 2005
Total Hearings Conducted for Commissioner*	44	40
Disciplinary†	25	28
License Applications	12	9
Appeals/Other‡	7	3

* Total number of actual hearings conducted for the Commissioner by the State Office of Administrative Hearings (SOAH). The count excludes prehearing conferences and additional days of extended hearings.

† Includes State Fire Marshal Office

‡ Appeals/Other includes appeals of actions taken by the Texas Windstorm Insurance Association (TWIA).

Legal and Compliance

LEGAL AND COMPLIANCE enforces the *Texas Insurance Code*, investigates and takes action in connection with company and agent misconduct, drafts rules and provides legal advice and support to the agency. Legal and Compliance consists of five sections and four special counsels.

Agency Counsel provides legal advice to the Commissioner and agency staff regarding internal agency operations, including personnel matters, open records requests and contracts. Agency Counsel Section attorneys negotiate contracts and draft proposed agency policies and manuals. The section oversees the agency's open records process.

Regulated Lines Counsel provides comprehensive legal support on matters as requested by the Life, Health and Licensing Program; Property and Casualty Program; and Consumer Protection Program. This includes drafting rule proposals and adoption orders, legal opinions, legislative assistance, assistance with correspondence, interpretations of statutes and rules and other legal analysis. Legal support is provided for the following lines of insurance:

- Life, accident and health
- Managed care
- Personal auto
- Commercial auto
- Residential property
- Commercial property
- General liability
- Professional liability
- Workers' compensation
- Title

Other areas where legal support is provided include:

- Agent licensing
- Texas Windstorm Insurance Association
- Amusement Ride Safety Inspection and Insurance Act
- Loss control
- Property and casualty rate-related issues
- Consumer protection

Financial Counsel consists of Department staff attorneys and the Special Counsel to the Receiver. Collectively, Financial Counsel provides comprehensive legal services to all areas of the Financial Program and, when requested, assists other areas of the Department with financial- and receivership-related matters. Some of the legal assistance provided includes:

- Drafting rule proposals and adoption orders;
- Reviewing and advising Department staff regarding various holding company and licensing transactions;
- Drafting various Commissioner's orders, including supervision, conservatorship and Article 1.32 (hazardous financial condition) orders, and letters of administrative oversight;
- Providing advice and assistance in the enforcement of Commissioner's orders;
- Initiating enforcement actions against insurers, HMOs and title companies and agents for code violations related to financial matters;
- Drafting receivership pleadings and coordinating with the Office of the Attorney General (OAG) for representation in receivership actions;
- Representing the receiver at guaranty association meetings; and
- Representing the receiver in proceedings before the district court's court-appointed special master.

Enforcement investigates allegations of illegal activities by insurance agents, companies, HMOs and other licensed entities and brings disciplinary actions that may result in:

- Cease-and-desist orders
- License denials
- License revocations and suspensions
- Monitored agent probations
- Administrative penalties
- Restitution to harmed consumers

The Enforcement Section refers cases to the Fraud Unit for criminal prosecution and assists appropriate prosecutors in criminal prosecutions. Enforcement works with the OAG on appeals of disciplinary actions and on enforcement actions conducted by the OAG's Consumer Protection Division.

Compliance Intake Unit provides data and file management and public assistance telephone support to the Legal and Compliance program. The section also is responsible for analyzing and referring complaints and reports to the appropriate areas within Legal and Compliance and other areas of TDI.

Fraud Counsel provides legal services for TDI's Insurance Fraud Unit. Fraud Counsel offers legal advice and support on matters ranging from general legal matters to issues specific to an investigation. The Fraud Counsel also can serve as a special prosecutor to a county for criminal prosecution of insurance fraud.

International Regulatory Counsel/Special Counsel to the Commissioner provides legal advice and support to the Commissioner and agency staff primarily on international and border insurance regulatory issues relating to availability and affordability of cross-border and international insurance, admissions and licensing of alien insurers and agents, market conduct and opportunities, unauthorized and fraudulent operations and compliance with related statutes and trade agreements. The section also serves as agency liaison to state and federal agencies relating to these matters.

Special Litigation Counsel provides advice, analysis and assistance to the agency in connection with complex and significant enforcement, litigation and regulatory issues.

Special Regulatory Counsel was created in June 2004 to assist the Legal and Compliance division and General Counsel with special projects. Some of these projects have included coordination of the Department's review of the recodification of the *Texas Insurance Code* and review of draft federal legislation on federal coordination of nationwide uniform insurance regulations to assist the NAIC in providing input to congressional committees.

Highlights

In Fiscal Year 2005, Legal and Compliance obtained orders requiring \$17,725,119 in restitution for consumers and assessed \$12,727,166 in administrative penalties, fines and forfeitures. Details regarding specific cases included:

- A cease-and-desist order and penalty of \$2 million was assessed against American Insurance Managers Inc. for engaging in the unauthorized business of insurance.
- A \$2 million penalty was assessed against Mitchell Zogob for engaging in the unauthorized business of insurance in Texas. He was also ordered to pay all unpaid claims or losses of the members who held workers' compensation insurance procured directly or indirectly by him.
- Unum Life Insurance Company of America paid a \$1.2 million penalty as a result of its claims settlement practices in connection with individual and group long-term disability income insurance policies.
- U.S. Auto Insurance Services Inc. paid \$3.2 million in restitution to various insureds or third parties. United Healthcare Insurance Company was ordered to pay \$4.2 million in restitution. These companies violated insurance laws by engaging in unfair claim settlement practices, using unapproved forms and failing to pay claims in a timely manner.
- Chicago Title Insurance Company-Houston paid a \$1.2 million penalty as a result of deficiencies found in its policies, procedures, systems and/or compliance controls governing settlements it performed for or on behalf of lenders.

Regulated Lines Counsel Section provided substantial legal assistance for several major rules adopted during the year, as well as provided assistance for implementation of bills from the 79th

Legislative Session, including the following:

Proposed rules as a result of the passage of:

- HB 7 (Article 4) concerning workers' compensation health care networks;
- SB 50 concerning the processing of electronically filed batch claims;
- SB 51 concerning utilization review;
- SB 1149 concerning eligibility statements;
- HB 1892 and 2879 and SB 1282 concerning regulation of amusement rides; and
- HB 2565 concerning rebating activities.

Finalized the adoption of amendments to:

- Subchapters A – D, F, G, I – K, N – T, and V - AA of Chapter 11 (relating to HMOs) of Title 28 of the *Texas Administrative Code* to implement statutory changes from prior legislative sessions and to update procedures and requirements to conform to certain nationally recognized standards;
- Subchapters A and C of Chapter 26 (relating to small employer health insurance regulations) of Title 28 of the *Texas Administrative Code* to implement statutory changes from prior legislative sessions to conform Texas law with updates to the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA);
- Subchapter FF of Chapter 3 (relating to life, accident and health insurance and annuities) of Title 28 of the *Texas Administrative Code*. The new sections implement legislation enacted by the 77th Legislature in HB 2159, which amended Texas Insurance Code Chapter 1153 with regard to the setting of premium rates for credit life and credit accident and health insurance by changing the way those rates are set;
- Subchapter T of Chapter 3 (relating to life, accident and health insurance and annuities) of Title 28 of the *Texas Administrative Code*. These amendments were necessary to implement provisions of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, as well as to make under age 65 persons losing eligibility for health benefits under Medicaid eligible for guaranteed issuance of Medicare supplement Plan A;
- §5.9970 of Title 28 of the *Texas Administrative Code*, relating to responsibility and obligation of insurers to provide copies of the consumer bills of rights to each insured for personal automobile insurance and for homeowners, dwelling and renters insurance. These amendments result from the passage of legislation from the 78th Legislature, and provide a more efficient method of requiring that the Bills of Rights be provided to each policyholder for each personal line of insurance regulated by TDI;
- Subchapter M (relating to filing requirements) of Chapter 5 of Title 28 of the *Texas Administrative Code* so that insurers will be able to make the necessary filings and be in compliance with the regulatory changes enacted by SB 14 and HB 1865, which were enacted by the 78th Legislature; and
- §§5.2001-.2006 of Title 28 of the *Texas Administrative Code* (Texas Medical Liability Underwriting Association) to conform to and implement amendments to Insurance Code Article 21.49-3 enacted by the 77th Legislature in SB 1839 and the 78th Legislature in SB 14, SB 421, SB 339, and SB 891. Further, the amendments updated, streamlined and clarified various terms and provisions and conformed the association's plan of operation to the federal Service Members Civil Relief Act of 2003 (50 U.S.C. App. §§ 501, et seq.)

Figure 3 Summary of Activity: Legal and Compliance

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Cases received	1,062	1,321	1,121	1,007	1,001
Cases closed	868	1,012	958	999	1,111
License revocations	55	48	60	95	88
License denials	17	10	27	43	32
* License suspensions/ suspensions of writing	4	18	15	32	20
Cease-and-desist orders	0	6	8	8	19
† Monetary forfeitures/ restitution orders	224	232	292	251	281
Forfeitures/assessments/ Restitution	\$22,118,832	\$80,834,638	\$32,599,248	\$36,421,894	\$30,452,285

* This includes actions against financially hazardous companies under Article 1.32, Texas Insurance Code and license suspensions with probation.

† This number includes Commissioner and State Fire Marshal orders.

Insurance Fraud Unit

THE INSURANCE FRAUD UNIT investigates, prepares and refers cases for criminal prosecution. All cases are based on evidence of fraud alleged to have been committed by persons engaged in the insurance business, whether licensed or unauthorized, and claim fraud committed by policyholders, service providers and others. The Fraud Unit is comprised of two investigative sections with commissioned peace officers and civilian investigators, and one administrative section. Unit Management includes the Associate Commissioner and Chief Investigator. By statute, the Chief Investigator supervises and directs all peace officers and coordinates and oversees all investigations conducted by the Fraud Unit. Each of the two investigative sections is staffed with a team leader. In addition, there is an office manager who supervises the Unit's administrative staff.

Insurer Fraud Section investigates fraud schemes involving companies, agents and other TDI licensees (including third-party administrators) and eligible surplus lines insurers, as well as fraud schemes involving unlicensed insurance operations. Among these are entities falsely claiming exemption from regulation under the federal Employee Retirement and Security Income Act (ERISA), including unlicensed Multiple Employer Welfare Associations (MEWAs). Investigators within the Insurer Fraud Section are also tasked with the responsibility for conducting investigations of major fraud allegations involving complex transactions and/or significant losses.

Claimant and Provider Fraud Section investigates various claim fraud schemes, such as staged accident rings, fake burglary claims, staged slip-and-fall cases and other suspicious liability insurance claims. Investigators also examine reports of fraudulent billing by health care providers, as well as reports of unlicensed providers and fraud rings involving health insurance claimants, providers and attorneys.

Fraudulent billing may include instances of over-billing, double billing, billing for procedures not performed and "unbundling" of charges to artificially inflate billings. Investigators within the Claimant and Provider Fraud Section are also tasked with the responsibility for conducting investigations of major fraud allegations involving complex transactions and/or significant losses.

Fraud Unit History

The 72nd Texas Legislature created the Insurance Fraud Unit in 1991. The Fraud Unit became active in January 1992. In 1995, the 74th Legislature made significant changes to TDI's fraud enforcement authority when it authorized the Commissioner of Insurance to commission eligible fraud investigators as peace officers.

The Texas Commission on Law Enforcement, Officer Standards and Education licensed the Fraud Unit as a law enforcement agency, effective September 1, 1995. Law enforcement agency status, with commissioned peace officers, enhances TDI's anti-fraud efforts by giving the agency:

- Access to law enforcement intelligence, including national and regional crime databases, that only peace officers may legally receive;
- Authority to make arrests and execute search warrants; and
- Authority to take cases to grand juries and request and serve grand jury subpoenas.

On a national level, the Fraud Unit works with the Coalition Against Insurance Fraud, the National Insurance Crime Bureau, the National Association of Insurance Commissioners, the National Health Care Anti-Fraud Association, the National White Collar Crime Center, and Regional Organized Crime Information Center. It also works with federal law enforcement agencies such as the FBI, IRS, U.S. Postal Service and U.S. Attorneys.

Highlights

In Fiscal Year 2005, the Insurance Fraud Unit:

- Received more than 6,800 reports of fraud and opened 294 investigations.
- Made 190 referrals of suspects to appropriate agencies for prosecution.
- Obtained 109 indictments that were associated with fraudulent insurance acts.
- Arrested, either directly or with other law enforcement officers, 18 suspects indicted on charges involving alleged insurance fraud.
- Secured 65 convictions through the courts on charges resulting from Fraud Unit investigations.
- Hired a special prosecutor for the Dallas County District Attorney's office to assist in the prosecution of the cases referred by the TDI Fraud Unit.
- Responded to Governor Perry's Executive Order RP 36 relating to preventing, detecting, and eliminating fraud, waste and abuse.
- Established a formal agreement to meet on a regular basis with other state professional licensing agencies to address issues relating to suspected fraudulent activities.
- Participated in the Texas Committee on Insurance Fraud to address insurance fraud on a united front with industry, law enforcement, other state agencies and legislators.
- Participated in numerous criminal task forces around the state involving white-collar crime and insurance fraud.
- Hosted the seventh annual statewide training session for insurance company special investigation units and law enforcement in January 2005.
- Maintained a toll-free hotline for persons to report suspected insurance fraud and received approximately 2250 calls in FY 2005.
- Provided on-line reporting forms for insurers and consumers to report suspected insurance fraud.

Figure 4 Summary of Activity: Insurance Fraud Unit

	FY 2004	FY 2005
Reports of Fraud	5,738	6,810
Cases Opened	265	294
Cases Referred to Prosecutors	181	190
Indictments	102	109
*Arrests By Fraud Unit Peace Officers	7	18
Convictions	66	65
Assessments (Fines & Penalties)/Restitution	\$2,068,105	\$520,188

* This figure represents only arrests executed directly by Fraud Unit Peace Officers or in which Fraud Unit Peace Officers participated.

