

Part I

Report of Program Activities



This section of the Texas Department of Insurance's *126th Annual Report* gives a brief summary of major activity of agency programs and divisions during Fiscal Year 2001. Some agency reorganization occurred during the fiscal year. This report reflects the agency structure as it existed on August 31, 2001.

issued by the **Texas Department of Insurance**

FY2001 was a period of organizational stability and progress on a variety of issues facing the Texas Department of Insurance (TDI).

During the previous two fiscal years, Commissioner José Montemayor initiated major staff realignments to better reflect TDI functions and to improve efficiency. During FY2001, the agency enjoyed the fruits of these actions in continuing its chief roles of protecting insurance consumers and regulating the \$63.5 billion-a-year Texas insurance industry.

This report examines TDI as it operated from September 1, 2000, through August 31, 2001.

Consumer Help

The summer of 2001 saw one of the most massive projects ever initiated at TDI: Assistance to Houston-area victims of Tropical Storm Allison. The fast-to-develop but slow-to-move storm dumped flooding rains on portions of Southeast Texas, Louisiana and Mississippi in early June and ranks as one of the costliest storms ever for the insurance industry. It sent surging water into the homes and cars of tens of thousands of Houston-area residents, forcing many to seek shelter.

Within hours of the flooding, TDI's Consumer Protection Program began planning to send insurance specialists to assist victims. Consumer Protection staff surveyed the area and put out a call for TDI volunteers to work out of disaster relief centers (DRCs) established by the Federal Emergency Management Agency. The volunteers distributed insurance information, accepted complaints and helped victims link up with insurance adjusters. By the time the program ended in the fall, almost 100 TDI employees had participated in the effort, some of them several times.

"I am supremely proud of the TDI employees who left their friends and families to go to the Houston area to help the victims of this tragedy," said Commissioner Montemayor. "This is public service at its best."

On a smaller scale, Consumer Protection staff members went to Northeast Texas in January 2001 to help homeowners with insurance problems arising from ice storms that struck that area at the end of December.

Mold

In FY2001, the Property and Casualty Program, with help from Consumer Protection and other programs, began looking into the unusual and sudden increase in mold-related claims for residential property insurance.

Property and Casualty issued a data call to major homeowners insurers seeking information on mold-related claims for residential property insurance. Commissioner Montemayor held informational hearings in Austin on June 26, in Corpus Christi on August 21 and in Houston on September 13, shortly after the close of the fiscal year. The hearings were held in response to public interest surrounding mold contamination and insurers' concerns regarding increased numbers and costs of mold claims. Some insurers in early 2001 requested TDI approval of endorsements to completely exclude coverage for mold or other fungi.

Prior to calendar year 2000, few mold claims were filed and TDI had received only a couple of consumer complaints involving mold coverage. Claims and complaints soared in 2000 and 2001, however. In mid-2001, several insurers said the increased claim costs were driving up property insurance premiums in Texas and they put restrictions on the sale of homeowners policies to new customers.

On September 18, the Commissioner received a staff recommendation to preserve the availability and affordability of residential property insurance in Texas by capping current coverage for mold remediation at \$5,000 while providing policyholders with an option to buy additional levels of coverage. He held a hearing on the proposal on October 16 and planned to make a decision in early November, after this report's deadline and after the close of FY2001.

Workers' Compensation

TDI took several actions in FY2001 to address workers' compensation concerns in Texas. One was to improve communication with management of the Texas Workers' Compensation Insurance Fund—the insurer of last resort—to ensure the Fund's growth had not been accomplished through aggressive pricing. TDI was concerned because while workers' compensation had become an increasingly unprofitable line of business, the Fund's market share had been growing. Several companies have stopped writing workers' compensation in Texas or reduced their activity significantly, increasing the prospect of premium increases. The agency also formed a task force on workers' compensation within TDI to provide intense monitoring of company profitability. Attention was paid to companies that have concentrations of business in California, where there have been particular problems, and/or a large stake in the Texas market.

Of course, TDI also continued its normal review processes and financial monitoring systems to maintain a healthy market. This led to company interventions.

Overall, insurers selling workers' compensation in Texas were profitable. But these profits typically were made in other lines of business and on investments.

Insurance Fraud

Insurance fraud, one of the costliest white-collar crimes in the nation, prompted one of the first actions in the new fiscal year. The Commissioner held a news conference on September 5, 2000, to announce the state's "Top 10" insurance fraud cases, as well as creation of a toll-free telephone number for reporting similar crimes to TDI. The news media event brought substantial publicity to the new hotline number, 1-888-327-8818.

TDI's Insurance Fraud Unit attacks fraud of various types and on various levels with the ultimate goal of protecting consumers from crooked agents, unlicensed insurers and higher premium costs resulting from claim fraud. TDI investigators cooperate with other law enforcement agencies, and regularly conduct joint investigations with local police, sheriffs' departments, Texas District and County Attorneys, Texas Department of Public Safety, Federal Bureau of Investigation, Internal Revenue Service, United States Postal Inspectors and the United States Department of Labor.

Legislation

One key outside factor affecting TDI during FY2001 was the 77th Legislature, which met from January 9 through May 28, 2001. The session acted on a variety of insurance issues, ranging from the privacy and agent licensing mandates of the federal Gramm-Leach-Bliley Act (GLBA) to an experiment in mileage-based rating for auto insurance.

In all, the Legislature passed and Governor Rick Perry signed, or otherwise allowed to become law, at least 87 bills on insurance or insurance-related businesses, as well as other legislation affecting TDI. Lawmakers adopted 10 of the 14 measures the Commissioner recommended in his pre-session report on needed legislation.

From TDI's standpoint, one of the top priorities was Senate Bill 414, which streamlined the state's agent licensing laws and granted reciprocity to non-resident agents as envisioned by GLBA. GLBA requires states to develop uniform agent licensing criteria or grant full licensing reciprocity to nonresident agents. Failure of at least 29 states and territories to enact such provisions by November 2002 would trigger creation of the National Association of Registered Agents and Brokers (NARAB), allowing reciprocal licensing without added requirements. Adoption of SB 414, along with the adoption of producer licensing models in 34 other states, allowed state regulators to meet the uniformity of GLBA more than a year ahead of the deadline, thus forestalling the creation of NARAB.

In another matter related to GLBA, the 77th Legislature directed the Commissioner to adopt emergency rules for the protection of non-public personal financial information in the hands of persons and entities regulated by TDI. The Department formed an internal Privacy Work

Group. The Work Group, spearheaded by the Legal and Compliance Program and the Life, Health and Licensing Program, developed emergency rules that took effect on July 12, 2001, bringing Texas into compliance with the privacy requirements of GLBA. The new GLBA rules, proposed simultaneously with adoption of emergency rules, are based on the NAIC model.

Another key bill affecting TDI was House Bill 2102, which streamlined the Department's benchmark rate process. The bill removed the need for a separate hearing and administrative law judge review before the Commissioner can set benchmark rates for automobile and residential property insurance. It was designed to reduce the start-to-finish time for the process and allow the Commissioner to consider more up-to-date data in making his ruling.

Many of the new pieces of legislation require implementation rules to be adopted by the Department. At the end of FY2001, TDI staff members were busy planning and carrying out implementation of several dozen pieces of legislation. Some had implementation deadlines of January 1, 2002.