Financial

THE FINANCIAL PROGRAM oversees insurance companies “from the cradle to the grave” – from incorporating and licensing new companies to liquidating insolvent companies that cannot be rehabilitated. In between, Financial monitors the solvency and market conduct of 1,967 licensed insurance companies, health maintenance organizations (HMOs) and Multiple Employer Welfare Arrangements (MEWAs) and attempts to rehabilitate any entities operating in a hazardous condition. Annual statements filed by insurers and HMOs for Calendar Year 2004 reported \$80.3 billion in Texas premiums and \$47 billion in claim payments to Texas claimants. These companies reported aggregate assets of \$5.4 trillion, liabilities of \$4.7 trillion and capital and surplus of \$673.9 billion. More information from insurance company annual statements may be found in Part IV of this report.

The Financial Program consists of five activities.

Company Licensing & Registration incorporates most types of domestic companies, licenses both foreign and domestic insurance companies, maintains company charter files, and processes and approves certain transactions for licensed insurance companies, including the review of withdrawal plans and assessment of their impact on the marketplace. Company Licensing & Registration also processes licensing applications for HMOs, registers eligible surplus lines insurers and risk retention/purchasing groups, oversees statutory deposits of licensed companies and corporate agencies, and maintains the agency database of both licensed and registered companies. In addition to licensing and deposit functions, the Company Licensing Division includes the Early Warning Unit, which supports agency-wide efforts to detect potentially troubled insurance companies quickly. The unit administers the Early Warning Information System, a computer database that captures information from agency divisions to identify favorable and unfavorable trends within companies. Early Warning is now increasing its focus on industry and sub-industry trends, and utilizing the Internet, Securities Exchange Commission filings, and rating agency actions to supplement the agency’s data on companies and groups. The Contract Administrator for the Financial Program is housed in this Division and coordinates contract functions related to Special Deputy Receivers, contract examinations and contract actuaries.

Financial Analysis & Examinations encompasses both in-house and on-site monitoring of licensed insurance entities. Financial Analysis staff review annual and interim financial statements, CPA audits, examination reports, reinsurance arrangements and other documents to determine the financial condition of insurance companies, HMOs and other licensed insurance entities. They also initiate recommendations for regulatory actions as appropriate, including supervision and conservation. Staff review changes of control, mergers, affiliate agreements and investments, and holding company registration statements of companies domiciled, or commercially domiciled, in Texas. In addition, staff review all applications for admission, service area expansions, and agreements/contracts of HMOs, and monitor the operational and financial condition trends of the HMO industry in Texas.

Examinations staff perform statutory examinations of a variety of entities regulated by TDI, including insurers, HMOs, premium finance companies, managing general agents (MGAs), reinsurance intermediaries and MEWAs. These examinations evaluate a company’s financial condition and compliance with performance standards required by law, including treatment of policyholders. Examinations occur on-site at company locations throughout the United States and may last from a few days to several months. Staff suggest ways to correct deficiencies uncovered by the examinations and initiate referrals for further regulatory action when appropriate. In addition, Examinations processes annual operations reports required of premium finance companies. To hold down travel expenses and provide adequate oversight of the examination process, regional offices are maintained in Dallas, Houston and San Antonio.

Actuarial Division performs actuarial examinations that focus on the adequacy of reserves and other actuarial issues for both life insurance companies and property and casualty insurance companies. These actuarial examinations are coordinated with examinations performed by the Financial Analysis & Examinations activity. The Actuarial Division reviews actuarial opinions, processes Certificates of Valuation and provides input to other divisions in the review of actuarial reports for HMOs and other entities. During FY 2005, Actuarial worked closely with the Examinations Division to keep pace and exceed the performance measure target for actuarial examinations completed. Actuarial also completed the review of actuarial opinions at a record pace while responding to Recommendation Committee meetings and requests from TDI's Life, Health and Licensing program on various product issues as needed. Actuarial also performed actuarial analyses and actuarial projects that relate to solvency, availability of coverage, policy values, disclosure and consumer equity.

Conservation of Companies administers a wide range of regulatory intervention activities including administrative oversight letters, Article 1.32 orders, supervisions and conservatorships. Interventions generally follow other regulatory actions such as management conferences, letters of materiality, examinations, or required filings of business plans with TDI's Financial Analysis Division. The primary objectives of an intervention are to preserve company assets, determine the feasibility of rehabilitation, and otherwise protect the interests of policyholders. Once a company has been placed in regulatory intervention, Conservation field staff analyze and evaluate the financial condition and statutory compliance of the assigned company, check internal controls and operating procedures and assist in the preparation of rehabilitation plans. If a company can show that it can implement necessary corrective actions, Conservation staff will monitor the company while it implements the corrective action plan.

While under supervision, the company has no more than 180 days to comply with the requirements of the supervision. If it is determined that supervision is inadequate to accomplish the rehabilitation of the company, a conservator may be appointed who immediately takes charge and conducts the business of the company. The duration of the conservator's responsibilities shall not extend beyond 90 days, but may be extended for six additional successive periods not to extend more than 30 days each. In the event a company cannot implement a viable plan, Conservation staff will wind-down the company or facilitate the transition from regulatory intervention to receivership. In cases where a court has ordered that rehabilitation continue even after receivership, Conservation will continue to be involved in the rehabilitation efforts.

At the beginning of FY 2005, the Conservation Activity had 26 insurance companies under regulatory intervention, with another 10 being added and 14 released or closed, leaving a year-end balance of 22.

Liquidation Oversight is involved in cases of insolvencies. The agency evaluates on a case-by-case basis whether to seek district court orders to place an insurer into receivership. In such cases, the Commissioner may request the Attorney General to petition the District Court in Travis County to place the company in receivership. Receivership involves liquidation of the insurer by a Special Deputy Receiver (SDR) selected pursuant to a competitive bidding process to act on behalf of the Commissioner as Receiver, and payment of outstanding covered claims by the appropriate guaranty association, if applicable. The guaranty associations fund claims payments from assets of the receivership estate, if any, and assessments made to its member insurers. In rare cases, the court may order that rehabilitation efforts continue after receivership, in which case Liquidation Oversight coordinates rehabilitation activities with the SDR and TDI's Conservation of Companies division. Liquidation Oversight monitors and evaluates each SDR's performance by analyzing business plans, including financial statements, cost benefit analyses, budgets, estimated general administrative expenses and other planned activities, and maintains the records of insolvent insurers during and after receivership as required by the *Texas Insurance Code*. Liquidation Oversight also monitors the operations of the state's guaranty associations, including the appropriate and fair processing of receivership-related claims and complaints. During FY 2005, one HMO, one life, accident and health, and two property and casualty insurers were placed in receivership. In FY 2005, the Commissioner issued two orders declaring Texas companies impaired and two orders declaring foreign companies (i.e., companies domiciled outside Texas) as being impaired.

The Texas Property and Casualty Insurance Guaranty Association made no assessments to member insurers in FY 2005, and made no refunds. The Texas Life, Accident, Health and Hospital Service Guaranty Association made no assessments to member insurers in FY 2005, and made no refunds. The Title Insurance Guaranty Association made no assessments in FY 2005 and made no refunds to member insurers. Assessments are based upon prior, current and projected future receiverships, including foreign and domestic insurers.

During FY 2005, one receivership estate was liquidated and closed, and two receivership estates were removed from receivership due to capital infusion, leaving 20 active receiverships in the process of liquidation, and two insurers in receivership for the purposes of rehabilitation: 14 property and casualty companies, five life, accident and health companies, two HMOs and one MEWA. Liquidation Oversight anticipates closing about ten of the 22 active receiverships in FY 2006.

Highlights

In Fiscal Year 2005, the Financial Program:

- Adopted rules to implement SB 2095, 78th Legislature, and began licensing Workers' Compensation Self-Insured Groups.
- Initiated a series of market conduct examinations to verify insurer compliance with SB 14 (78th Legislature) requirements for establishing fair rates for homeowner insurance.
- Participated in the legislative process that resulted in HB 2157, 79th Legislature, known as the Insurer Receivership Act.
- Prepared for the implementation of the Insurer Receivership Act by holding internal and external working group meetings with special deputy receivers and accounting staff.
- Worked collaboratively with other states in assisting the Centers for Medicare and Medicaid Services in developing solvency standards for Prescription Drug Plan sponsors that meet standards for waiver of state licensure.
- Oversaw the recovery of \$44.1 million through the receivership process, utilizing only \$4.0 million in expenditures, resulting in net recoveries of \$40.1 million.
- Paid \$10.4 million in distributions and \$7.6 million in early access, for a total of \$18 million in total distributions to policyholders and/or guaranty associations.
- Obtained judgments in excess of \$75 million related to suits filed post-receivership involving misrepresentation of financial condition and accounting malpractice.
- Completed the review of approximately 23 acquisitions or restructurings of insurance companies or HMOs based in Texas, with purchase prices totaling more than \$3 billion.
- Successfully transitioned two HMOs from Receivership through facilitating capital infusions made by the respective owners.
- Initiated the Texas adoption of the revised Actuarial Opinion and Memorandum Regulation, which provides improved solvency requirements and keeps Texas in step with national accreditation standards.
- Initiated a national effort to develop select valuation mortality tables with support of the American Academy of Actuaries, which is anticipated to provide significant reserve relief and promote availability of life products at more reasonable costs for the consumer. This is a shorter term project that complements a principles-based reserve development.
- Led a national effort to coordinate the state-based system of insurance regulation in the area of company licensing.
- Provided significant efforts to further the national development of a principles-based reserving approach for annuity and life products that ultimately is expected to eliminate redundant reserves and benefit consumers through greater availability and lower costs.
- Played key roles in the American Academy of Actuaries and in the NAIC to implement a trend test in property and casualty risk-based capital requirements, which will improve solvency and promote adequate capital requirements.
- Led national efforts to improve multi-state coordination of group-wide examinations.
- Made substantial progress in automating the examination process and using a centralized repository for work papers on multi-state examinations.
- Remained at the forefront of national efforts to coordinate solvency monitoring, examination and scrutiny of change of control transactions involving insurer groups.

- Played a key role in responses by the NAIC to the International Accounting Standards Board's exposure drafts for developing international accounting standards.
- Initiated efforts to move from paper and microfilm storage to electronic imaging of licensing records, which are among the most frequently requested records maintained by TDI.
- Began coordination with NAIC for inclusion of Texas receivership data in the Global Receivership Information Database.

Figure 5 Insurance Companies Under Regulatory Intervention

	FY 2004	FY 2005
Balance of Companies Beginning of Fiscal Year	26	26
Placed Under Supervision/Conservatorship	7	12
Placed Under Court-Directed Action	1	0
Placed Under Special Administrative Action	4	2
Placed Under Hazardous Financial Condition Action (Art.1.32)	2	1
Total	40	41

Figure 6 Disposition of Companies Under Rehabilitation

	FY 2004	FY 2005
Total (Figure 5)	40	41
Cases Closed:		
Rehabilitation	6	9
In Receivership	3	3
Dissolved	0	2
*Other Changes	5	5
Total Cases Closed	9	14
Balance at End of Fiscal Year	26	22

* FY 2005 Other Changes: 3 Entities moved from Supervision to Conservatorship; 1 moved from Conservatorship to Article 1.32; 1 moved from Supervision to Administrative Oversight.

Figure 7 Texas Guaranty Association Assessments: FYs 75–05

FY YEAR	LIFE & HEALTH	PROPERTY & CASUALTY	TITLE	TOTAL
2005	*0.0	†0.0	0.0	0.0
2004	1,726,797	30,274,649	0.0	32,001,446
2003	7,700,492	59,165,397	0.0	66,865,889
2002	30,821,449	86,161,687	0.0	116,983,136
2001	16,549,759	0.0	0.0	16,549,759
2000	15,231,151	0.0	0.0	15,231,151
1999	25,154,027	12,000,000	0.0	37,154,027
†1998	23,954,748	0.0	0.0	23,954,748
1997	51,186,830	0.0	0.0	51,186,830
1996	68,882,786	(127,000,000)	0.0	(58,117,214)
1995	83,026,366	0.0	0.0	83,026,366
1994	22,101,673	194,938,801	0.0	217,040,474
1993	66,238,272	119,261,000	0.0	185,499,272
1992	63,257,000	112,328,000	0.0	175,585,000
1991	24,970,000	122,602,000	6,215,000	153,787,000
1990	112,476,000	61,019,000	5,560,000	179,055,000
1989	16,359,000	41,231,000	0.0	57,590,000
1988	0.0	0.0	0.0	0.0
1987	33,500,000	41,680,000	0.0	75,180,000
1986	5,000,000	20,000,000	0.0	25,000,000
1985	8,000,000	20,000,000	0.0	28,000,000
1984	4,000,000	0.0	0.0	4,000,000
1983	0.0	0.0	0.0	0.0
1982	10,000,000	0.0	0.0	10,000,000
1981	3,000,000	0.0	0.0	3,000,000
1980	0.0	0.0	0.0	0.0
1979	1,840,000	0.0	0.0	1,840,000
1978	1,200,000	0.0	0.0	1,200,000
1977	0.0	0.0	0.0	0.0
1976	0.0	4,120,000	0.0	4,120,000
1975	600,000	3,305,000	0.0	3,905,000

* Life/Accident & Health made no assessments in 2005 and made no refunds to its member insurers.

† Property & Casualty made no assessments in 2005, and made no refunds to member insurers.

Figure 8 Summary of Activity: Holding Company

	FY 2004	FY 2005
Pending Action from Previous Fiscal Year	92	98
Applications for Affiliate Transactions and Acquisition of Control or Exemption Received	738	733
Applications not closed as of 8/31	98	76
Pending Applications Closed	732	755

Figure 9 Summary of Closed Applications: Holding Company

	CLOSED AT END OF FY 2004	CLOSED AT END OF FY 2005
*Reinsurance Arrangements	114	113
Management, Data Processing Service, Cost Sharing Arrangement	182	194
Pledge of Assets and Pooling of Assets	8	2
Investment in, Valuation of, Affiliates	17	19
Purchase of Securities, Real Estate, Automobile Treasury Stock	24	25
Affiliate Loans and Mortgage Loan Participation	1	11
Lease Arrangements	19	26
Issuance of Surplus Debentures/Notes	47	21
Payment of Money Advanced	40	62
Dividends and Other Distributions to Shareholders	117	139
Consolidated Tax Returns	37	24
Financing Arrangements	0	0
Exemption from Commercially Domiciled	9	10
Bonus Compensation	19	17
Acquisitions of Control	13	23
Exemptions from Acquisition of Control	29	15
MGA Agreements	8	12
Informational Filing by HC Exempt Insurers	0	0
Disclosure of Material Transactions	1	1
Relocation of Books and Records	34	25
Disclaimer	13	17
Quasi Reorganization	0	0
Total	732	755

* Reinsurance arrangements between affiliates within a holding company system.

Figure 10 Amount Paid for Control of Domestic Insurance Companies, FYs 95-05

FY YEAR	AMOUNT PAID
1995	\$2,550,643,350
1996	6,319,751,750
1997	7,130,712,854
1998	51,194,884,952
1999	14,023,005,912
2000	8,787,693,620
2001	57,461,681,313
2002	153,643,899
2003	433,677,597
2004	31,651,072,589
2005	3,057,867,603

Note: The figure for FY 2005 includes two acquisitions with purchase prices of \$1.8 billion and \$1 billion.

Figure 11 Texas Policyholder Premiums, Claim Payments, CYs 94-04

CY YEAR	PREMIUMS	CLAIM PAYMENTS	PAYMENTS AS % OF PREMIUM
1994	\$39.7 billion	\$29.0 billion	73.1%
1995	42.1 billion	33.0 billion	78.4%
1996	43.9 billion	33.2 billion	76.0%
1997	46.4 billion	35.0 billion	75.4%
1998	48.0 billion	43.3 billion	90.2%
1999	60.7 billion	45.6 billion	75.1%
2000	63.5 billion	48.6 billion	76.5%
2001	71.5 billion	52.5 billion	73.4%
2002	78.2 billion	53.3 billion	68.1%
2003	79.4 billion	49.8 billion	63.0%
2004	\$80.3 billion	\$47.0 billion	58.53%

**Figure 12
Total Capital/Surplus of Insurance Companies
Operating in Texas, CYs 94-04**

CY YEAR	TOTAL CAPITAL/SURPLUS
1994	\$ 308.6 billion
1995	356.3 billion
1996	401.4 billion
1997	479.1 billion
1998	540.2 billion
1999	548.2 billion
2000	541.5 billion
2001	524.3 billion
2002	530.4 billion
2003	633.4 billion
2004	\$673.9 billion

Figure 13 Number of Examinations, FYs 95-05

FY YEAR	NUMBER OF EXAMINATIONS
1995	160
1996	163
1997	157
1998	221
1999	215
2000	207
2001	195
2002	167
2003	167
2004	159
2005	160

Note: FY 1997 includes 21 examinations conducted by third-party contractors. FY 1998 includes 34 contracted examinations and 7 examinations of local recording agents. FY 1999 includes 39 contracted examinations. FY 2000 includes 33 contracted examinations. FY 2001 includes 28 contracted examinations.

Figure 14 Number of Actuarial Opinions Reviewed, FYs 95-05

FY YEAR	NUMBER REVIEWED
1995	1,844
1996	2,012
1997	1,937
1998	2,023
1999	1,627
2000	1,877
2001	*667
2002	*626
2003	*407
2004	*513
2005	*508

** Number reviewed decreased for 2001, 2002 and 2003 to focus on domestic companies and selected foreign companies. This enabled a more in-depth review of our domestic companies and those foreign companies of greater concern based on prioritization given in Financial Analysis.*

Figure 15 Number of Actuarial Examinations Performed, FYs 95-05

FY YEAR	NUMBER OF EXAMS
1995	89
1996	97
* 1997	83
* 1998	82
1999	80
2000	82
2001	79
2002	80
2003	81
2004	80
2005	84

** Does not include examinations conducted by third-party contractors.*

Figure 16 Number of Reinsurance Agreements Reviewed, FYs 95–05

FY YEAR	ARRANGEMENTS REVIEWED
1995	168
1996	169
1997	209
1998	200
1999	226
2000	251
2001	194
2002	142
2003	183
2004	181
2005	234

Note: Does not include insurance company affiliates within a holding company system; however, could include affiliate HMOs.

**Figure 17
Number of Company Licenses Under Commissioner’s Jurisdiction**

LICENSE TYPE	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Insurance Companies	1,999	1,998	1,978	1,949	1,920	1,912
Health Maintenance Organizations	64	62	57	55	50	55
Premium Finance Companies	291	219	230	247	274	293
Continuing Care Retirement Communities	19	21	21	21	21	23
Third-Party Administrators	696	714	724	739	736	750
Total	3,069	3,014	3,010	3,011	3,001	3,033

Note: Does not include foreign risk-retention groups (76) and surplus lines carriers (167).

Property and Casualty

PROPERTY AND CASUALTY monitors a wide range of property and casualty insurance lines from auto to workers' compensation; reviews form and rate filings; explores ways of cutting insurance costs by reducing losses; reviews and analyzes statistical data; and prepares reports on insurance rates and markets to assist policymakers and consumers with insurance-related decisions. Although the Auto and Residential Market Assistance Programs (MAP) were eliminated on August 31, 2005, Property and Casualty administered those programs during FY 2005.

Property and Casualty consists of a General Management section and seven activities.

General Management, led by a Senior Associate Commissioner, provides program-wide management and operational support, including strategic and budget planning; research assistance, including Geographic Information System (GIS) mapping and demographic analysis; and administrative support.

Personal and Commercial Lines Division drafts administrative rules for personal and commercial lines and presents rules to the Commissioner; reviews individual insurer filings of forms, endorsements, and rules; shares with the Inspection Division oversight of the Texas Windstorm Insurance Association (TWIA), including the TWIA Plan of Operation, manual, forms and endorsements. It oversees the Texas Medical Liability Insurance Underwriting Association (JUA), the Texas Fair Access to Insurance Requirements Plan Association ("FAIR Plan"), and the Texas Automobile Insurance Plan Association (TAIPA), including the JUA, FAIR and TAIPA Plans of Operation, manual rules, forms, and endorsements. It also responds to inquiries from agents, consumers and insurers, and resolves complaints. Additionally, staff work closely with the Property and Casualty Actuarial Division to monitor the marketplace and propose changes due to changing public needs. The division consists of the Personal Lines Section and the Commercial Property and Casualty Section.

Inspections Division drafts and presents proposed rules affecting property and casualty insurance and the TWIA Plan of Operation (*Building Code*). The division also represents TDI on the building code advisory committee as required by statute, provides oversight of established commercial fire loss costs by outside entities, ensures loss control compliance of insurers, administers the amusement ride safety program, assists the State Fire Marshal's Office with establishment of public protection classifications by outside entities and conducts windstorm inspections for compliance with building codes. It consists of four sections.

Commercial Property Oversight Inspections Section ensures consumers receive fair and equitable commercial property loss costs through random statewide spot-check inspections. It works to mitigate fire losses through evaluation of building codes, classification of building materials and construction techniques and commercial property rating schedules. The section also provides complaint resolution as needed concerning inspections, classifications, or a base fire and extended coverage loss cost assigned by a private inspection entity. Additionally, this section issues licenses to individuals conducting underwriting inspections for determining insurability of residences. Oversight inspectors inspect and classify residential property for superior fire resistive construction.

Windstorm Inspections Section, through six field offices and one satellite office, inspects and certifies property constructed, repaired or modified in the 14 coastal counties along the Gulf of Mexico and certain specified areas in Harris County. Windstorm Inspectors ensure compliance with the building specifications and standards set forth in the TWIA Plan of Operation before coastal property is declared eligible for coverage written through TWIA.

Engineering Services Section provides support to all sections in the Inspections Division. Staff provide education on the windstorm codes to consumers and professionals; provide oversight of Texas licensed engineers appointed as qualified inspectors; evaluate and approve designs for compliance with TWIA building codes, including wind load designs; evaluate and

recommend applicable building code standards for the TWIA building specifications; evaluate building products; assess commercial and residential automatic sprinkler systems; review calculation and building design plans certified by engineers; support the Building Code Advisory Committee; support the State Fire Marshal's Office in evaluating public and private fire suppression rating schedules; and support the Personal and Commercial Lines division in evaluating rate filings and rate reduction proposals.

Loss Control Section conducts mandatory inspections of insurance companies licensed in Texas and those seeking licensure to ensure that loss control and accident prevention services are provided for policyholders of general liability, professional liability, medical professional liability for hospitals and commercial automobile lines of insurance. The section registers loss control and field safety representatives who meet state requirements. Staff also administer and oversee the Amusement Ride Safety Inspection and Insurance Act to monitor compliance of amusement ride owner/operators and amusement rides.

Title Division oversees policy forms and rates for title insurance and oversees licensing and financial examination of title agents. The Title Division consists of two sections:

Title Insurance Section oversees licensing of title agents, direct operations and escrow officers; responds to consumer complaints and inquiries; and assists with rule and rate hearings.

Title Examinations Section conducts comprehensive, limited scope and restricted compliance audits of title agents licensed in Texas.

Workers' Compensation Division oversees the insurance companies licensed to write workers' compensation insurance in Texas. This group determines the appropriate workers' compensation classification for employers' businesses, handles inquiries and complaints, oversees the calculation of experience modifiers by insurance companies, reviews form filings, administers job safety incentive programs for employers, reviews group purchase plans and provides objective information and data on the operational effectiveness of the Texas workers' compensation system to policymakers and system stakeholders. It consists of four sections:

General Management handles administrative and management responsibilities, reviews form filings, reviews group purchase plans and administers loss control incentive programs (retrospective ratings plans) for employers.

Oversight oversees calculation of experience modifiers, resolves workers' compensation complaints and processes general inquiries about workers' compensation.

Classifications determines appropriate classification codes for policyholders and processes classification inquiries about workers' compensation.

Research and Evaluation Group conducts research projects on system-wide issues such as medical costs and utilization and care trends in Texas, return-to-work outcomes for injured Texas workers and employer participation in the Texas workers' compensation system. The Research Group also presents findings and provides testimony for various legislative committees.

Property and Casualty Actuarial provides actuarial review of rate and rating plan filings, reviews credit models for statutory compliance, conducts in-depth analyses of the Texas insurance market and performs special studies to assist the agency and policymakers. The division also ensures that file-and-use rates meet applicable statutory rate standards, verifies their appropriateness and makes recommendations on prior-approval rate filings. It is also responsible for the calculation of workers' compensation classification relativities and rating values.

Property and Casualty Actuarial works closely with Personal and Commercial Lines, Workers' Compensation and the Title divisions in monitoring the marketplace to assist policymakers and consumers with insurance-related decisions; with Data Services to improve the quality and reliability of data; and with Special Projects on market analysis projects.

Data Services collects and maintains statistical data, produces statistical reports for the Legislature, the agency, the public and the insurance industry, and oversees the agency's workers' compensation statistical agent. Policy, premium, loss, expense and claim data are obtained through statistical plans maintained by the division, through data calls collected by the division and extracted from data collected by the NAIC.

Property and Casualty also provides consumer support in finding auto and homeowners insurance. The Helpinsure online bulletin board assists in matching consumers looking for homeowners insurance with agents writing homeowners insurance. Though the programs were

discontinued after August 31, 2005, the division provided support to the Auto and Residential Property Market Assistance Programs (MAP) linking eligible consumers with insurers writing in the standard market.

Special Projects provides data analysis, collects information through special calls and surveys, produces data compilations (including data for use by Property and Casualty Actuarial for review of rate filings), oversees the agency's residential property, private passenger automobile and commercial lines statistical data collection agents, and is responsible for managing the collection of underwriting guidelines.

Special Projects also oversees compliance with quality standards in the collection of the state's residential property and private passenger automobile data by the Texas Insurance Checking Office (TICO) and commercial lines data by the Insurance Services Office (ISO). The data are collected in accordance with the Residential Property Statistical Plan, the Private Passenger Automobile Statistical Plan and the Commercial Lines Statistical Plan. Oversight includes modifying statistical plans, ensuring compliance with TDI performance standards, overseeing statistical agent audits, resolving problems between reporting companies and the statistical agents, and ensuring the delivery of data for regulatory purposes, including:

- Providing data for calculating assigned risk auto quotas for the Texas Automobile Insurance Plan Association (TAIPA).
- Providing data for calculating insurer participation levels in the Texas Windstorm Insurance Association (TWIA).
- Providing data for pricing newly adopted residential property and auto endorsements.

Highlights

Fiscal Year 2005 activities include:

- TDI conducted a legislatively mandated study on the use of credit scoring. The study was significant in that it analyzed policyholder data at the individual level to determine whether credit scores are an effective predictor of risk and to examine the impact of its use on different classes of consumers. Preliminary findings, published on December 30, 2004, indicated a strong relationship between credit scores and claims experience. Poor credit scores are associated with increased claims activity. Furthermore, the study found that Black, Hispanic, young, and low-to-moderate income policyholders tend to have worse credit scores than White, Asian, older, and high-income policyholders. The second phase of the study, published on January 31, 2005, evaluated if, and to what extent, credit scoring enables an insurer to more accurately predict losses when used in conjunction with other variables. Overall, the second phase indicated that credit scoring significantly improves pricing accuracy when combined with other rating variables in predicting risk.
- Produced four reports regarding the medical professional liability insurance rates charged for physicians and other health care providers in Texas as directed by HB 7, 78th Texas Legislature, 3rd Special Session, one of which was produced in FY 2005 while the other three were produced in the previous fiscal year. The reports included information on companies entering and leaving the Texas medical professional liability insurance market.
- Due to agency approval of new workers' compensation relativities that took effect on January 1, 2005, and adopted by most carriers, there was an estimated 7.1 percent reduction in rates.
- In addition to processing a record number of agent and escrow officer applications in FY 2005, the Title Section also generated some of the largest fines in the agency's enforcement history and worked with various state and federal agencies to address fraud concerns.
- The *Filings Made Easy Guide*, designed to provide assistance to filers with regard to rule, rate and form filings, was updated in FY 2005 to reflect recodifications from the 78th Legislative Session.
- Commercial and Personal Lines staff continued to participate in the Operational Efficiencies Working Group of the Speed to Market Task Force under the Speed to Market-Improvements to State Based Systems Plan (STM-IS3 Plan) adopted by the NAIC.
- Staff made presentations to various consumer, charity, civic and trade groups on topics such as homeowners, renters, recreational vehicle, not-for-profit directors and officers, and medical professional liability insurance.
- Windstorm Inspections and Engineering staff teamed up with the Federal Alliance for Safe Homes (FLASH) to conduct public presentations along the Texas Coast on the hurricanes that ravaged the states of Florida and Alabama. FLASH is a non-profit organization based in

Florida committed to promoting life safety and property protection. Additionally, staff throughout Property and Casualty assisted in disaster duty by sending volunteers to Florida in response to Hurricanes Francis and Ivan.