Comparison of Texas Private Passenger Automobile Insurance Market (Rate-Regulated/Non Rate-Regulated Insurers: 1993–2000) Figure 1

YEAR	NUMBER OF VEHICLES INSURED ¹			% OF VEHICLES INSURED	
	RATE-REGULATED ²	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1994	8,067,506	1,483,783	9,551,289	84.5%	15.5%
1995	8,078,856	1,634,022	9,712,878	83.2%	16.8%
1996	7,928,125	1,863,186	9,791,311	81.0%	19.0%
1997	7,950,495	2,442,774	10,393,269	76.5%	23.5%
³ 1998	8,412,394	2,423,928	10,836,322	77.6%	22.4%
³ 1999	8,787,719	2,554,798	11,342,517	77.5%	22.5%
2000	9,177,862	2,523,438	11,701,300	78.4%	21.6%

YEAR	AMOUNT OF PREMIUM WRITTEN ⁴			% OF PREMIUM WRITTEN	
	RATE-REGULATED	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	\$5,361,488,501	\$1,370,879,294	\$6,732,367,795	79.6%	20.4%
1994	\$5,688,060,661	\$1,576,439,099	\$7,264,499,760	78.3%	21.7%
1995	\$5,859,332,046	\$1,762,885,914	\$7,622,217,960	76.9%	23.1%
1997	\$5,856,932,799	\$2,436,436,967	\$8,293,369,766	70.6%	29.4%
1998	\$5,975,246,388	\$2,390,247,747	\$8,365,494,135	71.4%	28.6%
1999	\$6,025,538,363	\$2,238,667,626	\$8,264,205,989	72.9%	27.1%
2000	\$5,919,066,108	\$2,246,698,745	\$8,165,764,853	72.5%	27.5%

- 1 Figures are as of the end of the calendar year. Source: Texas Private Passenger Automobile Statistical Plan, Quarterly Market Report.
- 2 Rate-regulated includes assigned risk figures.
- 3 Figures updated after publication of last year's Annual Report.
- 4 Source: Updated State of Texas P&C Insurance Experience by Coverage and Carriers Report.

Health Care

In February 2001, TDI was awarded a \$1,350,735 federal grant to study why so many Texans lack health insurance—about 22 percent according to the latest federal estimate—and ways of expanding coverage to include more people. TDI staff has conducted extensive research and coordinated several statewide surveys to obtain data that will be used to develop options for increasing the affordability and availability of health insurance.

As part of the ongoing study, the Life, Health and Licensing Program staff contracted with the Public Research Institute of Texas A&M University to conduct a statewide survey of uninsured households and coordinate focus group sessions with uninsured Texans and small employers in 15 cities across the state. Information from the surveys and research activities will be used to formulate a plan to help uninsured Texans and will be shared with other states that also were awarded grants under the same federal program.

Two bills passed by the 77th Legislature and signed into law by Governor Perry address the health care needs of Texas border areas. House Bill 2498 established an interim committee to

hold hearings on the health care needs of the Texas border areas and determine the need for bi-national health benefit plan coverage. The Commissioner is a member of the committee. Also, Senate Bill 496 required a joint study by TDI and the Texas Department of Health regarding bi-national health plans.

Figure 2 Texas HMO Enrollment: 1990–2001

YEAR	BASIC SERVICE MEMBERSHIP	SINGLE SERVICE MEMBERSHIP
1990	1,320,707	542,315
1991	1,423,933	626,027
1992	1,485,764	857,515
1993	1,612,327	960,352
1994	1,806,109	1,131,716
1995	*2,174,482	1,294,079
1996	*2,945,965	*2,095,112
1997	3,204,998	*2,329,333
1998	3,768,999	*2,473,312
1999	3,873,684	2,940,475
2000	3,937,228	3,049,741
Through 6/30/01	3,723,830	3,231,053

Note: Membership numbers are from annual statements filed by HMOs and include only Texas HMO members. Self-funded plan members under administrative services only contracts aren't included.

* Prior year amounts were changed because of amendments filed by the HMOs.

HMOs

In FY2001, health maintenance organizations (HMOs) in Texas continued a trend of financial losses and reduction in number.

The number of HMOs in the state peaked at 72 at the end of 1998 before starting a decline that reached 60 by the end of FY2001. Most of that decrease has been in basic-service HMOs, which dropped from 51 licensed in 1998 to 40 at the end of FY2001, due mostly to mergers and acquisitions. In addition, Texas ended the fiscal year with 16 single-service HMOs, three limited service HMOs and one Provider Sponsored Organization, or PSO, with no applications pending for new HMOs.

In FY2001, TDI was in the third year of TDI rules that, in effect, require HMOs with insufficient premiums to raise premiums over time to a level that will cover anticipated expenses. This also was the third year of stronger capitalization requirements adopted by the 1999 Legislature. All these changes appeared to be nudging the HMO industry toward the goal of economic self-sufficiency.

But the red ink continued to flow. Basic-service HMOs lost \$127 million on Texas-only business during the second quarter of 2001. Year-to-date losses were \$183.8 million on Texas business. Collectively, the basic-service HMOs last saw a profit in 1995. In the second quarter, 16 of the basic-service HMOs that submitted second-quarter reports indicated they made money.

Single-service HMOs continued to report profits, with net income for the second quarter up almost \$7.1 million.

The 2001 Texas Legislature took some positive steps toward solving some other problematic matters involving HMOs. One example was House Bill 2828. This legislation gave TDI greater oversight over entities to which an HMO may delegate some of its functions.

HMOs can enter into written delegation agreements with delegated entities and networks that permit the entities and networks to perform functions such as claims payments, utilization management, credentialing, and capitation fee management. Delegated networks are generally required to have third party administrator (TPA) and utilization review agent (URA) licenses or contract with licensed TPAs and licensed URAs. A substantial number of delegated entities have gone into bankruptcy or dissolved in the Dallas/Fort Worth, Houston, San Antonio and Corpus

Christi markets. These failures have resulted in HMOs taking back the risk and directly contracting with physicians to maintain their networks. In addition, these financial failures have also contributed to the problems of complying with the prompt payment law. TDI has initiated regulatory interventions at financially troubled delegated entities. House Bill 2828 addressed many of the problems regarding associations between HMOs and delegated entities. HMOs have now begun to reevaluate their use of delegated entities as part of their operations.

Senate Bill 544 required basic-service HMOs to cover health risk assessments at least once every three years for all adult enrollees and well-woman examinations for adult female enrollees. The bill also required TDI to adopt a standardized form for verification of a physician's credentials.

Prompt Payment Law

The Commissioner and staff spent considerable time and effort in FY2001 addressing compliance with the Texas prompt payment law. The Texas Department of Insurance investigated some 10,000 provider complaints in CY2000. The Commissioner met with several local medical societies in spring 2001 and came away persuaded that some physicians were in danger of losing their practices because of cash flow problems resulting from delays in claim payments.

Physicians and providers have complained to TDI about late payments since the effective date of the 1997 law requiring HMOs and preferred provider carriers to pay within 45 days after receiving a completed claim. One problem was that no guidelines existed telling both physicians and carriers when a claim was complete.

As directed by House Bill 610 from the 1999 legislative session, the Commissioner issued rules effective August 1, 2000, to help solve that problem by tying the definition of clean claim to certain fields of the widely used HCFA Form 1500 and UB92 Form. He later amended the rule to eliminate a requirement that claims include documentation that patients had no other coverage.

But complaints continued, and the Commissioner became convinced that extra efforts were needed to improve compliance. In April 2001, he appointed Senior Associate Commissioner Audrey Selden, the head of TDI's Consumer Protection Program, as ombudsman for prompt payment issues. Under her guidance, TDI's prompt payment push centered on streamlining the complaint process, educating TDI licensees and the medical community, analyzing complaints for violation patterns and taking enforcement action.

Commissioner Montemayor issued a bulletin on May 18, 2001, reiterating TDI's commitment to compliance with the prompt payment statutes and reminding HMOs and preferred provider carriers about such things as the 85 percent payment requirement when an audit is needed before a claim can be paid in full. The bulletin also noted that the 45-day deadline may not be lengthened by contract. It added that insurers and HMOs faced disciplinary action if they violated the prompt payment law.

TDI followed up by analyzing physician and provider complaints and requiring HMOs and preferred provider carriers with the most complaints to open their internal claim and complaint records for inspection. On August 1, 2001, TDI announced that 17 preferred provider carriers and HMOs in seven insurance groups had agreed to pay \$9.25 million in fines and send the physicians and providers the money they are owed. Selden negotiated these agreements, which were implemented with consent orders from Legal and Compliance against each company on September 6, 2001, shortly after the close of FY2001. Other disciplinary actions are expected.

TDI tightened prompt payment rules effective September 12, 2001, to help the agency enforce the 45-day rule. One change limits attachments and additional clean claim elements an HMO and preferred provider carrier may require to documents already contained in or in the process of being incorporated into a patient's medical or billing record maintained by the physician or provider. Another rule change gave HMOs and preferred provider carriers a limit of 180 days to complete their audits of claims they have questioned. Another change clarified how a provider

may demonstrate a “rebuttable presumption” that an HMO or preferred provider carrier has received a claim. The rules also outlaw contract terms that extend the time for paying clean claims beyond 45 days or waive a physician’s or provider’s right to recover reasonable attorney fees.

As part of the education effort, TDI held a Prompt Payment to Providers Compliance Workshop for HMOs and preferred provider carriers on June 25. Governor Rick Perry attended and joined the Commissioner in making clear that they expected HMOs and preferred provider carriers to pay claims on time.

Since about half of the 10,000 provider complaints were unjustified, TDI’s educational efforts also targeted physicians, providers, their office administrators and billing services. On August 8, 2001, TDI held a workshop for providers’ billing services and office administrators. Because of strong interest, the workshop was moved from TDI’s 200-seat-capacity hearing room to the auditorium at the LBJ Library at the University of Texas. Approximately 450 people received information on how to file clean claims and avoid poor claim filing practices.

Financial

TDI’s Financial Program drew attention from around the country in FY2001 as it considered approval of AIG’s (American International Group) acquisition of American General Corporation and its four Texas-based insurance subsidiaries. The purchase represented the largest merger in the history of U.S.-based insurers. The merger consideration paid to the American General shareholders consisted of common stock of AIG having a value, as of August 28, 2001, of approximately \$22.9 billion. American General is one of the largest diversified financial service institutions in the United States. It provides retirement services, life insurance and consumer loans to more than 12 million customers through approximately 15,900 employer groups and has a market capitalization of approximately \$22.6 billion and total assets under management of approximately \$124 billion. The merger complements the retirement savings operations of AIG’s subsidiary, Sun America Inc., a major U.S. life insurer. TDI contracted with Arthur Andersen LLP, Hartford, Connecticut, to assist in analyzing the merger transaction. Senior Associate Commissioner Betty Patterson signed the order.

Race-Based Pricing

The Department has been investigating allegations of overcharging of minority policyholders by state insurance companies. The investigation is focusing on identifying patterns of race-based pricing that may have caused African American policyholders to pay more for the same insurance sold to Whites. The probe began in June 2000 with an initial survey of 33 general insurers that sold industrial life policies and was followed by surveys in April and August 2001 of other life insurance companies. The investigation was continuing at the end of FY2001, with settlement negotiations under way with several companies and race-based pricing examinations planned for a number of other companies.

Solvency

Monitoring the financial condition of insurers and rehabilitating financially troubled companies are two essential tasks of insurance regulators. The goal is to identify solvency problems early and to act quickly to make sure the public is protected. Company failures can cause major inconvenience and financial loss for policyholders.

TDI’s efforts relating to solvency regulation have resulted in a decrease in insurer insolvencies in the latter part of 1990s as demonstrated in Figure 3. The dollar size of insurer insolvencies has been relatively small in recent years, compared with prior years—an important point since insolvency related claim payments eventually reduce available state funds.

YEAR	LIFE & HEALTH	PROPERTY & CASUALTY	TITLE
1983	2	3	
1984	0	0	
1985	2	3	
1986	1	1	
1987	2	3	1
1988	3	6	0
1989	14	5	1
1990	13	6	
1991	7	¹ 5	
1992	6	4	
1993	6	3	
1994		6	1
1995	0	1	
1996	0	1	
1997	1	2	
1998	² 3	1	
1999	³ 3	0	0
2000	2	1	0
2001	1	0	0

1 Two of these companies were placed in receivership but were released shortly afterwards.

2 Includes one fraternal benefit society.

3 Includes 1 HMO and 2 life, accident and health companies.

Accomplishments & Actions

The Texas Department of Insurance took these major insurance regulatory steps in FY2001:

Agents

Agent license renewal via TexasOnline becomes available.

TDI works with the Legislature to pass Senate Bill 414, reducing 44 license types to 23, providing for licensure of non-residents, removing impediments to licensure of corporations and banks as agents and requiring examinations and continuing education for most agents.

Automobile

TDI issues bulletin outlining fair claim settlement practice requirements that must be followed when auto insurers use medical review organizations in claims processing.

Banks

Letter is issued declaring TDI position that bank debt cancellation agreements and debt suspension agreements are insurance.

Consumer Protection

TDI sends teams to assist consumers following flooding in Houston area from Tropical Storm Allison.

Enforcement

Department announces it will continue to enforce Article 21.21-8 in unfair discrimination cases that don't involve questions of race, color, religion, national origin, age, gender, marital status, disability or geographic location.

TDI announces that 17 HMOs and preferred provider carriers in seven groups are subject to fines totaling \$9.25 million, as well as restitution, for prompt payment violations during FY2001. The fines and restitution are finalized in agreed orders signed shortly after the close of the fiscal year.

Financial

Commissioner adopts extensive revision of surplus lines rules, including authorization for electronic filings with the stamping office.

Rules are issued establishing conditions for eligibility for extended examination intervals.

NAIC's "codification" is adopted as TDI accounting standards.

AIG's purchase of American General is approved.

The number of receiverships drops to one in FY2001 from the three recorded in FY2000, and the insolvency amount drops to \$2.10 million in FY 2001 from the \$5.7 million in FY2000.

Fraud

Unlicensed International Marine Safety Foundation of London and North American General Insurance Co. Ltd. of Panama are fined \$700,000 and ordered to cease-and-desist from unauthorized insurance activity.

A toll-free fraud-reporting hotline is established and the state's "Top 10" fraud cases are announced.

Workers' compensation fraud reporting is added to scope of TDI's fraud hotline. The Texas Workers' Compensation Commission stations an investigator at TDI to handle the calls.

Mark Allen Darner, chiropractor in Arlington, pleads guilty to federal charges that he was involved in more than \$3.2 million in fraudulent medical claims.

Health Care

Milliman and Robertson issues reports commissioned by TDI on cost of mandated benefits.

Commissioner holds news conference in Houston with U.S. Rep. Ken Bentsen to remind seniors of their Medigap guaranteed issue rights if they lose Medicare HMO coverage on January 1, 2001.

TDI receives \$1.3 million federal grant to study the uninsured population and recommend ways to provide health coverage for uninsured Texans.

Commissioner issues bulletin warning small employer carriers not to discriminate against small employer groups with only two to five employees.

Commissioner adopts new rules designed to expedite HMO and insurance company payments of "clean claims" submitted by physicians and providers.

Life Insurance

Commissioner adopts rules for regulation of life settlement providers, brokers and provider representatives.

Race-based pricing inquiry is expanded to 40 stipulated premium life insurance companies, and the remaining domestic life companies active before 1980.

Long-term Care

Long-term care insurance rate guide is added to TDI's Web site.

Medical Malpractice

Legislature opens the Joint Underwriting Association eligibility to for-profit nursing homes.

Privacy

Commissioner issues emergency rules on privacy of non-public financial information in the hands of TDI-licensed entities and proposed permanent rules are published.

Property & Casualty

Legislatively mandated task force is appointed to help develop "best practices" for risk management and loss control to help nursing homes stabilize their medical malpractice insurance costs by reducing insurance claims.

Mold coverage hearings were held in Austin on June 26, Corpus Christi on August 21 and Houston on September 13. TDI staff presents petition for residential property insurance rule changes limiting basic mold coverage to \$5,000 and providing optional endorsements for additional coverage. A final mold hearing was held in Austin on October 16.

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 benchmark rates for automobile and residential property insurance and presumptive rates for credit life and credit disability insurance.

The Commissioner also promulgates rates for title insurance, Texas Automobile Insurance Plan Association ("assigned risk plan") coverages and the Texas Windstorm Insurance Association ("Windpool").

In addition, the Commissioner reviews auto and residential property rates outside the flexibility bands, as necessary. The Commissioner may review rates submitted to the Department 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 FY2001, the Commissioner's Office included the Chief of Staff and five activities. Early in FY2001, the position of Chief Economist was phased out. Property and Casualty now handles those duties.

Chief of Staff and Senior Associate Commissioner for Administration oversees Administrative Operations, 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 and 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. In addition, the office coordinates matters involving contested case proceedings, policy issues, and rule-makings; performs legal research; certifies rules for the agency; and maintains records and proceedings involving Commissioner actions. The office also handles several hearings-related duties, 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 clerical and other support services to the Commissioner and staff.