- Inspections Division worked with the Insurance Council of Texas in providing a series of public service announcements in Corpus Christi and Brownsville on hurricane preparedness and the windstorm program. In each area, television stations prepared a week-long segment to educate consumers about wind-resistant construction, protection of homes and mitigation methods for high-wind events.
- The Engineering and Windstorm Staff launched an intensive individualized education program for Texas Licensed Professional Engineers appointed as qualified windstorm inspectors. Staff provided more than 750 hours of training for these individuals.

Figure 18 Rate and Form Filings Reviewed

TYPE OF INSURANCE	FY 2004 FORMS	FY 2004 RATES	FY 2004 TOTAL	FY 2005 FORMS	FY 2005 RATES	FY 2005 TOTAL
Auto/Homeowners*	-----	-----	-----	70	50	120
Bond and Misc. Lines	908	268	1,176	1,097	400	1,497
Commercial Automobile	677	341	1,018	1,543	791	2,334
General Liability	3,298	1,309	4,607	3,752	1,691	5,443
Homeowners	342	237	579	226	146	372
Interline Filing	4	2	6	58	6	64
Intake Unit	64	30	94	9	11	20
Commercial Multi-Peril	3,902	851	4,753	4,256	883	5,139
Personal Automobile	204	621	825	265	499	764
Professional Liability	518	244	762	406	231	637
Commercial Property	1,948	577	2,525	2,144	694	2,838
Workers' Compensation	252	160	412	231	125	356
Total	12,117	4,640	16,757	14,073	5,527	19,600

* Statutory change created new line in FY 2005. Prior to FY 2005 would have been included in Personal Auto and/or Homeowners

Figure 19 Summary of Complaints Processed

	FY 2004	FY 2005
Professional Liability	31	28
General Liability	16	30
Bond, Miscellaneous Casualty	45	36
Commercial Property	35	18
Commercial Multi-Peril	6	13
Commercial Automobile	1	1
Homeowners	1,140	511
Personal Auto	4	4
Title	361	393
Workers' Compensation	79	82

Figure 20 Summary of Activity: Other Personal and Commercial Lines

	FY 2004	FY 2005
Commercial Automobile Individual Risk Submissions (IRS)	2,391	1,235
Homeowners Premium Reduction Certificates Processed	8,824	6,957

Figure 21 Summary of Activity: Title Insurance

	FY 2004	FY 2005
Annual Escrow Audits Reviewed	556	556
Field Examinations/Audits Conducted	264	257
Rates, Rules and Policy Forms	40	15
Licenses Issued (includes renewals)	6,589	5,729
Licenses Cancelled	1,727	1,945

**Figure 22
Number of Agents/Licenses Under Commissioner's Jurisdiction
(Title Insurance)**

Agents/Licenses	FY 2004	FY 2005
Title Agents	571	612
Title Agent Licenses	1,631	1,682
Direct Operations	17	17
Direct Operation Licenses	17	17
Escrow Officers	6,387	6,704
Escrow Officer Licenses	6,639	7,106
Underwriters	29 (21 active)	31 (22 active)
Escrow Accounts	\$150 Billion	\$20 Billion

**Figure 23
Summary of Activity: Commercial Property Oversight Inspections
(formerly Inspection and Fire Safety)**

	FY 2004	FY 2005
Property Inspections Conducted	1,205	1,160
Residential/Special Inspections	2	5
VIP Licenses/Certificates Issued	154	250

Figure 24 Summary of Activity: Windstorm Operations

	FY 2004	FY 2005
Applications	31,890	32,191
Inspections	11,062	8,780
Certificates of Compliance	32,002	29,164
Windstorm Fees Received	\$7,882	\$6,224

Figure 25 Summary of Activity: Engineering Services

	FY 2004	FY 2005
Building Code Interpretations	2,770	2,158
Product Evaluations	996	2,247

Figure 26 Summary of Activity: Loss Control

	FY 2004	FY 2005
Total Evaluations Completed	197	202
Companies Rated Adequate	191	202
Companies Rated Less Than Adequate	6	0
Companies Evaluated for Licensure	2	9
Loss Control Representative Applications Reviewed	78	87
Field Safety Representatives with a Specialty in Hospitals	15	40

**Figure 27
Summary of Activity: Amusement Ride Safety and Insurance Act**

	FY 2004	FY 2005
Policies Reviewed	369	371
Inspection Certificates Approved	1,608	1,464
Injuries	88	87
Inspector Applications Approved	0	0
Owners Under Compliance Monitoring	367	405

Figure 28 Summary of Activity: Workers' Compensation Division

	FY 2004	FY 2005
Experience Rating Modifiers Reviewed	531	465
Complaints Referred to Texas Workers' Compensation Commission	558	496
Responses to Written CIS Inquiries (Non Complaints)	1,231	1,114
Groups Certified	49	64

Figure 29 Summary of Activity: Workers' Compensation Research Group

	FY 2004	FY 2005
Number of legislative hearings attended/provided testimony	10	16
Number of legislative/public information requests completed	371	529
Number of analyses completed	12	10

Figure 30 Other Statistical Reports Collected

	FY 2004	FY 2005
Title insurance agents	559	574
Title insurance underwriters	21	22

Life, Health and Licensing

THE LIFE, HEALTH AND LICENSING (L/H/L) program regulates Health Maintenance Organizations (HMOs) and a wide range of life, annuity, accident and health insurance, and related coverages offered by insurance companies. L/H/L also licenses insurance agents, adjusters and public insurance adjusters (PIAs), third-party administrators (TPAs), viatical and life settlement providers, provider representatives and brokers, premium finance companies, utilization review agents (URAs) and independent review organizations (IROs). In addition, L/H/L resolves HMO complaints and conducts quality of care examinations of HMOs. Beginning January 1, 2006, the HMO Division will accept applications for certification of workers' compensation health care networks.

Primary responsibilities include:

- Regulating policy forms, evidences of coverage and related documents for life, accident and health insurance, HMOs, consumer choice and cooperative health plans, credit life insurance, credit accident and health insurance, viatical and life settlements, annuities and nonprofit pre-paid legal plans.
- Reviewing rate filings for credit life and credit accident and health, Medicare supplement, Medicare SELECT, long-term care, individual accident and health insurance, HMO coverage, and filings concerning rates and savings for consumer choice health plans.
- Investigating and resolving complaints related to HMOs and conducting quality of care examinations of HMOs. Beginning January 1, 2006, complaint resolution and exam functions will include workers' compensation health care networks.
- Issuing licenses and license renewals to insurance agents, adjusters and PIAs, TPAs, premium finance companies, URAs, and IROs. Beginning January 1, 2006, certifications will be issued to workers' compensation health care networks.
- Issuing certificates of registration to viatical and life settlement providers, provider representatives and brokers.
- Receiving and screening filings for property and casualty lines, as well as the coverages listed above.
- Auditing the activities of third-party administrators and utilization review agents.
- Assigning requests for independent review to IROs.
- Recording companies' appointments and terminations of insurance agents.
- Providing public speakers on a wide variety of topics involving L/H/L's regulatory requirements.
- Educating regulated entities and other interested parties on regulatory requirements through bulletins, the TDI website, compliance workshops, manuals, checklists and responding to inquiries.
- Implementing state and federal legislation and monitoring the extensive federal activities related to life insurance, health coverage, and licensing.

L/H/L consists of a General Management Section and four divisions: Filing and Operations, Licensing, Life/Health (L/H) and HMO.

General Management, led by a Senior Associate Commissioner (SAC), provides management and operational direction for the program. The SAC co-chairs the Technical Advisory Committee on Claims Processing established by SB 418, 78th Legislature; and the SAC and/or staff represent the Commissioner or oversee L/H/L staff's representation on the Interagency Council on Genetic Services, Traumatic Brain Injury Working Group, and participates in the East Texas Rural Access Program. Additionally, the SAC is TDI's liaison for the boards of the Texas Health Insurance Risk Pool (THIRP) and Children's Health Insurance Program (CHIP) and attends board meetings of the Texas Health Reinsurance System (THRS).

General Management also provides technical assistance to the Texas Health and Human Services Commission (HHSC), Texas Department of State Health Services (TDSHS), Office of Attorney General (OAG), THIRP, THRS and the federal Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services. The SAC and division deputies serve on various NAIC working groups. General Management staff collect and analyze data related to the Texas health insurance market on an ongoing basis. Data and information is used to continually evaluate and monitor health insurance availability and affordability, trends and indicators within the Texas market and how they impact Texas consumers and the industry. General Management staff also report on industry data as required by state and federal law and provide technical assistance to legislative interim and oversight committees and task forces. General Management staff also directs the federal State Planning Grant (SPG) study of options for expanding health insurance in Texas.

General Management has been monitoring federal requirements associated with the Health Insurance Portability and Availability Act (HIPAA) administrative simplification (electronic claims filing) requirements and the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (HR 1). Additionally, General Management's Special Projects staff assist the SAC in developing regulatory policies for all divisions in L/H/L, communicating with consumers and the regulated community, and providing technical assistance to other state and federal agencies. General Management Regulatory Development staff track, analyze, and coordinate TDI's comments on proposed legislation pertaining to L/H/L. Regulatory Development staff also inform industry and other interested parties of legislative and rule changes through bulletins or other means, draft rules to implement both state and federal legislation and respond to changes in the industry.

General Management develops the program's business plan and the program's portion of the TDI strategic plan, annual report, appropriations request, budget, and handles ad hoc special projects.

Filing and Operations Division, led by a Deputy Commissioner, consists of four sections:

Property and Casualty Section receives all rule, rate and policy form filings for property and casualty (P/C) lines, including workers' compensation, and conducts an initial screening of the filings for compliance with basic filing requirements. The majority of the filings are received via paper; however, staff also receive electronic filings via the NAIC System for Electronic Rate and Form Filing (SERFF). Staff enter all filing data into the Oracle tracking system and forward the filings to the appropriate divisions for review and final action. Intake staff manage the P/C tracking database and serve as SERFF Administrator. Staff prepare various management reports, NAIC reports and serve as liaison with information technology staff for the tracking system and SERFF issues and enhancements.

Life/Health and HMO Section receives all rate and policy form filings for life, annuity, accident and health, credit life, credit accident and health, HMO, nonprofit prepaid legal, viatical and life settlements, and related products, and conducts an initial screening of filings for compliance with basic filing requirements. The majority of the filings are received via paper; however, staff also receive electronic filings through SERFF and Multi-State Review (MSR) system I-File. The MSR allows a company to submit a single filing to the states of California, Florida, Texas, Georgia and Nevada for approval. Intake staff enter all filing data into the Oracle tracking system and forward the filings to the appropriate divisions for review and final action. Intake staff serve as the SERFF Administrator. Staff prepare NAIC reports and serve as liaison with information technology staff for tracking system and SERFF issues and enhancements.

Micrographics Section produces electronic images of closed files for P/C, life, annuities, accident and health, credit, HMO, nonprofit prepaid legal, viatical and life settlements and related products, title agent license and title examination files, workers' compensation employer files, and the field reports for P/C's Windstorm Section. Staff serve as the liaison with Building Services to assist the divisions in making arrangements to destroy files according to their retention schedules. Imaging staff serve as liaison on program and agency imaging projects.

Operations Section is responsible for all program operations, including budget, purchasing, personnel, contract management, strategic planning and performance measures. Operations staff serve as the liaison between L/H/L divisions and Administrative Services on operations matters. Staff review all personnel action forms, purchase requisitions and purchase orders for accuracy and forward to the Senior Associate Commissioner for review and final action.

Operations staff serve as the APTT (Agency Planning and Technology Team) member representing L/H/L matters and serve as Contract Administrator on all L/H/L contracts.

Licensing Division, led by a Deputy Commissioner, oversees the licensing and regulation of insurance agents, adjusters, PIAs, risk managers, life insurance counselors, reinsurance intermediaries, TPAs, premium finance companies, and persons involved in selling insurance products in travel agencies, self-service storage facilities, retail establishments and rental car companies. The division has five sections:

Applications Section reviews and processes new license applications for agents and adjusters, oversees the agent criminal history review process, registers additional trade names and trade locations, and records sponsors of subagents and insurance service representatives.

Customer Assistance Section responds to inquiries and telephone calls from agents, companies and the public, including questions regarding licenses, appointment status, and general inquiries about the licensing process.

Renewals, Appointments and Continuing Education Section reviews and processes renewals, records and cancels agent and subagent appointments, registers continuing education providers and courses, processes reciprocal agreements with other states and oversees the training courses for agents and adjusters.

Administrative Review and Data Management Section researches and reviews all applications with a criminal history, makes recommendations on issuance or denial of a license, and recommends appropriate action on all non-routine agent applications, renewals and cancellations for cause. This section also produces certificates and other records regarding a licensee's status, cancels licenses when requested by the licensee, records address and name changes for all licensees, processes open record requests and manages the division's files.

Third-Party Administrator (TPA) and Premium Finance Section licenses, regulates, and examines TPAs, which administer plans under contract with insurance companies, HMOs, and/or self-funded plans, and licenses premium finance companies.

Life/Health (L/H) Division, led by a Deputy Commissioner, reviews life, annuity, accident and health, nonprofit prepaid legal, credit life, and credit accident and health policies, certificates, applications, endorsements, riders, and rates for credit life, credit accident and health, Medicare supplement, Medicare SELECT, long-term care, HMO and individual accident and health, to ensure compliance with state and federal statutes and regulations. The L/H Division also registers viatical and life settlement providers, provider representatives and brokers, and reviews contractual forms related to viatical and life settlements. The Deputy Commissioner chairs or participates in the standards working group of the interstate compact on annuities, life, long-term care, disability and operational efficiencies. The L/H Division consists of four sections:

Accident and Health Section reviews and analyzes form filings for individual and group accident and health products, which include Medicare supplement, Medicare SELECT, long-term care, large and small employer groups, non-employer groups, and combination life and accident and health products. The section coordinates the review of rate filings for accident and health, long-term care, Medicare supplement, Medicare SELECT, individual accident and health, HMO and small employer rating methodologies. The section tracks small employer annual certifications and assists companies and other TDI staff in coordinating withdrawals from individual, large and small employer group markets and discontinuance of products in these markets. The section also reviews documents for Multiple Employer Welfare Arrangements (MEWA), THIRP and CHIP.

Life, Annuity and Credit Section reviews and analyzes form filings for life, annuity, credit life, credit accident and health, nonprofit prepaid legal plans, viatical and life settlements, and filings for name changes, assumptions, demutualizations and mergers. The section also coordinates the review of rate filings for credit life and credit accident and health. Life, Annuity and Credit staff maintain communication with the Texas Funeral Service Commission and the Texas Department of Banking on issues related to life and annuity products used in the prepaid funeral market. Staff also coordinate the review of combination long-term care and annuity or life products. The section registers viatical and life settlement providers, provider representatives and brokers, processes notifications from charitable organizations issuing charitable gift annuities, analyzes credit life and credit accident and health data call information and tracks certifications pertaining to forms subject to the life illustration rule.

Actuarial Section reviews, analyzes, and evaluates rate filings pertaining to certain individual

accident and health, long-term care, Medicare supplement, Medicare SELECT, credit life, credit accident and health, and HMO coverage. The section also analyzes credit life and credit accident and health data call information and works closely with an outside contractor to develop credit life and credit accident and health rates. In addition, staff review actuarial data pertaining to individual and group life, individual accident and health, long-term care, Medicare supplement and Medicare SELECT coverage, changes to small employer rating methodologies, risk assuming applications for small employer carriers and HMO applications for certificate of authority and service area expansions. Staff review the THIRP's actuarial memorandum and premium rates as well as assist the Consumer Protection program with the resolution of consumer inquiries and complaints regarding rating issues.

Administration develops and implements the L/H Division's business plan, executes the division's legislative implementation plan, responds to public inquiries, provides technical training for division staff, responds to open records requests, and provides administrative and automation support.

In addition to the above, all sections of the L/H Division assist in the development and implementation of rules and education of the insurance industry on regulatory requirements through bulletins, compliance workshops, manuals and checklists, and presentations to trade groups. The L/H Division provides technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions and market withdrawals, assumptions and name changes. The division is often called upon to provide technical assistance to external entities including, but not limited to, the Employee Retirement System (ERS), the Teacher Retirement System (TRS), the NAIC, the Texas Department of Banking, TDSHS, HHSC, THIRP, OAG, and CMS.

Health Maintenance Organization (HMO) Division, led by a Deputy Commissioner, regulates HMOs, certifies and regulates Utilization Review Agents (URAs) and certifies Independent Review Organizations (IROs). The division investigates complaints against these licensed entities, conducts quality of care examinations, and reviews HMO and URA form filings. In 2006, the division will accept applications from workers' compensation health care networks and process complaints and conduct examinations relating to these networks. The division consists of three sections:

Compliance/URA/IRO reviews and analyzes form and other related filings for HMOs writing commercial and small- and large-employer coverage, certifies URAs to conduct business in Texas, registers insurers and HMOs to conduct utilization reviews, reviews URA form filings, issues renewals of URA certifications and registrations, investigates complaints against URAs conducting utilization review under a workers' compensation policy, reviews IRO applications for certification and renewals of those certificates, reviews form filings required of IROs and processes requests for IRO reviews received from URAs, insurers and HMOs.

The HMO Quality Assurance Section in the HMO Division performs many regulatory functions. The two main functions of the unit are conducting examinations and investigation of complaints filed with TDI against HMOs. The complaints are categorized to identify the nature of the complaint (e.g., network availability, timely payment of claims, access to urgent care, etc.), which enables the section to monitor health plan performance.

Examinations of HMOs are routinely scheduled based on licensure date. The section has statutory authority to examine an HMO anytime in the first three years of operation and thereafter every three years. Should problems or issues be identified that cause concern, complaint examinations can be scheduled to determine compliance with applicable statutes and rules.

Administration develops and implements the division's business plan, compiles and analyzes data, provides administrative support for the division, executes the division's legislative implementation plan and responds to public inquiries. Additionally, the section includes the micrographics intake unit, which produces electronic images of incoming complaints, documents, IRO and URA applications, examination documents and other miscellaneous documents.

In addition to the above, all HMO sections assist in the development and implementation of rules; respond to open records requests; educate industry, provider and consumer groups through bulletins, compliance workshops, manuals, checklists and speaking engagements; and provide technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions and withdrawals from HMO markets. The division provides technical assistance to external entities such as the ERS, TDSHS, HHSC, OAG, the Texas Department of Mental Health and Mental Retardation, the Texas Commission on Alcohol and Drug Abuse, the Texas Workers' Compensation Commission, the Texas Department of Criminal Justice, NAIC and CMS.

Highlights

L/H/L accomplishments and highlights of Fiscal Year 2005 include:

General Management

- With other divisions of L/H/L, assisted in developing the following rules adopted by the commissioner:
 - Selection of a Testing Services Vendor for Administration of Licensing Examinations (Repealed Use of Testing Service for Administration of Agent's Qualifying Examination)
 - Credentialing of Physicians, Advanced Practice Nurses and Physician Assistants
 - Restructured, reorganized and updated Chapter 26 Small Employer Health Insurance Portability and Availability Act Regulations
 - Restructured, reorganized and updated Chapter 11 HMO rules
 - Credit Life & Credit Accident & Health Insurance – Applications, Policies, Forms, Rates, Benefits to Premiums, Standards Benefits, Deviation Procedures, Premium Refunds, Responsibilities and Obligations
 - Minimum Standards for Medicare Supplement Policies
 - Credentialing of Physicians, Advanced Practice Nurses and Physician Assistants
- Worked on the following proposed rules:
 - Chapter 10 Workers' Compensation Health Care Network rules
 - Chapter 3 Preferred Provider Plans (implementation of SB 50, 79th Legislative Session)
 - Chapter 11 Physician and Provider Contracts and Arrangements (implementation of SB 50, 79th Legislative Session)
 - Chapter 19 Utilization Review Agents – Preauthorization and Verification Rules (implementation of SB 51, 79th Legislative Session)
 - Chapter 21 Submission of Clean Claims – Prompt Pay Rule Updates
 - Eligibility Statements (implementation of SB 1149, 79th Legislative Session)
- Assisted in drafting the following Commissioner's Bulletins:
 - Legislation Enacted – 79th Legislative Session (B-0041-05)
 - Timely Payment of Prompt Payment Penalties (B-0008-05)
 - Policy Count Exhibit for 2004 for all insurers and health maintenance organizations authorized to do business in Texas (B-0001-05)
 - Form and Rate Filing Fees Submitted Under Chapters 3 and 11 of the *Texas Administrative Code* (B-0051-04)
 - Uniform Underwriting Practices in Employer Group Health Plans and Other Employer Health Coverage Issues (B-0043-04)
 - Call for Report Regarding Provider Claims Processing and Related Functions (B-0042-04)
- Tracked 787 bills or versions of bills during the 79th Legislature Regular Session.
- Developed and monitored implementation plans for 60 enacted bills from the 79th Legislature Regular Session
- Maintained updated information on TDI's Implementation Plan spreadsheet for L/H/L.
- Maintained and updated electronic database of mandated benefit premium and claim experience for group and individual insurance and HMO plans.
- Provided testimony and information to legislative committees including House Select Committee on State Health Care Expenditures; House Insurance Committee; Joint Interim Committee on Nutrition and Health in Public Schools; Senate Select Committee on Workers' Compensation; Senate State Affairs Committee; and House Business and Industry Committee.
- Developed life insurance standards to be used for the Multi-State Review (MSR) with Florida, California, Georgia and Nevada providing a single filing source for insurers, which allows compliant filings to be approved in all five states.
- Co-chaired TACCP and developed drafts of report to the Legislature required by SB 418 (78th Legislative Session).
- Represented TDI at THIRP and THRS board meetings and worked with THIRP and THRS on issues as they arose.
- Represented TDI on National Data Interchange Standards Task Force.
- Completed the second year of work on the federally funded supplemental State Planning Grant study of options for expanding health insurance to uninsured Texans. Activities included a statewide survey of small employers and a survey of Texas universities to identify health insurance options for enrolled students. Under the grant, L/H/L hosted a series of seven Health Insurance Fairs and focus groups across the state, aimed at both small businesses and uninsured individuals.

- Completed a study of the THIRP and issued report entitled “Texas Health Insurance Risk Pool Expansion Options.”

Filing and Operations Division

- Received 30,945 Life/Health rate and form filings.
- Received 1,557 HMO rate and form filings.
- Processed 6,324 Exempt Life/Health rate and form filings.
- Received 18,665 Property and Casualty rate and form filings.
- Processed 468 Property and Casualty rate and form filings.
- Processed \$379,911 in filing fees for Life and Health rate and form filings.
- Processed \$58,100 in filing fees for HMO rate and form filings.
- Scanned 577,997 images for Property and Casualty Program.
- Scanned 341,294 images for Life/Health and HMO Divisions.
- Implemented the Life, Health and HMO billing system, resulting in monthly invoices sent to companies for payment of form filing fees, which allows TDI staff to accurately account for funds collected for the rate and form filing process.
- Represented Texas on the following NAIC Working Groups: System for Electronic Rate and Form Filing (SERFF) Working Group, Filing Submission Uniformity/Metrics Subgroup, and Review Standards Checklist Subgroup.
- Represented the Filings Intake Division or Department at various meetings and seminars.

Licensing Division

- Consistently exceeded the target for completing 98 percent of licenses completed within 60 days to meet TDI performance measure.
- Consistently exceeded the target for completing 95 percent of agent license filings completed within 15 days to meet TDI performance measure.
- Continued to remain efficient in the average processing time for the more than 700,000 filings received each year. In the past few years, the Licensing Division’s average processing time has moved from 5.2 days in FY 2002 to 3.0 days in FY 2003 to 2.2 days in FY 2004.
- Participated in developing, proposing and adopting the Examination Vendor Rule (28 TAC 19.1101 – 19.1104). The Adoption Order was signed and transmitted to the Secretary of State on January 18, 2005. The rule became effective on February 7, 2005. The revisions improve the vendor selection process by allowing TDI to establish contract requirements and evaluation criteria that reflect current applicant needs, technology and industry practices in the bid document.
- The Deputy Commissioner of Licensing served as a member of the NAIC Producer Licensing Working Group by attending meetings and conference calls in the development of the following draft model acts:
 - Fingerprint Model Act
 - Public Adjuster Model Act
 - Producer Licensing Fiduciary Model Act
- Updated the print process for printing licenses, certification letters, appointment action /error letters, and renewal notices.
- The Licensing Division, Information Technology Services and outside vendor, Sircon, migrated the client-server version (COSMOS) of our licensing database to the browser-based version (Sircon for States).
- Developed a process to allow monitoring the compliance of Home Office Salaried Employees with the mandated continuing education requirements.
- Developed a Request for Proposal (RFP) for an Examination Vendor in preparation for the expiration of the existing three year contract that expired on August 31, 2005. Successfully completed the RFP and managed the selection process.
- Served as a resource in the review and development of legislation regarding:
 - Premium Financing (HB 2965, 79th Legislative Session)
 - Amending Restriction of Appointment of Temporary Agents (HB 1201, 79th Legislative Session)
 - Disclosure of Compensation (HB 2941, 79th Legislative Session)
 - Continuing Education Credit for Participation in Certain Associations (SB 265, 79th Legislative Session)
 - Selection and Retention of Insurance Broker (SB 1214, 79th Legislative Session)
 - Qualifications for Surplus Lines License (SB 1564, 79th Legislative Session)

Life/Health Division

- Reviewed and completed 23,590 policies, contracts, related forms, rates, certifications, applications for registrations, risk assuming applications, rating methodologies and reports as appropriate for life, annuity, accident and health, nonprofit prepaid legal, accident and health, credit life, credit accident and health, viatical and life settlement, accident and health small and large employer, long-term care, life illustration and Medicare supplement.
- Reviewed and completed 35 filings, representing 242 forms, under the MSR through ongoing meetings and conference calls with Florida, California, Georgia and Nevada departments of insurance staff.
- Reviewed and completed 568 filings, representing 1,236 forms, through SERFF.
- Issued certificates of registration to 140 viatical and/or life settlements provider, provider representatives or brokers.
- Provided comments on Health Coverage Tax Credit Government Accountability Office (GAO) report.
- Responded to numerous legislative, consumer and agent inquiries.
- Made three presentations to consumer groups and trade groups.
- Updated checklists and product resource guides on TDI's website to reflect the recodification of the *Texas Insurance Code*.
- Participated in the Agent Licensing Exam Focus Group.
- Participated in conference calls and meeting of the NAIC Standards Working Group charged with developing Interstate Compact standards for life, long term care and disability.
- The Deputy Commissioner of Life/Health chaired the annuity team of the NAIC Standards Working Group charged with developing Interstate Compact standards for annuities.
- Completed the implementation of HB 2159 (77th Legislative Session) relating to credit life and credit accident and health with the adoption of presumptive rates.
- The Deputy Commissioner of Life/Health served as a member of the following NAIC Working Groups: Senior Issues , Interstate Compact Implementation, Speed to Market and Operational Efficiencies.
- Participated in the development of various bulletins
- Participated in the development of various rules.