Internal Audit is an independent activity that evaluates financial, administrative, operational and compliance controls and makes recommendations to the Commissioner and agency management for improvement. Internal Audit provides support in attaining agency goals by furnishing analyses, appraisals and recommendations for the activities reviewed. An important part of

Internal Audit's role is to identify ineffective, inefficient and inappropriate policies, procedures, programs, activities and processes and to serve as a resource and adviser to management.

Government Relations serves as TDI's liaison with the Legislature and other governmental entities. Major responsibilities include helping the Commissioner determine legislative recommendations that will improve the regulation and operation of the industry 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; 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 adopted by the Legislature for use on TDI's Web site; distributing requested information to legislators, committees and other governmental entities; 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; providing weekly news media tips on upcoming hearings; and responding to information requests from the media.
- Managing content and other non-technical areas of TDI's Internet Web site, with assistance from Information Services; answering webmaster e-mail; working with other TDI programs to provide content for the Web site; consulting and helping train TDI employees in Web-related skills; and maintaining Web pages for the Commissioner's Office and the news media.
- Coordinating electronic mail among TDI, other state insurance departments and the National Association of Insurance Commissioners, answering an average of 500 e-mails a month that ask general insurance-related questions via TDI's Web site and sending out electronic agency news items.
- Coordinating the writing and editing of the Annual Report to the Governor and Legislature; writing and editing the agency's regulatory newsletter (Texas Insurance News); and designing, illustrating and producing agency publications and related print materials.
- Writing and overseeing production of radio and television public service announcements and other videos; providing expertise in radio-television production; and operating NEWSline, a toll-free information line that provides radio stations with prerecorded insurance information.
- Producing the agency's employee newsletter (The Bulletin Board) for print and electronic distribution; providing the agency with information on significant trade journal articles; issuing electronic news and information bulletins to TDI staff
- Writing speeches and helping edit various agency reports and documents.

Highlights

In Fiscal Year 2001, the Commissioner's Office:

General Counsel/Chief Clerk

- Reviewed, briefed and advised the Commissioner of Insurance on 37 contested cases heard by the State Office of Administrative Hearings, including disciplinary cases and industry-wide rate cases and 38 hearings and public meetings conducted by the Commissioner. Also reviewed, briefed and advised the Commissioner on other rate matters concerning title insurance and the Texas Windstorm Insurance Association (TWIA) commercial rate filing.
- Briefed and advised the Commissioner on five appeals of TWIA decisions.
- Provided legal and technical review in connection with the adoption of 13 new *Texas Administrative Code* (TAC) rules, the repeal of six TAC rules, and the amendment of 24 previously adopted TAC rules. Nineteen proposed TAC rules were pending at the end of FY2001.

- Provided legal and technical review in connection with the adoption of 14 manual rule proposals under Article 5.96 of the *Texas Insurance Code*. Twenty-one proposals to adopt new or amended manual rules were pending at the end of FY2001.
- Reviewed and advised the Commissioner regarding three assurances of voluntary compliance (AVC), 229 consent orders and 62 default orders in connection with agents and insurers.
- Continued work on streamlining the agency's internal rulemaking process.
- Updated additional portions of TDI's database of Commissioner orders and bulletins. The database now includes 38 years of orders by insurance commissioners and the former State Board of Insurance.
- Maintained the Commissioner's agendas and posted bulletins on the Agency Web site; worked with other areas to circulate proposed and adopted rules and place them on the Web site.
- 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 other staff members in hearings concerning rules and other regulatory matters.

Executive Services

- Helped the Commissioner and staff respond to all inquiries directed to the Commissioner of Insurance.
- Coordinated the activities of the Commissioner of Insurance and agency staff as directed by the Commissioner.

Internal Audit

- Conducted three financial-related or performance audits, including a statutorily required audit of seized/forfeited property. Two of the three audits were on-going at fiscal year-end.
- Served as the Department's liaison to external auditors on three State Auditor's Office projects and one State Comptroller's Office audit.
- Served as an advisor on nine advisory/monitoring projects. Three were long-term projects that spanned multiple years and included the Planning Work Group Advisory, the Performance Measure Self-Audit advisory, and an advisory involving the definitions and methodologies of TDI's performance measures.
- Conducted six investigations as authorized under Section 2102.003 (2) (E) of the *Government Code*. One of the investigations was in process at fiscal year-end.
- Conducted five information system/telecommunication audits including an audit of telephone services for FY2001, an audit of TDI's Internet firewall logs, a review of the agency's disaster recovery procedures, and a review of reconciliation controls in the Life, Health and HMO Billing System. Four of these projects were completed by fiscal year-end.

Government Relations

- Implemented an electronic bill review system to increase the efficiency of TDI's review process.
- Tracked and coordinated implementation activities of 170 insurance-related bills passed during the 77th legislative session (2001), which resulted in approximately 671 implementation items for TDI.
- Produced the *Biennial Report of the Texas Department of Insurance to the 77th Texas Legislature*.
- Published bill implementation information on the Department's Web site.
- Worked with bill authors and sponsors of legislation during the session and kept them advised of implementation developments.

- Assisted TDI staff with committees, including the Best Practices for Loss Control and Risk Management Advisory Committee, the Small FaceValue Policy Advisory Committee and the Privacy Task Force.
- Monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner of Insurance.
- Coordinated appointments of members to advisory committees and boards.
- Coordinated TDI staff assistance to interim legislative committees.

Public Information Office

- Continued efforts with the Inspections Division to educate coastal consumers on the state’s Building Code for Windstorm Resistant Construction. The FY2001 education project included news conferences with the Federal Emergency Management Agency (FEMA), National Weather Service (NWS) and the state’s Division of Emergency Management (DEM), as well as representatives in Kemah and Laguna Vista.
- Assisted the State Fire Marshal’s Office with media relations at the scenes of several major fires, including an arson fire at Lamar University in Beaumont and an arson fire death near Madisonville.
- Assisted the State Fire Marshal’s Office with their Annual State Fire Marshal’s Conference in Austin.
- Produced an agency-wide summary of insurance-related legislation adopted by the 77th Legislature.
- Worked with Information Services to implement Web site changes allowing TDI to offer live and archived streaming audio of major Commissioner’s hearings.
- Guided the redesign of TDI’s Web site, which included implementation of a new structure that allows site-wide changes with the editing of one file.
- Assumed the duty of overseeing the content and non-technical areas of TDI’s Web site in FY2001.
- Assisted in notifying consumers of the opportunity to comment and testify on the current mold coverage in homeowner policies.
- Assisted the Licensing Program with an Interactive Voice Response System to provide automated information for agents and companies.
- Assisted the Insurance Fraud Unit in announcing the state’s top 10 fraud arrests and the creation of an Insurance Fraud hotline.
- Alerted senior Texans to the withdrawal of Medicare HMOs and their rights concerning guaranteed issue of Medicare supplement insurance.

Figure 4 Summary of Activity: Commissioner’s Office

	FY2000	FY2001
Commissioner’s Hearings/Meetings	44	38
*Commissioner’s Orders	1,538	1,215

* Commissioner’s Orders in FY2001 included 256 disciplinary orders (including consent orders and default orders), 60 rules/manual orders, 751 company activities orders, 75 authority orders for temporary acting commissioner, 11 delegation orders for routine actions and 62 other orders.

Figure 5 Commissioner’s Contested Cases by Type

	FY2000	FY2001
¹ Total Hearings Conducted for Commissioner	43	37
² Rate Hearings	4	3
Disciplinary	21	18
License Applications	7	10
³ Appeals/Other	11	6

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

2 Rate hearings in FY2000 included three industry-wide hearings and one individual rate hearing. Rate hearings in FY2001 included three industry-wide hearings. Oral arguments on industry-wide rate cases counted in Figure 4.

Continued...

Commissioner's Contested Cases by Type (continued)

Figure 5

3 Appeals/Other includes appeals of actions taken by the Texas Windstorm Insurance Association (TWIA) and appeals of the Texas Department of Insurance disapprovals of form filings.