HMO Division

- Completed review of 1,538 HMO forms filings.
- Conducted 16 quality of care examinations of HMOs.
- Completed 3,298 complaints regarding HMOs.
- Assigned 256 IRO case reviews.
- Certified and renewed 100 URAs.
- Certified and renewed 13 IROs.
- Responded to 89 open record requests.
- Assisted HHSC with operation of the CHIP Program.
- Participated in TACCP meetings.
- Represented the Commissioner on the Interagency Council on Genetic Services and TDSHS Morbid Obesity Task Force.
- Represented TDI on the Traumatic Brain Injury Advisory Council.
- Represented TDI on HHSC Telemedicine Advisory Committee.
- Represented TDI on the Texas Board of Medical Examiner's credentialing committee.

**Figure 31
Summary of Activity: Intake Division Filings Received/Processed**

Flex-Rate Filings	FY 2003	FY 2004	FY 2005
Personal Auto	446	829	562
Commercial Auto	382	N/A	N/A
*Personal Property	221	302	256
<i>Total</i>	<i>1,049</i>	<i>1,131</i>	<i>818</i>
Other Rate Filings			
**Commercial Automobile	N/A	403	636
Commercial Property	725	698	707
Workers' Compensation	528	281	315
Intake Unit	5	32	8
General Liability	1,324	1,368	1,291
Professional Liability	320	177	145
Bond, Burglary, Title	453	470	415
Multi-Peril	886	853	889
***Interline	N/A	N/A	7
<i>Total</i>	<i>4,241</i>	<i>4,282</i>	<i>4,413</i>
Policy Form, Endorsement and Rule Filings			
Personal Automobile	161	214	280
**Commercial Automobile	835	709	1,508
Intake Unit	9	68	9
***Interline	13	0	58
*Personal Property	234	354	314
Commercial Property	2,111	2,022	1,959
General Liability	4,143	3,363	3,720
Bond, Burglary and Miscellaneous Casualty	1,167	942	976
Workers' Compensation	418	239	200
Professional Liability	740	463	416
Multi-Peril	4,377	8,374	3,994
<i>Total</i>	<i>14,208</i>	<i>12,315</i>	<i>13,434</i>
†Total P & C Filings Received	19,498	17,728	18,665
Intake Unit Filings Processed	559	577	468

* Personal Property (formerly Homeowners).

** Effective June 11, 2003, per Senate Bill 14, Commercial Automobile insurance is now regulated under Article 5.13-2 of the Texas Insurance Code.

*** Interline Filings became effective February 10, 2005.

† Total includes 3,333 SERFF Filings. Note: Rating Manual portion removed. Rating manuals are now included in Rate Filing figures.

**Figure 32
Number of Licenses, Certificates and Registrations
Under Commissioner's Jurisdiction**

License Type	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
¹ Agents	261,951	216,464	234,992	246,923	259,743
Adjusters	37,524	46,458	43,452	44,498	54,810
² Full-Time Home Office Salaried Employees	3,707	3,205	3,721	2,087	1,292
³ Specialty-Credit	1,250	2,030	2,537	2,792	2,888
³ Specialty-Travel	330	455	529	643	699
³ Specialty-Rental Car Company	60	64	73	73	72
³ Specialty-Self Service Storage Facility	48	49	62	60	74
⁴ Specialty-Telecommunication Equipment Vendor	-	0	6	8	11
Life Counselors	122	143	158	179	235
⁵ Public Insurance Adjusters	-	-	-	78	115
Risk Managers	1,111	1,081	1,095	1,091	1,100
Re-insurance Intermediary	1,361	1,638	1,203	1,446	1,441
Premium Finance Companies	275	286	304	328	293
Third-Party Administrators	714	724	739	736	750
¹ Grand Total of Lines Regulated	308,453	272,597	288,871	300,942	323,523

¹ An agent may hold more than one type of license; these statistics do not represent numbers of individual agents.

² Registration only. Created by the 75th Legislature. Rules adopted in FY 1998.

³ Specialty License types created by the 76th Legislature.

⁴ Specialty Telecommunication License created by the 77th Legislature.

⁵ Public Insurance Adjusters License created by the 78th Legislature.

Figure 33 Summary of Activity: Licensing Division

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Total Filings Processed by Licensing Division	655,670	724,305	699,971	747,271	734,141
*Telephone Inquiries Answered	138,067	170,407	160,478	133,581	128,784

* Licensing uses an Interactive Voice Response (IVR) to improve the Division's ability to respond to calls from companies, agents and the public. The IVR provides 24-hour, 7-day-a-week access to licensing information.

Figure 34 Five-Year Summary of Agents License Statistics*

Total Licenses	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Issued	56,963	51,654	53,660	56,636	58,059
Renewed	67,865	81,662	75,186	92,505	84,984
Total Appointment Transactions	459,682	510,650	479,618	503,347	496,117
Total Current Agents & Adjusters Licenses	299,475	262,922	278,444	291,499	314,668
Other Licenses	8,978	9,675	10,427	9,443	8,855
Grand Total of Licenses Regulated	308,453	272,597	288,871	300,942	323,523

* Beginning in FY 2001, a renewal for a license that has multiple qualifications is counted as one renewal; previously, each qualification was counted as a separate renewal.

Figure 35 Numbers and Types of Agents Licenses, FYs 02-05

	FY 2002	FY 2003	FY 2004	FY 2005
County Mutual	4,623	4,193	3,694	3,462
General Lines-Life, Accident, Health and HMO	124,146	136,944	145,209	150,348
General Lines-Property and Casualty	61,940	67,416	76,646	87,684
Insurance Service Representative	2,249	2,477	2,368	2,069
Life not to Exceed \$15,000	1,466	1,320	1,230	1,026
Limited Lines	16,860	15,364	10,841	7,622
Managing General Agent	1,646	1,713	1,551	1,643
Pre-Need	1,472	3,146	2,584	2,504
Surplus Lines	2,062	2,419	2,800	3,385
Total	216,464	234,992	246,923	259,743

Figure 36 Summary of Activity: Miscellaneous Lines

	FY 2002	FY 2003	FY 2004	FY 2005
TPA On-Site Examinations	0	0	0	0
TPA Desk Audits Conducted	7	1	0	0
TPA New Licenses Issued	61	47	64	47
TPA License Exemptions Granted	83	84	90	104
New Premium Finance Licenses Issued	20	37	41	32
Premium Finance Licenses Renewed	288	270	297	320

Figure 37 Number of Premium Finance Companies and Loans' Value, CYs 96-04*

CALENDAR YEAR	NUMBER OF COMPANIES	NUMBER OF PREMIUM LOANS	VALUE OF LOANS
1996	306	404,532	\$1.65 billion
1997	300	443,278	\$1.76 billion
1998	292	455,492	\$1.54 billion
1999	291	468,129	\$1.68 billion
2000	283	408,892	\$1.69 billion
2001	281	387,866	\$1.90 billion
2002	304	332,663	\$2.54 billion
2003	317	300,673	\$3.08 billion
2004	333	275,215	\$2.95 billion

* These figures are reported in calendar years, and 2004 is the last full calendar year available.

Figure 38 Summary of Activity: Life/Health Filings

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Filed	26,788	31,133	33,449	28,558	30,945
Accepted	25,853	30,195	32,197	27,079	29,914
Approved	6,614	9,354	8,398	9,438	9,655
Disapproved	3,486	3,072	3,177	2,574	2,993
Exempt	7,343	8,735	11,681	7,075	6,324

Figure 39 Summary of Activity: Health Maintenance Organization Filings

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
New Forms Received	3,599	2,640	2,003	1,452	1,189
Forms Completed	3,258	2,447	2,026	1,596	1,538

Figure 40 Summary of Activity: Utilization Review Filings

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Applications Received	31	17	15	15	17
Applications Pending Review	16	7	6	7	3
Registered Utilization Review Agents Approved	5	2	1	1	2
Certified Utilization Review Agents Approved	51	21	15	12	15
Certified URAs renewed	94	76	94	105	83

Figure 41 Summary of Activity: HMO Complaints

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Complaints Received	7,716	9,468	7,261	3,511	3,028
Complaints Closed	*7,131	9,414	7,537	3,620	3,298
Medicare Complaints Forwarded	*5,132	3,362	563	192	137
HMO Quality of Care Examinations Completed	*21	23	28	22	16

*Note: Data revised after 2001 Annual Report released.

Figure 42 Summary of Activity: HMO Projects/Inquiries

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Projects/Inquiries Received	145	248	197	124	119
Projects/Inquiries Completed	145	248	197	124	117

Figure 43 Summary of Activity: IRO Applications

	FY 2004	FY 2005
IRO Applications Received	4	4
IRO Applications Pending	2	3
IRO Applications Approved	3	3
IRO Renewals Approved	3	10

Consumer Protection

Consumer protection assists Texans by helping resolve insurance complaints; providing insurance information to the public through a toll-free Consumer Help Line, publications and the Internet; and reviewing insurance advertising.

The Consumer Protection Program consists of five activities:

Complaints Resolution reviews consumer disputes with insurance companies, agents and other regulated insurance businesses. Staff examine complaints for violations of the *Texas Insurance Code* (TIC) and the *Texas Administrative Code* (TAC) and recommend enforcement action when appropriate. The complaints resolution process results in the return of millions of dollars in premium refunds and additional claim payments to consumers each year. Staff handle complaints involving home, auto, life and health coverage.

Information Assistance responds to calls to the agency's toll-free Consumer Help Line, 1-800-252-3439. These phone lines are staffed from 8 a.m. to 5 p.m. Central time, Monday through Friday. Staff answer questions regarding most lines of insurance; provide information about companies and agents, including license status and complaint histories; and help consumers file insurance-related complaints. The section also maintains TDI.nfo, an electronic information database to help TDI respond consistently and efficiently to consumer questions. Information Assistance helps non-English speakers through its Spanish-speaking staff and use of the AT&T Language Line. Service for hearing- or speech-impaired consumers is provided through Relay Texas at 1-800-735-2989 (TDD/TTY).

Public Education develops and distributes informational materials to increase consumers' understanding of insurance products and to help consumers shop wisely for the insurance they need. Publications also are accessible through the Internet. Consumers may order complaint forms and publications 24 hours a day, seven days a week, by calling a toll-free automated telephone line, 1-800-599-SHOP (7467). Public Education also coordinates a Speakers Bureau that provides presentations for civic and community organizations and consumer groups. In partnership with other state and federal agencies, Public Education operates the federally funded Health Information, Counseling and Advocacy Program (HICAP), which provides statewide training to volunteer benefits counselors who assist senior citizens in their local communities.

Advertising reviews industry marketing materials to evaluate compliance with rules governing solicitation and trade practices. Those materials include brochures, phone and sales scripts, agent presentations, newspaper, magazine, radio and TV ads, form letters, illustrations, Web pages, and other materials. Significant violations are referred to TDI's Legal and Compliance Program for possible enforcement action.

The Special Work Assignments Team (SWAT) enhances Consumer Protection's business processes by developing means of improving efficiency and effectiveness. SWAT coordinates the program's business planning activities and oversees production of program information published on the agency's website.

Highlights

In Fiscal Year 2005, Consumer Protection:

- Responded to a request for assistance from the State of Florida after that state was struck by hurricanes Charley, Frances, Ivan, and Jeanne. Thirty TDI staff members traveled to hurricane-impacted areas to assist Florida insurance consumers from late September through November 2004.
- Returned more than \$39 million to consumers in additional claims payments and refunds as a result of complaints resolution.
- Responded to more than 920,000 inquiries, including more than 224,500 calls to the Consumer Help Line, approximately 1,200 written inquiries, and more than 678,000 inquiries made via the Internet.

- Conducted more than 540 Speakers Bureau presentations throughout Texas on insurance issues.
- Distributed more than 3 million publications, including more than 861,000 rate guides. Rate guides provide information to help Texans save money on their insurance. TDI publishes rate guides for automobile, homeowners, Medicare supplement, long-term care and workers' compensation insurance.
- Maintained consumer information on TDI's Internet Web site. Items accessed most frequently were company profiles, publications, the on-line complaint form and the Internet Complaint Information System.
- Launched TexasHealthOptions.com, a "one-stop" resource for Texans shopping for health insurance. The new Web site features step-by-step information on finding affordable coverage and provides information and lists of companies offering various types of health plans.
- Reviewed more than 6,000 insurance advertisements to ensure compliance with state laws and TDI rules.
- Initiated or expanded partnerships with governmental agencies to promote TDI services and enhance outreach activities, including partnerships with:
 - The Children's Hospital of Austin and the Seton Healthcare Network to provide insurance information to parents of children utilizing services provided at mobile health clinics.
 - The Texas Hospital Association, the Texas Medical Association, the Texas Association of Health Plans, and other organizations and groups to educate physicians, providers, and insurance industry representatives throughout Texas about laws and rules related to the prompt payment of health care claims. TDI also established a provider resource page on the agency's home page with educational materials about prompt pay.
 - The National Association of Insurance Commissioners (NAIC) and the International Commission on Holocaust-Era Insurance Claims (ICHEIC) to assist Holocaust survivors and their heirs settle unpaid claims on insurance policies issued in Europe between 1920 and 1945.
 - County tax assessor-collector offices to distribute rate guides and other insurance information.
 - The Texas Department on Aging, the Texas Legal Services Center and local Area Agencies on Aging statewide to conduct the HICAP Program for older Texans and to offer training to volunteer benefits counselors in local communities regarding long-term care financing options.
 - The Division of Emergency Management and representatives of the insurance industry in the Texas State Disaster Coalition, which is designed to enhance responses to disasters.

Figure 44 Total Number of Complaint Cases Closed, FYs 97–05

FY YEAR	CASES CLOSED
1997	17,650
1998	18,829
1999	22,472
2000	28,005
2001	28,996
2002	34,364
2003	41,294
2004	29,505
2005	24,132

Figure 45 Additional Claim Payments to Consumers, FYs 97–05

FY YEAR	CLAIM PAYMENTS
1997	\$17.0 million
1998	21.3 million
1999	24.4 million
2000	32.0 million
2001	31.4 million
2002	46.6 million
2003	45.9 million
2004	39.0 million
2005	37.6 million

Figure 46 Restitutions/Refunds to Consumers, FYs 97–05

FY YEAR	RESTITUTIONS OR REFUNDS
1997	\$1.2 million
1998	1.3 million
1999	1.2 million
2000	1.8 million
2001	*636,000
2002	1.9 million
2003	2.2 million
2004	1.2 million
2005	1.8 million

** Fewer complaints involving large refunds of annuity premiums were received in FY 2001.*

State Fire Marshal's Office

The State Fire Marshal's Office (SFMO) develops and promotes methods of protecting the lives and property of the citizens of Texas from fire and related hazards. The SFMO works in cooperation with the public, regulated fire service industry, all branches of the fire service, local governments and other state governments. In addition to staff located in the headquarters office, the SFMO deploys field staff throughout the state, providing rapid response for investigations and inspections and reducing travel expenses.

The State Fire Marshal's Office consists of the following four divisions:

Fire Safety Inspection Services conducts fire safety inspections of public buildings and private facilities in Texas, including 24-hour care facilities, state buildings, universities, prisons, day-care centers, hotels and motels. Inspections are conducted based on need or in response to a request or complaint. Inspections of storage, handling and use of flammable liquids are conducted at retail service stations throughout the state upon request or complaint.

Fire Industry Licensing Services issues registrations, licenses and permits to individuals and companies working in the fire alarm, extinguisher, sprinkler and fireworks industries. Fire Industry Investigations, upon complaint, conducts investigations of fire alarm, extinguisher and sprinkler systems to ensure compliance with state law. This section also inspects fireworks retail sites to ensure compliance with adopted safety standards.

Fire Prevention and Outreach Services is comprised of two programs:

- **Texas Fire Incident Reporting System (TEXFIRS)** collects data from fire departments and analyzes statistics to determine the impact of fire on lives and property. Each year a summary of the fires reported, *Fires in Texas*, is published.
- **Fire Safety Education for Children and the Elderly Via Community Based Partnerships**
The SFMO coordinates a variety of fire safety education products for children and the elderly. These include helping communities establish and maintain Juvenile Firesetter Intervention Programs, providing Fire Safety House presentations to Texas school children in communities around the state, and helping communities implement nationally endorsed community based education programs, such as RiskWatch and Remembering When.

Fire/Arson Investigation Services

- Upon request, Fire/Arson investigators respond to fire scenes throughout the state. They assist local law enforcement entities in determining the origin and cause of the fire, and with criminal investigations, if required.
- The Arson Hotline is a toll-free number for the public to report suspicious activity involving fires. The hotline, 1-877-4FIRE45 (1-877-434-7345), is staffed 24 hours a day.
- Canine Teams consist of a handler, who is a certified peace officer/arson investigator, and a canine that has been certified and trained to detect hydrocarbons. The canines' keen sense of smell helps them identify areas for evidence collection at fire scenes.
- The Forensic Arson Laboratory, based in Austin, provides accelerant testing services and analysis of fire scene debris to law enforcement and public safety organizations. The lab is accredited by the American Society of Crime Laboratories Directors.
- The Mobile Response Unit houses a self-contained command center used at fire scenes including, interview room, computer and audio-visual workstations and telecommunications systems.

Firefighter Fatality Investigations

In addition to the service provided by these four divisions, the SFMO is also statutorily responsible for the investigation of firefighter fatalities. The 77th Texas Legislature established this authority and empowered the SFMO to investigate the manner and cause of death of firefighters who die while involved in a firefighting incident. The State Fire Marshal is directed by statute to pub-

lish a report on the findings of each investigation and an annual report to the Commissioner. This investigation program utilizes a multi-disciplinary approach, involving staff with a broad range of expertise and experience. The SFMO also involves members of the Texas fire service to assist with the fireground operations review component of the investigation. These volunteers represent numerous organizations and are chosen for their substantial fireground operations expertise.

State Fire Marshal's Office History

The Legislature established the position of State Fire Marshal in 1910 and charged the State Board of Insurance members to select one of its members to be "Fire Marshal of the State Insurance Board." Duties included investigating fires to determine their cause, inspecting buildings to identify fire hazards and requiring the removal and correction of identified fire hazards.

The Fire Marshal's duties were redefined by the Legislature seven more times between 1913 and the early 1970s, with the Commissioner of Insurance handling State Fire Marshal duties for many years. In 1975, a separate Office of the State Fire Marshal was established, and in 1991, the Legislature removed the office from the Texas Department of Insurance (TDI) and merged it with the Texas Commission on Fire Protection. In 1997, the Legislature returned the State Fire Marshal's Office to TDI.

Highlights

In Fiscal Year 2005, the State Fire Marshal's Office:

- Continued an aggressive, on-site fire safety inspection project on state university campuses with a special focus on full-campus inspections. SFMO inspectors worked with university officials to remedy any dangerous situation uncovered by the inspections.
- Completed a comprehensive fire safety evaluation for Galveston County.
- Conducted five firefighter line-of-duty death investigations.
- Sponsored an annual State Fire Marshal's Conference in Austin with more than 150 local fire marshals in attendance. The conference focused on enhancing local understanding of the state's regulatory process and on increasing interaction among fire marshals statewide.
- Continued its focus on new indoor fireworks retail outlet inspections where greater safety hazards exist.
- Partnered with Fireproof Children/Prevention First, the Texas Head Start-State Collaboration Office, and the Abilene, Brownsville, Corpus Christi, Harlingen, Midland, Odessa, Pharr, San Benito, and Seminole fire departments in an initiative to reduce fire death and injury to pre-school-aged children. The initiative included workshops to train early childhood educators to teach fire safety and the installation of smoke alarms in homes with children aged 5 years and under in high-risk areas. This initiative was made possible through a FEMA grant to Fireproof Children/Prevention First.
- Began an in-depth analysis of fire safety issues associated with bars. This initiative included on-site inspections within selected counties and the development of a fire safety educational program for Texas Alcoholic Beverage Commission agents and those entities regulated by the Commission.
- Provided Public Protection Classification (PPC) oversight assistance to local communities resulting in approximately 55 on-site visits, 750 telephone assistance conferences and processing more than 50 submissions.

Figure 47 Summary of Activity: Fire Marshal's Office

	FY 2004	FY 2005
TEXFIRS incident reports processed	1,817,849	3,023,020
Fire investigations completed	507	493
Reported value of property fires investigated	\$171,571,448	\$627,872,943
Percent of fire investigations found to be incendiary	45%	40%
Number of suspects referred for prosecution	96	111
Percent of referred suspects indicted	73%	68%
Conviction rate of indicted suspects	92%	82%
Samples analyzed in arson laboratory	3,315	3,273
Juvenile Firesetter Intervention Programs formed or expanded	87	40
Companies and personnel licensed for Fireworks, Extinguisher, Alarm and Sprinklers	12,039	11,708
Investigations/inspections of complaints against Fire protection equipment/fireworks industries	1,179	1,134
Buildings inspected/re-inspected for fire safety hazards	4,849	5,482
Number of children participating in a Fire Safety House demonstration	0	5,248

Administrative Operations

ADMINISTRATIVE OPERATIONS is headed by the agency's Chief of Staff. It performs the agency's internal financial functions and provides operational support ranging from computer and database services to professional development and training. The program consists of five activities.

Administrative Services, led by the Chief Financial Officer, supports the agency in the areas of budget and planning, accounting, purchasing, mail services, and building and records management. It also monitors TDI's compliance with oversight requirements set for state agencies by the Legislature. It consists of three divisions:

Financial Services maintains the agency's financial records, prepares supporting documents required for a proper audit trail, establishes internal financial controls to detect errors and irregularities, prepares the agency's annual financial report and develops and recommends rates for maintenance taxes and assessments. In addition, the division handles budget and planning functions, including the Legislative Appropriations Request (LAR), the agency's Strategic Plan, the agency's annual operating budget and the agency's performance measure reports. Finally, the division monitors expenditures, develops projections to help programs stay within budget, monitors the agency's performance against targets in the Strategic Plan and monitors the agency's compliance with certain Article IX provisions of the General Appropriations Act.

Staff Services deals with all building-related services, including space planning and management, security, employee parking, records retention, property inventory and warehousing, and copy center. It also administers the agency's Safety and Risk Management Program. In addition, Staff Services handles, tracks and delivers all mail, including inter-agency memos and correspondence.

Purchasing and Contract Administration is responsible for procuring all goods and services for the agency, managing the agency's Historically Underutilized Business (HUB) Program and administering contracts. The agency's procurement process includes establishing contracts, verifying taxes, soliciting procurement opportunities on the Electronic State Business Daily and maintaining an audit trail for all procurements. The Purchasing division also tracks all contracted employees, procurements of recycled items, and contracts with established out-of-state vendors. The HUB Program ensures that the agency makes a good faith effort to utilize minority and woman-owned businesses when purchasing goods and services. The Contract Administration Program monitors all service contracts and large dollar procurements and ensures that they are properly administered by agency customers.

Information Technology Services (ITS) provides automation and computer support for all agency programs and activities under the direction of the agency's Information Resource Manager (IRM). The division's primary goals are to ensure that automation applications and technology are of good quality and are maintainable, available, and meet agency and state standards. ITS supports agency programs by:

- Providing advice and assistance in applying technological solutions to business problems.
- Building and maintaining new applications or purchasing applications and/or systems to meet agency needs.
- Working to manage agency data efficiently and effectively.
- Supplying appropriate and timely technical training to employees.
- Planning and implementing agency-wide automation and information technology projects.

The Information Technology Services division consists of four sections:

Customer Services is composed of two subgroups: Business Analysis, and Systems Analysis, which includes data analysis. The Business Analysts perform consulting services and business and process analysis to help define customer automation requirements as they relate to agency strategies and business processes. The Data Analyst ensures that logical data models are mapped

effectively and efficiently into physical data models to maximize the characteristics of the agency's database management system. The Systems Analysts are responsible for designing applications and defining systems requirements.

Project Management, Planning & Security is responsible for mapping the direction of the division to ensure current developments and trends in technology are addressed and prioritized. This unit is also responsible for developing and implementing an information technology planning process that is integrated with all other TDI planning processes, including a wide range of strategic, tactical, information security, and contingency planning functions. The Project Management Office manages all technology projects to ensure completion on time and within budget. Additionally, the group plans and monitors the capital and operational budgets, administers software documentation, administers a technical library that houses all authorized software licenses and documentation, and performs personnel and timekeeping functions.

Innovative Development is composed of staff resources representing applications development, quality assurance, desktop support, telecommunications and training.

The Application group is responsible for the development of new applications, as prioritized by the Agency Planning and Technology Team (APTT), as well as for enhancement and maintenance of existing applications. A Rapid Deployment subgroup addresses short-term automation requests from program areas as well as any unscheduled system maintenance requirements and production problems. The Training and Support group evaluates new and existing software to identify and document best practices, provides training and quality assurance review to enforce those practices, and provides technical assistance to application programmers on an as-needed basis. Desktop Support and Telecommunication staff provide assistance to users directly at their workstations as well as by remote control. They also furnish a wide-range of support functions — from offering classroom training for all standard business products, to monitoring and supporting all network and local printing services, as well as supporting telephone services, cabling and other telecommunication services.

Network Management is composed of four subgroups: Database Analysts, Infrastructure, Network Operations and Help Desk. The Database Analyst (DBA) group provides technical expertise in the design, implementation and maintenance of the agency's relational database management system and application server to support TDI's business applications. DBA responsibilities also include establishing policies and procedures pertaining to the management, security and use of the database management system and application server. DBA personnel provide support for Oracle client products and third-party applications. DBA personnel are also responsible for maintaining a disaster recovery plan for TDI's Oracle database and application server through a process of technical planning and periodic testing. Finally, the DBA section is expected to stay abreast of emerging technologies and new design approaches. Infrastructure personnel are responsible for the day-to-day maintenance of the agency's Enterprise computing platforms. They ensure the agency's infrastructure and networked computer systems, including Local Area Networks (LAN), Wide Area Networks (WAN), and server-based software, such as e-mail, are fully operational. In addition, Infrastructure personnel provide capacity planning. Protecting the agency against intrusion attempts and viruses on the agency's networks, web server, and e-mail is a high priority; therefore all protection software is monitored and updated, if necessary, on a daily basis. Statistical data is provided to generate reports citing intrusion attempts, Internet access issues and website/e-mail blocking information. Infrastructure personnel also verify that a current disaster recovery plan for TDI's infrastructure is in place and functional through a process of technical planning and periodic testing. Network Operations personnel are responsible for the day-to-day monitoring of the agency's major computing platforms. They ensure the agency's networked computer systems, including server-based software such as Oracle, are fully operational. Operations personnel provide file/data backups and recovery, including periodic testing and continuous monitoring of the backup processes. Operations personnel monitor systems for the purpose of disaster recovery to ensure TDI's infrastructure is current and functional. Help Desk personnel provide telephone, onsite and remote assistance to the agency to resolve customer technical issues. The Help Desk is responsible for overseeing the process whereby requests for technical service are received, evaluated, and tracked to completion. They provide first line support to aid users in resolution of hardware, software and telecommunication/data communication problems. In doing so, the Help Desk personnel interact with the other areas of ITS and the agency to coordinate efforts between these areas to resolve problems.