Summary of Activity: Internal Audit

Figure 6

	FY2000	FY2001
Projects Completed	26	25
Reports Issued	14	16

Summary of Activity: Public Information Office

Figure 7

	FY2000	FY2001
¹ Press Releases	72	73
News Tips	50	47
NEWSLine Audio Releases	13	5
Speeches/Testimony	36	35
Graphic Design Orders Filled	217	185
Electronic Bulletins	535	515

1 Press releases do not include the 24 consumer columns issued by the Commissioner of Insurance (12 English, 12 Spanish), nor do they include 12 issues of Texas Insurance News (a regulatory newsletter for agents and the industry), 12 issues of the Bulletin Board (the employee newsletter) or 50 issues of the Trade Journal Summary (industry news items for TDI personnel).

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 six sections and two 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 policies and rules. 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, the Property and Casualty Program, and the State Fire Marshal. 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;
- worker's compensation; and
- title.

Other areas where legal support is provided include:

- agent licensing;
- Texas Windstorm Insurance Association;
- Amusement Ride Safety Inspection and Insurance Act;
- loss control; and
- property and casualty rate-related issues.

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 Art. 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 for code violations related to financial matters;
- Drafting receivership pleadings and coordinating with the Office of the Attorney General for representation in receivership actions;
- Representing the receiver at guaranty association meetings; and
- Representing the receiver in proceedings before the district 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; and
- restitution to harmed consumers.

The Enforcement Section refers cases to the Fraud Unit for criminal prosecution and works with the Office of the Attorney General (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 is a newly established section within Legal and Compliance. Fraud Counsel provides legal services for the Insurance Fraud Unit of the Texas Department of Insurance. 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 act as or serve as a special prosecutor to a county for criminal prosecution of insurance fraud.

International Regulatory Counsel/Special Counsel to the Commissioner deals primarily with international regulatory issues such as:

- helping reduce licensing barriers for insurers outside the United States;
- coordinating enforcement of insurance laws and anti-fraud measures;
- resolving legal disputes;
- providing legal advice and information relating to international insurance, markets and cross-border operations; and
- creating opportunities for joint business ventures.

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

Highlights

In fiscal year 2001, Legal and Compliance:

- Obtained \$18,695,582 in restitution for consumers and assessed \$3,423,250 in administrative penalties, fines and forfeitures. The restitution and penalties included:
 - Refunds of \$10.7 million from overcharges to policyholders, resulting from a challenge to the private passenger automobile insurance rates charged by Mid-Century Insurance Company of Texas.
 - Refunds of \$2.7 million to policyholders for overcharged premium amounts. Service Life and Casualty Insurance Company failed to implement the presumptive premium rates for credit life and credit accident and health insurance in accordance with insurance laws.
 - A penalty of \$500,000 against International Marine for the sale of unauthorized marine and watercraft liability insurance through a London-based foundation.
- At the request of the U.S. Department of Commerce, the International Regulatory Counsel assisted in planning and hosting an international roundtable of regulators, insurers and associations to assess insurance market conditions and identify legal issues in anticipation of the NAFTA border opening.
- Made the U.S. presentation on the state of the insurance market and GLBA implementation to the NAFTA Financial Services Committee in Ottawa.
- Provided substantial legal assistance for several major rules adopted during FY2000-2001, including:
 - Prompt payment rules to expedite provider claims processing by HMOs and preferred provider carriers;
 - Viatical and life settlement rules to protect both healthy senior citizens and terminally ill people who sell their life insurance policies to investors;
 - Residential property rules regulating mandatory endorsements that will provide up to \$5,000 in coverage with no additional premium to cover the increased costs of construction arising from ordinances, law, or Texas Windstorm Insurance Association building code specifications and optional endorsements that will allow homeowners to purchase varying amounts of additional law and ordinance coverage; and
 - Point of service rules that permit HMOs to offer point of service (POS) riders in conjunction with the HMO's evidence of coverage without obtaining a separate license as an insurance carrier. Expenses incurred by the HMO under the POS rider must not exceed 10 percent of the total expenses incurred for all health plan products sold. The rider must offer benefits and services that are comparable to all services available through the HMO's evidence of coverage. These benefits and services may be subject to higher cost sharing provisions than those for in-network HMO coverage.
- Participated in the private passenger and commercial automobile insurance benchmark rate hearing, the TAIPA rate hearing and the residential property rate hearing. In each of these proceedings, staff retained an actuarial expert and provided testimony and evidence. Staff's participation in the rate hearings assists the Commissioner in setting rates that are reasonable, adequate, not confiscatory and otherwise in conformity with the statutory requirements.
- Continued investigation of racial discrimination in the sale of life insurance policies. To date, the department has surveyed approximately 170 life insurers with respect to race-based pricing.
- Participated in implementing changes to the Open Records Tracking System to ensure that open records requests are handled in a timely and appropriate manner.
- Coordinated the second annual TDI In-House Legal Training program to provide TDI attorneys with useful information and continuing legal education credits.
- Drafted amended rules regarding TDI training, collection of delinquent debts, negotiation and mediation of contract claims, and assignment and use of TDI vehicles.
- Provided substantial legal and administrative assistance to the Financial Program related to its review and ultimate approval of the largest acquisition between U.S. based insurers with an approximate purchase price of \$23 billion.

- Provided extensive legal and administrative support to the Financial Program in efforts to assure continuity of care to thousands of HMO enrollees when several Independent Practice Associations became insolvent and filed for bankruptcy.
- Worked with the Liquidation Oversight Division to complete a new retention schedule. The schedule permits the Receiver to reduce approximately 90 percent of the records being maintained and is estimated to result in an approximate 90 percent reduction in maintenance cost.
- Served as the Texas representative on the NAIC Uniform Liquidation Act working group responsible for the redrafting of that act.

Figure 8 Summary of Activity: Legal and Compliance

	FY1997	FY1998	FY1999	FY2000	FY2001
Cases received	1,541	1,160	1,021	1,049	1,062
Cases closed	1,654	1,320	1,059	1,008	868
¹ License revocations	76	62	59	69	55
² License denials	41	57	23	16	17
³ License suspensions/suspensions of writing	11	5	12	14	4
⁴ Cease and desist orders	4	3	1	0	0
⁵ Monetary forfeitures/restitution orders	54	128	162	202	224
⁶ Assurances of voluntary compliance	50	32	31	5	3
⁷ Forfeitures/assessments/Restitution	\$78,270,762	\$15,623,697	\$4,363,158	\$9,451,047	\$22,118,832

- 1 *Revocations have decreased as TDI has relied more on probation, payment of a fine and restitution to consumers rather than license revocation.*
- 2 *Procedural changes in the Licensing Division have led to a decrease in the number of Legal's license denial cases. It was determined that some licensing matters could be handled directly by Licensing.*
- 3 *This includes actions against financially hazardous companies under Article 1.32, Texas Insurance Code.*
- 4 *The number of cease and desist orders in the Legal and Compliance Program decreased as a result of the Fraud Unit becoming a separate division in FY1996.*
- 5 *This number does not include assurances of voluntary compliance; only orders are included. It also includes State Fire Marshal orders.*
- 6 *TDI is focusing more on commissioner's orders rather than voluntary agreements.*
- 7 *In FY1997, FY1998 and FY2001, TDI resolved several large enforcement cases, which resulted in large restitution amounts.*

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 Unit consists of two investigative sections and one administrative section.

Unit Management includes the Associate Commissioner and Deputy Commissioner/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 section supervisor. In addition, there is an office manager who supervises the unit's administrative staff.

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

Claimant and Provider Fraud investigates 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. A team of investigators within claimant and provider fraud has been tasked with the responsibility for conducting investigations of major fraud allegations involving complex transactions and/or significant losses.

Fraud Unit History

Concern over insurance fraud and the Department’s ability to detect it resulted in legislation passed in 1989 giving the Travis County District Attorney statewide jurisdiction to prosecute insurer fraud.

Improvement in fraud-fighting efforts continued when the 72nd Legislature created the Insurance Fraud Unit in 1991. The Fraud Unit became active in January 1992. The 74th Legislature in 1995 made significant changes in TDI’s fraud enforcement authority. Legislation authorized the Commissioner of Insurance to commission eligible fraud investigators as peace officers.

TDI’s Fraud Unit has doubled in size since FY95 with the addition of investigators and criminal analysts. The Texas Commission on Law Enforcement Officer Standards and Education recognized the 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: **1)** access to criminal intelligence, including national and regional crime databases, that only peace officers may legally receive; **2)** authority to make arrests and execute search warrants; and **3)** authority to take cases to grand juries and request and serve grand jury subpoenas.

On a national level, the unit works with the Coalition Against Insurance Fraud, the National Insurance Crime Bureau, the National Association of Insurance Commissioners (NAIC) and federal law enforcement agencies such as the FBI, IRS, U.S. Postal Service and U.S. Attorneys.

Highlights

In Fiscal Year 2001, the Insurance Fraud Unit:

- Received more than 3,000 reports of fraud and opened 264 investigations.
- Made 156 referrals of alleged suspects to appropriate agencies for prosecution.
- Obtained 81 indictments that included theft, conspiracy, insurance fraud, misapplication of fiduciary property, securing execution of a document by deception and unauthorized insurance activity.
- Arrested, either directly or with other law enforcement officers, four suspects indicted on charges involving alleged insurance fraud.
- Obtained 62 convictions, through various Texas district attorneys, on charges resulting from Fraud Unit investigations.
- Participated in numerous criminal task forces around the state involving white-collar crime and insurance fraud.
- Hosted the third annual statewide training session for insurance company special investigation units and law enforcement in January 2001.
- Implemented procedures for efficient operation of the Fraud Unit’s intake operations.
- Formed major case teams to investigate cases involving significant losses.
- Established a toll-free hotline in a joint project with the Texas Workers’ Compensation Commission for persons to report suspected insurance fraud.

Figure 9 Summary of Activity: Insurance Fraud Unit

	FY1999	FY2000	FY2001
¹ Cases Received (Reports of Fraud)	1,623	2,220	3,065
² Cases Closed	491	311	NA
³ Cases Opened	N/A	489	264
Forfeitures/Assessments(Fines & Penalties)/Restitution	\$775,115	\$4,181,135	\$4,756,780
Cases Referred to Attorney General/District Attorneys	178	175	156
Indictments	119	84	81
⁴ Arrests By Fraud Unit Peace Officers	16	5	4
Convictions	60	85	62

1 Term used in Fraud Unit and in Fraud Unit performance measures.

2 Cases Closed won't be tracked after FY2000 because they are no longer considered a valid reflection of workload. Instead, Cases Opened will be used in the Summary of Activity.

3 Not tracked previously. New case management system uses cases opened instead of reports of fraud received.

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

Note: Civil enforcement actions, including cease-and-desist orders, other enforcement orders, assurances of voluntary compliance and monetary forfeitures/restitution orders are handled by Legal and Compliance. Fraud now handles only criminal prosecutions.

Financial

FINANCIAL licenses all insurance carriers operating in Texas, determines eligibility of surplus lines carriers, and monitors the solvency and market conduct of 2,050 licensed insurance companies and health maintenance organizations (HMOs). In addition, Financial seeks to rehabilitate companies that fall short of solvency standards and eventually liquidates the few that cannot be rehabilitated. In FY2001 the Financial Program's monitoring efforts increasingly included evaluating insurers in the context of the insurer's group organization and activities.

The total of all entities that are either licensed, registered or otherwise eligible to operate in Texas (including surplus lines insurers, third party administrators and continuing care retirement communities, multiple employer welfare arrangements, etc.) is 3,014. Annual statements filed by insurers and HMOs for Calendar Year 2000 reported \$ 63.5 billion in Texas premiums and \$ 48.6 billion in claim payments to Texas policyholders. These companies reported aggregate assets of \$ 4.2 trillion, liabilities of \$ 3.7 trillion and capital and surplus of \$ 541.5 billion. More information from insurance company annual statements may be found in Part IV of this report.

Financial Program consists of five activities.

Company License & Registration licenses both foreign and domestic insurance companies, maintains company charter files and processes and approves certain transactions for admitted insurance companies. It also processes licensing applications for health maintenance organizations, registers eligible non-admitted 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. Company License 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, contract actuaries, etc.

Financial Analysis & Examinations. The financial analysis staff reviews annual and interim financial statements, CPA audits, examination reports, reinsurance arrangements and other

documents to determine the financial condition of insurance companies, health maintenance organizations (HMOs) and other licensed insurance entities and to initiate recommendations for regulatory actions as appropriate, such as supervision and conservation. It reviews changes of control, mergers, affiliate agreements and investments and holding company registration statements of insurance companies domiciled, or commercially domiciled, in Texas. In addition, it reviews all applications for admission, service area expansions, and agreements/contracts of HMOs and monitors the operational and financial condition trends of the HMO industry in Texas.

The examinations staff performs statutory examinations of a variety of entities regulated by the Department, including insurers, health maintenance organizations (HMOs), premium finance companies, managing general agents (MGAs), reinsurance intermediaries and multiple employer welfare arrangements (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. The staff suggests ways to correct deficiencies uncovered by the examinations and initiates referrals for further regulatory action. In addition, the activity 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 the examinations performed by the Financial Analysis & Examinations activity. The 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. Actuarial also performs actuarial analyses and actuarial projects that relate to solvency, availability of coverage, policy values, disclosure and consumer equity.

Conservation provides supervision and conservatorship services. These services typically follow informal regulatory actions, such as management conferences, or required filings of business plans with TDI analysts. More formal actions are administered by the Conservation Division and may include issuing hazardous condition orders or placing a troubled entity into supervision or conservation.

Supervision may last up to 180 days. Conservation field examiners use that time to work with owners and management to determine the company's financial condition, check internal management controls and operating procedures, and prepare and implement a rehabilitation plan. Conservation releases the company if the company can show that the requirements of the Commissioner's supervision order have been satisfied.

Conservatorship requires that a conservator be appointed to take charge of the company. It lasts for 90 days, with possible 30-day extensions for up to six months. During this time, the Conservator pursues rehabilitation or an orderly wind-down of the company's business.

Conservator's Report at the beginning of Fiscal Year 2001 showed Conservation had 32 insurance companies under supervision, conservatorship or special administrative and court-directed actions. Another 23 came to Conservation during the fiscal year, while 17 were closed, leaving a year-end balance of 38 companies.

Liquidation Oversight. If a company cannot be rehabilitated and is found to be insolvent, the Commissioner may ask the Attorney General to petition the District Court in Travis County to place the company in receivership, which involves liquidation of the insurer by a special deputy receiver (SDR) and payment of outstanding covered claims by the appropriate guaranty association.

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, as required by the *Texas Insurance Code*. Oversight also monitors the state's guaranty associations to ensure the appropriate and fair processing of receivership-related claims and complaints, and maintains the records of insolvent insurers during and after receivership.

One life, accident and health insurer was placed in receivership during Fiscal Year 2001. In FY2001, the Commissioner issued orders declaring six foreign companies (companies domiciled outside Texas) to be impaired. The agency evaluates on a case-by-case basis whether to seek district court orders allowing seizure and liquidation of company assets or holdings located in Texas. The majority of receivership actions against foreign companies are managed by the states where the companies are domiciled.

The Texas Property and Casualty Insurance Guaranty Association and the Title Insurance Guaranty Association made no assessments in FY2001 and made no refunds to member insurers. The Texas Life, Accident, Health and Hospital Service Guaranty Association made assessments of \$16,549,759 in FY2001 and refunded \$6,525,997 to member insurers.

No unauthorized entities were placed into receivership in FY2001. Such actions are now generally handled through cease-and-desist orders or actions by the Texas Attorney General.

During FY2001, one receivership estate was liquidated and closed. That left 24 active receiverships in the process of liquidation—14 property and casualty companies, nine life, accident and health companies, and one health maintenance organization. Liquidation Oversight anticipates closing about 14 of the 24 active receiverships in FY2002.