Human Resources (HR) responds to the needs of agency management and personnel and fulfills a wide range of human resource functions to support agency operations, including:

Administration

- Maintaining compliance with state and federal employment laws
- Workforce planning
- Enforcing and reviewing the agency performance management system

Personnel and Benefits

- Managing the agency hiring process
- Processing and maintaining payroll records and information
- Maintaining agency employment records
- Reviewing and processing personnel actions
- Reviewing and maintaining agency time records and leave programs
- Providing information and assistance to employees regarding insurance, disability, and retirement benefits and programs
- Conducting and analyzing employee exit interviews
- Reporting state and federal personnel/payroll information

Professional Development and Administration

- Developing and implementing agency programs to maintain high employee satisfaction
- Training to include management training, technical insurance training, new employee orientation and soft skills training

Human Resources promotes agency goals by:

- Developing, implementing, and interpreting personnel policies and procedures
- Assisting customers with personnel and benefits needs
- Providing staff development opportunities to assist employees and managers in obtaining professional development, ultimately increasing the overall effectiveness of the agency workforce, and
- Staffing the agency switchboard and information desk.

Human Resources (HR) analyzes and researches staffing issues and develops division initiatives. HR actively engages in quality control and ongoing review and improvement of internal policies and procedures in order to more efficiently and effectively provide human resources services to the agency. In addition, the team ensures compliance with the Americans with Disabilities Act and coordinates the Employee Assistance Program and the State Employee Incentive Program.

Business Planning and Redesign (BPR) works with other agency planners and managers to facilitate agency planning by coordinating the business and strategic planning processes. The primary functions of Business Planning and Redesign are leading the business planning process, developing and managing projects, facilitating intra-agency communication, analyzing agency processes, recommending changes to improve the agency operations, leading TDI's disaster recovery planning activities and enhancing TDI's ability to respond to customer needs. Additionally, the Business Planning and Redesign director serves as the Commissioner's designated Customer Relations Representative, TDI's Forms Manager, and the agency contact for grant proposals submitted to the Foundation for Regulatory Studies in Texas.

Employee Ombudsman and Ethics Advisor gives employees an outlet to discuss their concerns and problems in private. The ombudsman also is charged with helping encourage positive communication between agency managers and employees, helping resolve workplace complaints, grievances or disputes and helping agency employees with ethics questions.

Highlights

In Fiscal Year 2005, Administrative Operations:

Administrative Services

- Developed and produced the agency's FY 2006 Operating Budget.
- Coordinated projects and prepared documents in support of the agency's FY 2006-2007 Legislative Appropriations Request and FY 2005-2009 Strategic Plan as requested by the Legislative Budget Board and the Governor's Office of Budget and Planning during the 79th Legislative Session.

- Coordinated more than 377 fiscal notes to the Legislative Budget Board during the 79th Legislative Session.
- Monitored and projected agency expenditures by strategy, object of expense and organizational unit.
- Maintained a travel tracking cap system that enabled the agency to operate in compliance with the General Appropriations Act.
- Monitored performance measures monthly to evaluate programs on strategic plan performance measures.
- Prepared the FY 2004 Annual Financial Report and the Binding Encumbrances and Accounts Payable Report.
- Developed rates for maintenance tax, examination/overhead assessment and premium finance assessment.
- Participated in the Post-Payment Audit by the Claims Division of the Comptroller of Public Accounts. TDI had so few exceptions that none merited a dollar projection against the whole population.
- Posted procurement opportunities on the Electronic State Business Daily.
- Administered the agency Contract Management and Administration Process.
- Administered the Historically Underutilized Business (HUB) Subcontracting Program in the agency's Special Deputy Receiver Program.
- Administered support to the HUB program and made good faith efforts to utilize HUBs in the agency's procurement process.
- Agency's HUB participation reached 46.1 percent.
- Prepared and submitted the agency's FY 2004 Recycle Report to the Texas Building and Procurement Commission (TBPC).
- Prepared and submitted semi-annual and annual reports to TBPC of all contracts established with vendors not residing in Texas.
- Tracked and reported all contracts requiring LBB contract notification.
- Tracked and reported all contracts requiring bid out and awarded to HUBs.
- Tracked and reported all contract workforce contracts through the Comptroller's USAS contract profile system.
- Processed approximately 1,908 purchase orders.
- Received an 99.57 percent accuracy rate on TBPC's post-payment audit report.
- Processed 944,606 pieces of agency mail.
- Microfilmed 499,579 documents and stored 1,380 cubic feet of records through the Texas State Library for record retention.
- Processed 1,464 work orders through TBPC.
- Coordinated 11 building improvement projects and modular furniture installations and renovations.
- In March 2005, TDI received the Silver Safety Award from the State Office of Risk Management. Five program areas were accident/injury free in FY 2005.
- Participated in coordinating the move of the Texas Workers' Compensation Commission to TDI.

Figure 48 Comparison of Maintenance Tax Rates FYs 93–05

TYPE	MAX LEGAL RATE	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY05
Motor Vehicle	0.2	0.058	0.069	0.068	0.055	0.066	0.056	0.058	0.055	0.057	.060	.053	.035	0.036
Fire	1.25	0.525	0.606	0.656	0.436	0.418	0.370	0.381	0.358	0.352	.401	.330	.188	0.184
Workers' Compensation	0.6	0.200	0.386	0.120	0.093	0.096	0.085	0.072	0.055	0.060	.069	.051	.030	0.027
Casualty	0.4	0.210	0.295	0.319	0.209	0.251	0.197	0.232	0.200	0.186	.210	.180	.091	0.073
Title	1.0	0.132	0.187	0.171	0.110	0.135	0.174	0.123	0.144	0.086	.111	.073	.045	0.037
Life, Accident and Health	0.04	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	.040	.040	.026	0.026
Third-Party Administrators	1.0	0.5	0.222	0.235	0.310	0.339	0.313	0.244	0.218	0.237	.330	.265	.150	0.125
*HMO Multi-Service	\$2.00	\$0.78	\$1.23	\$1.27	\$0.68	\$0.80	\$1.21	\$1.08	\$1.08	\$1.11	1.10	\$1.32	\$0.89	\$1.02
*HMO Single Service	0	\$0.42	\$0.62	\$0.38	\$0.22	\$0.27	\$0.41	\$0.36	\$0.36	\$0.37	0.37	\$0.44	\$0.30	\$0.34
*HMO Limited Service	0	0	0	0	0	0	\$0.41	\$0.36	\$0.36	\$0.37	0.37	\$0.44	\$0.30	\$0.34
Prepaid Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.030	0.020	0.30	.022	0.22	0.022

* HMO rates reflect an amount per enrollee. Other rates are given as a percentage.

Information Technology Services

- Supported technology planning at the national level, with Texas a member of the NAIC Information Resources Management Committee (IRMC). The ITS Director represents Texas on this committee and chairs the Information Systems Task Force (ISTF) on the Commissioner's behalf. The ISTF provides regulator technical consultation and technical monitoring of projects for the IRMC. The ITS Director is also a member of two working groups that report to the ISTF. The National Technical Architecture Working Group (NTAWG) facilitates interoperability among state, NAIC's Kansas City facility, and other systems by defining a National Technical Architecture composed of open standards. The Strategic Systems Planning Working Group (SSPWG) is charged with identifying future technology requirements based on the projected future business requirements identified by NAIC standing committees, consumers, and industry.
- Began to address technology needs related to SB 1516, which contains three components: data center consolidation, commodity procurement unification, and adherence to a Texas Project Delivery Framework. ITS staff are representing the agency as members of all six technology work groups directed by the Department of Information Resources (DIR).
- Began planning to address technology needs related to the impending integration of the Texas Workers' Compensation Commission (TWCC) with TDI in accordance with HB 7 (79th Legislature, regular session).
- Supported agency planning by updating the agency Technology Infrastructure Roadmap for fiscal years 2005 through 2008 to guide TDI's future technology decisions. Additional strategic planning activities included submission of data to DIR as part of the Statewide Information Technology Assessment Report and submission of the Information Resource Strategic Plan to DIR for fiscal years 2005 to 2009.
- Created a Project Management Planning group to streamline the project initiation, management, and oversight process. The group will ensure that TDI's project management processes align with the Texas Project Delivery Framework, as presented by DIR.
- Supported agency staff by responding to over 13,000 Help Desk calls.
- Redesigned technology training curriculum to allow staff to access lessons online or to attend brief, topic-specific classes conducted on-site at the Hobby Complex.
- Helped enhance the agency's ninth year of Internet presence by:
 - Promoting use of TDI's website. Monthly "hits" increased to an average of 1,763,000 per month, up 238,000 per month from 2004 averages.
 - Working with agency programs to add pertinent and timely information to the website, including proposed rules, interactive company profile information, interactive consumer complaint forms, a variety of pamphlets and publications, rate guides, lists of agents and companies, and insurance/agency forms.
- Helped encourage state business on the web, including:
 - Continuing participation as one of eight original state agencies on the TexasOnline website by offering insurance agents the ability to renew licenses online, including paying their renewal fees, and allowing citizens and businesses to search for information about insurance agents. Each month over 450,000 queries are executed to obtain license information and more than 3,000 license renewals are performed online.
- Improved the agency's infrastructure and electronic communications by:
 - Enhancing connectivity for field offices by installing wireless networks;
 - Enhancing connectivity for remote users by providing a virtual private network through which staff can access the network;
 - Upgrading the agency's Oracle databases to the current release; and
 - Deploying over 400 personal computers and over 200 laptop computers as part of TDI's obsolescence plan.
- Continued agency-wide and ITS specific disaster recovery and contingency planning by:
 - Conducting an Information Technology Services disaster recovery exercise at the agency's disaster recovery site;
 - Reformatting and updating the division's disaster recovery plan to reflect procedural and personnel changes; and
 - Utilizing older servers and other available information technology equipment at the disaster recovery site to eliminate the need for TDI to obtain outside disaster recovery services.
- Refined information security at TDI by:
 - Updating antivirus, e-mail filtering, and firewall software to strengthen agency security;

- Providing informational articles and material to agency personnel regarding best security practices; and
- Providing information security training classes for new employees as part of the agency New Employee Orientation program and providing refresher training courses for current agency staff.
- Completed business unit Information Technology initiatives, including:
 - Enhancing the agency’s Automated Leave Accounting System in accordance with recommendations made by an agency-wide focus group;
 - Redesigning the Consumer Protection automobile and homeowners’ insurance web-based rate guide;
 - Implementing a billing system for the Policy Approval and Tracking (PATK) division of Life, Health and Licensing;
 - Designing and developing a web-enabled invoicing system for the Financial division;
 - Assisting in the Life, Health and Licensing division’s upgrade from COSMOS®, a client-server application, to SIRCON-gov, a web-based application; and
 - Analyzing the business functions and processes of the Fraud unit and documenting the business requirements for a new case management system.

Human Resources

All of Human Resources is funded from E.1.1, Central Administration. The following represents a small sampling of the contributions Human Resources made to its strategic goal in FY 2005:

- Processed and tracked 204 personnel actions
- Met 100 percent of all payroll reporting deadlines
- Processed 617 job applications
- Answered 17,434 switchboard calls
- Delivered 405.75 hours of professional development training
- Brokered or coordinated an additional 14 hours of employee training
- Delivered 4 Wellness events

In addition, HR:

- Developed and delivered comprehensive end of fiscal year annual reports to program areas, information on vacancies, time to fill positions, turnover rates and projections on human resource-related issues. This included meeting with each program head to discuss the reports and update workforce planning issues.
- Continued participation in the Texas State Human Resource Association (TSHRA), State Agency Coordinating Committee (SACC), the SACC Human Resources Subcommittee and the SACC Training and Development Subcommittee.
- Delivered legislatively mandated sexual harassment and discrimination training.
- Held recognition ceremony to present awards for state service.
- Coordinated agency participation in the State Employee Charitable Campaign.
- Monitored mandated management to staff ratios to be sure TDI continues to meet required mandates.
- Met with program areas and considered classification changes; however, after review and research, no changes were submitted to the State Auditor’s Office (SAO).
- Provided training or interventions for divisions with low scores to raise level of results of the employee survey conducted in November 2003. The survey showed a high level of satisfaction in most constructs.
- HR met with PWG members and agency management to discuss workforce planning needs and Business Planning projects. HR attended SAO’s workforce planning training seminars and gathered information from Associate and Senior Associate Commissioners to complete the agency’s Workforce plan. The plan was sent to the SAO electronically and included in the Strategic plan. Progress will continue to be monitored.
- Continued working with Agency Counsel, Chief of Staff, ITS and agency Risk Manager to develop guidelines for Telecommuting.
- Continued reviewing Human Resources Processes and Procedures to allow up-to-date instruction to staff as the need arises.
- Continued mandatory management training for agency managers. Eighty-four percent of agency managers have met this mandate.
- Conducted agency-wide customer service assessment with 73 percent of respondents rating Human Resources overall level of service as above average or excellent.

Business Planning and Redesign

- Coordinated monthly Agency Planning and Technology Team meetings, providing a forum for programs to discuss and prioritize projects with agency-wide impact.
- Assisted programs with implementing their FY 2004–2005 business plan projects by monitoring progress and coordinating agency involvement on projects affecting multiple program areas.
- Directed the agency's FY 2006-2007 business planning process to align program activities with agency goals and priorities.
- Assisted programs in compiling their technology, workforce planning and customer service needs by incorporating into the business planning process.
- Coordinated agency activities to revise and test the agency and program disaster recovery plans.
- Assisted programs by communicating with the Foundation for Insurance Regulatory Studies in Texas regarding grants that benefit TDI.
- Maintained the Agency-Wide Information Page on TDI's Intranet, providing information on agency projects and processes.
- Improved management of agency forms by creating a central repository for forms on the agency's website and ensuring that forms comply with formatting and indexing standards.
- Led an agency initiative to assess and prioritize agency's electronic record management and imaging needs.
- Collaborated with TDI's Chief of Staff and Chief Financial Officer to perform an internal review of certain agency functions and recommend operational improvements as appropriate.
- Partnered with Human Resources to develop an agency Employee Suggestion Program that complies with guidelines established by the Texas Building and Procurement Commission's Council on Competitive Government.
- Assisted external customers seeking information about TDI forms and assistance with customer service issues.

Employee Ombudsman and Ethics Advisor

- Initiated and conducted sexual harassment and discrimination classes, which are mandated by the Legislature and must be completed by all agency employees for the biennium.
- Created and presented various training classes to help agency managers and supervisors increase their individual level of appropriate and effective management techniques.