Three key components in overseeing receiverships are:

- **Special Deputy Receivers:** When insolvent insurers are placed in receivership by the District Court in Travis County, Texas, the Commissioner is designated as Receiver. As Receiver, the Commissioner contracts with an SDR to administer the receivership. The Insurance Code mandates that the SDR is selected through a competitive bid process.
- **Guaranty Associations:** Certain claims against an insolvent insurer are payable by one of three guaranty associations: Texas Property and Casualty Insurance Guaranty Association; the Life, Accident, Health and Hospital Service Guaranty Association; and the Texas Title Insurance Guaranty Association. Funds utilized by the guaranty associations to pay claims are derived from two sources: assessments of member insurers and distributions from receiverships.
- **Receivership Court (The Special Master)**—The District Court in Travis County, Texas, is designated by statute as the Receivership Court. It is this court where receivership actions are brought by the Texas Attorney General, as well as the court where suits by and against the Receiver are brought. The court also has exclusive venue over suits against guaranty associations. In addition, the Insurance Code provides that the Receivership Court provide judicial supervision for each receivership. The Receivership Court has appointed a Special Master to assist it in this role. The appointment of the Special Master to supervise receivership court proceedings provides a resource for collective expertise in the complex area of receivership law. Receivership assets fund receivership court costs.

Part III, the Receiver's and Conservator's Report, provides more complete information on the individual receiverships and guaranty association accounts.

Highlights

Major accomplishments by the Financial Program for Fiscal Year 2001 included:

- Participated in NAIC's Accelerated Licensure Evaluation Review Technique (ALERT) project and began using the Uniform Certificate of Authority Application (UCAA) for company licensing.

- Provided support to the Commissioner in connection with the following NAIC groups or committees which he chairs, co-chairs, or vice-chairs: Race Based Premiums Working Group, P&C Insurance (C) Committee, Financial Conditions (E) Committee, NAFTA Subgroup, and NAIC/State Legislative Liaison Committee.
- Continued the coordination of several multi-state oversight efforts of large company groups, including restructurings, mergers, acquisitions and sales of business.
- Implemented procedures to improve oversight responsibility of the Texas Guaranty Fund Associations.
- Completed the review of approximately 27 acquisitions or restructurings of insurance companies or HMOs based in Texas, with purchase prices totaling over \$57 billion.
- Continued to take an active role in efforts to implement the Federal Gramm-Leach-Bliley Act, supporting the Commissioner in activities with various NAIC working groups and in communications with state and federal regulators. The Legislature passed several bills to implement the Act.
- TDI played an active role in developing new accounting standards at both the national and international level. On the national level, TDI worked through the NAIC on development of an updated Accounting Practices and Procedures manual for insurers. The efforts resulted in the adoption of the Accounting Practices and Procedures manual, effective January 1, 2001. We continue to take a lead role in addressing the ever-changing accounting issues that affect the insurance industry.
- Continued to promote the use of automation in the regulatory process, such as Internet filings with the NAIC, data analysis on actuarial examinations and reviews, new ACL software for examiners, and imaging of receivership records.
- Improved database tracking and further streamlined the review of actuarial opinions and Certificates of Valuation.
- Staff in the Actuarial Division successfully passed professional examinations toward actuarial credentials.
- The Financial Program met 87.5 percent of the targets for key performance measures.
- Actuarial Division increased its participation in groups working on model requirements and other issues. Greater role in actuarial contributions in model requirements and in working groups of the American Academy of Actuaries.
- High level of coordination between Financial Actuarial requirements and Life/Health policy filing requirements.
- The property/casualty actuaries enhanced their automation to summarize lines of business, identify adverse development triangles, and added more methods to evaluate reserves.
- Completed rehabilitation efforts resulting in 10 companies released or sold and five companies voluntarily dissolved.
- Closed one receivership estate.
- Recovered cash of \$21 million (net of expenses) through the receivership process.
- Designated approximately \$4.5 million in unclaimed funds as abandoned. These funds are used to provide monies for low cash and no cash estates.
- Implemented a record retention policy for Liquidation Oversight.
- Destroyed over 60,000 boxes of closed receivership records at the Liquidation Oversight Records Center with projected savings of over \$30,000 per month.
- Contracted with the State Records Library to store closed receivership records at a substantially reduced rate.
- Established policies for oversight of guaranty associations.
- Continued extensive monitoring and rehabilitation efforts of the financially troubled HMO industry; led the Agency's coordination with the HMO Solvency Surveillance Task Force.
- Completed updating the Surplus Lines rules and Surplus Lines Stamping Office Plan of Operation.

- Continue to be active participants in the NAIC International Accounting Standards Working Group, participating in the NAIC/IAIS Working Group and International Committee.
- Developed a web page representing checklists and forms for various transactions affecting insurance company formation/license and amendments that require approval.

Figure 10 Insurance Companies in Supervision/Conservatorship

	FY2000	FY2001
Balance of Companies		
Beginning of Fiscal Year	35	32
Referred During Fiscal Year	12	15
Total	47	47

Figure 11 Insurers Under Court-Directed/Special Administrative Action

	FY2000	FY2001
Under Court-Directed Action	0	0
Under Special Administrative Action	11	13
Under Hazardous Financial Condition Action (Article 1.32)	5	2
Total	16	15

Figure 12 Disposition of Companies Under Rehabilitation

	FY2000	FY2001
Total (Figure 10 & Figure 11)	63	62
Cases Closed		
Rehabilitation	10	10
In Receivership	2	1
Dissolved	8	5
*Other Changes	11	8
Total Cases Closed	31	24
Balance at End of Fiscal Year	32	38

* FY2001: Other changes included: 1 entity moved from Supervision to Conservatorship; 2 entities moved from Supervision to Administrative Oversight; 1 entity moved from Conservatorship to Article 1.32; 4 entities moved from Administrative Oversight to Supervision.

Figure 13 Texas Guaranty Association Assessments: 1975-2001

YEAR	LIFE/A&H	P&C	TITLE	TOTAL
2001	16,549,759	0	0	16,549,759
2000	15,231,151	0	0	15,231,151
*1999	25,154,027	12,000,000	0	37,154,027
†1998	23,954,748	0	0	23,954,748
1997	51,186,830	0	0	51,186,830
1996	68,882,786	(127,000,000)	0	(58,117,214)
1995	83,026,366	0	0	83,026,366
1994	22,101,673	194,938,801	0	217,040,474
1993	66,238,272	119,261,000	0	185,499,272
1992	63,257,000	112,328,000	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	57,590,000
1988	0	0	0	0
1987	33,500,000	41,680,000	0	75,180,000
1986	5,000,000	20,000,000	0	25,000,000
1985	8,000,000	20,000,000	0	28,000,000
1984	4,000,000	0	0	4,000,000
1983	0	0	0	0
1982	10,000,000	0	0	10,000,000
1981	3,000,000	0	0	3,000,000
1980	0	0	0	0
1979	1,840,000	0	0	1,840,000
1978	1,200,000	0	0	1,200,000
1977	0	0	0	0

Continued...

Texas Guaranty Association Assessments: 1975–2001 (continued)

Figure 13

YEAR	LIFE/A&H	P&C	TITLE	TOTAL
1976	0	4,120,000	0	4,120,000
1975	600,000	3,305,000	0	3,905,000

* Life/A&H made \$25.1 million in assessments in 1999; however, it refunded \$6.9 million to its member insurers.

† Property & Casualty assessments were billed December 29, 1998, however, no payments were received until calendar year 1999.

Summary of Activity: Holding Company

Figure 14

	FY2000	FY2001
Applications for Affiliate Transactions and Acquisition of Control or Exemption Received	789	698
Applications not closed as of 8/31	97	67
Pending Applications Closed	774	728

Summary of Closed Applications: Holding Company

Figure 15

	CLOSED AT END OF FY2000	CLOSED AT END OF FY2001
Reinsurance Arrangements	93	117
Management, Data Processing Service, Cost Sharing Arrangement	188	171
Pledge of Assets and Pooling of Assets	8	3
Investment in, Valuation of, Affiliates	21	10
Purchase of Securities, Real Estate, Automobile Treasury Stock	39	20
Affiliate Loans and Mortgage Loan Participation	18	11
Lease Arrangements	23	8
Issuance of Surplus Debentures/Notes	33	25
Payment of Money Advanced	26	19
Dividends and Other Distributions to Shareholders	171	156
Consolidated Tax Returns	37	39
Financing Arrangements	7	8
Exemption from Commercially Domiciled	9	7
Demutualizations	0	0
Acquisitions of Control	39	27
Exemptions from Acquisition of Control	53	30
MGA Agreements	4	3
Informational Filing by HC Exempt Insurers	1	0
Disclosure of Material Transactions	4	1
Relocation of Books and Records	0	20
Disclaimer	0	48
Quasi Reorganization	0	3
Total	774	728

Amount Paid for Control of Domestic Insurance Companies: FY1995–FY2001

Figure 16

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

1995 The figure for FY95 includes one acquisition with a total purchase price of \$1.1 billion. It also includes a portion of the purchase price associated with the recapitalization of an insurance group.

1996 The figure for FY96 includes one acquisition with a total purchase price of approximately \$4.0 billion and another for approximately \$1.75 billion. This figure does not include the value attributable to several restructurings or mergers involving the issuance of stock.

1997 The figure for FY97 includes one acquisition with a purchase price of \$3 billion and another for \$2.62 billion.

1998 The figure for FY98 includes three acquisitions with purchase prices of \$42.6 billion, \$3.124 billion and \$2.3 billion.

Continued on page 24

Figure 16 Amount Paid for Control of Domestic Insurance Companies: FY1995–FY2001 (continued)

1999 The figure for FY99 includes four acquisitions with purchase prices of \$3.450 billion, \$2.846 billion, \$2.6 billion and \$1.8 billion; and Health Maintenance Organization acquisitions totaling \$1.279 billion.

2000 The figure for FY00 includes four acquisitions with purchase prices of \$1.8 billion; \$1.2 billion and two at \$1.0 billion. The total also includes Health Maintenance Organization acquisitions totaling \$1.6 billion.

2001 The figure for FY01 includes four acquisitions with purchase prices of \$31.1 billion, \$22.9 billion, \$1.9 billion and \$1.2 billion.

Figure 17 Texas Policyholder Premiums, Claim Payments: CY1994–CY2000

YEAR	PREMIUMS	CLAIM PAYMENTS	PAYMENTS AS % OF PREMIUM
CY1994	\$39.7 billion	\$29.0 billion	73.1%
CY1995	42.1 billion	33.0 billion	78.4%
CY1996	43.9 billion	33.2 billion	76.0%
CY1997	46.4 billion	35.0 billion	75.4%
CY1998	48.0 billion	43.3 billion	90.2%
CY1999	60.7 billion	45.6 billion	75.1%
CY2000	63.5 billion	48.6 billion	76.5%

Figure 18 Total Capital/Surplus of Insurance Companies Operating in Texas: CY1994–CY1999

YEAR	TOTAL CAPITAL/SURPLUS
CY1994	\$ 308.6 billion
CY1995	356.3 billion
CY1996	401.4 billion
CY1997	479.1 billion
CY1998	540.2 billion
CY1999	548.2 billion
CY2000	541.5 billion

Figure 19 Number of Examinations: FY1995–FY2001

YEAR	NUMBER OF EXAMINATIONS
FY1995	160
FY1996	163
FY1997	157
FY1998	221
FY1999	215
FY2000	207
FY2001	195

FY1997 includes 21 examinations conducted by third party contractors during FY97.

FY1998 includes 34 contracted examinations and 7 examinations of LRAs

FY1999 includes 39 contracted examinations

FY2000 includes 33 contracted examinations

FY2001 includes 28 contracted examinations

Figure 20 Number of Actuarial Opinions Reviewed: FY1995–FY2001

YEAR	NUMBER REVIEWED
1995	1,844
1996	2,012
1997	1,937
1998	2,023
1999	1,627
2000	1,877
2001	*667

* Number reviewed decreased for 2001 to focus on domestic companies and selected foreign companies.

Number of Actuarial Examinations Performed: FY1995–FY2001

Figure 21

YEAR	NUMBER OF EXAMS
1995	89
1996	97
*1997	83
*1998	82
1999	80
2000	82
2001	79

* Does not include examinations conducted by third party contractors.

Actuarial Projects Completed: FY1995–FY2001

Figure 22

YEAR	PROJECTS COMPLETED
1995	286
1996	255
1997	281
1998	267
1999	401
2000	400
2001	329

Note: Actuarial Projects are shown as completed when one or more hours are spent on written responses. They also include reports, meetings or other long-term efforts. Long-term efforts spanning several months are counted as a project for each month in which such efforts continue.

Number of Reinsurance Agreements Reviewed: FY1995–FY2001

Figure 23

YEAR	ARRANGEMENTS REVIEWED
1995	168
1996	169
1997	209
1998	200
1999	226
2000	251
2001	194

Continuing Care Retirement Communities (CCRCs) Filings

Figure 24

	FY2000	FY2001
Applications Reviewed	0	2
Licenses Issued	0	2
Disclosure Statement Filed	18	19

Number of Company Licenses under Commissioner’s Jurisdiction

Figure 25

LICENSE TYPE	FY97	FY98	FY99	FY00	FY01
Insurance Companies	2,053	2,027	2,011	1,999	1,998
Health Maintenance Organizations	70	73	73	64	62
Premium Finance Companies	300	290	292	291	219
Continuing Care Retirement Communities	19	19	19	19	21
Third Party Administrators	552	607	655	696	714
Total	2,994	3,016	3,050	3,069	3,014

Property and Casualty

PROPERTY AND CASUALTY was created in September 1999 from the former Title Division and the former Property and Casualty sections of the Technical Analysis and Regulation and Safety Programs. The program 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; administers the Auto and Residential Property Market Assistance Programs (MAP); and prepares reports on insurance rates and markets to assist policy makers and consumers with insurance-related decisions.

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 policy forms and manual rules for automobile and personal lines coverages and presents rules to the Commissioner affecting personal and commercial lines; reviews individual insurer filings of forms, endorsements, and rules; shares with the Inspection Division oversight of operation of the Texas Windstorm Insurance Association (TWIA), including the TWIA Plan of Operation, manual, forms and endorsements; responds to inquiries from agents, consumers and insurers; and resolves complaints. Additionally, staff works 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 Automobile/Homeowners Section and 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 the Department on the building code advisory committee as required by statute, provides oversight of established commercial fire rates by outside entities, ensures loss control compliance of insurers, administers the amusement ride safety program, assists 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 rates 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 rate 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 Texas Windstorm Insurance Association (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 assists the State Fire Marshal's Office in evaluating public and private fire suppression rating schedules; evaluates and approves designs for compliance with TWIA building codes, including wind load designs; reviews and develops TWIA building codes; evaluates building products; assesses commercial and residential automatic sprinkler systems; and reviews calculation and building design plans certified by engineers.
- **Loss Control Section** conducts mandatory inspections of insurance companies licensed in Texas and those seeking to be licensed 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. The staff also administers and oversees the Amusement Ride Safety Inspection and Insurance Act to monitor compliance of approximately 290 amusement ride owner/operators and 1,450 amusement rides.

Title Division regulates 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 regulates the writing of 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, administers job safety incentive programs for employers and reviews group purchase plans. It consists of three sections.

- **General Management** handles administrative and management responsibilities and reviews group purchase plans and deductible filings 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.

Property and Casualty Actuarial provides actuarial review of rate and rating plan filings, conducts in-depth analyses of the Texas insurance market, and performs special studies to assist the agency and policy makers. The division also makes sure that file-and-use rates meet applicable legal standards, verifies their appropriateness, makes recommendations on prior-approval rate filings and verifies that flex-rate filings either fall within the flexibility band, in which case they do not need prior approval, or receive prior approval to go outside the band. It is also responsible for the calculation of workers' compensation classification relativities and rating values.

Property and Casualty Actuarial also works closely with

- Personal and Commercial Lines, Workers' Compensation, and the Title divisions in monitoring the marketplace to assist policy makers and consumers with insurance-related decisions.
- Data Services to improve the quality and reliability of data.
- 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. Data is obtained through statistical plans; data calls or downloads from the NAIC computer database. Data collection activities include:

- **Quarterly Legislative Report on Market Conditions**, based on premium and loss data collected in the Quarterly Call for Experience for the following lines of insurance: general liability, commercial fire and allied lines, product liability, commercial multi-peril, private passenger automobile, homeowners multi-peril, boiler and machinery, crime, glass, miscellaneous professional liability, medical professional liability and workers' compensation insurance.
- **Texas Liability Closed Claim Report**, which includes data on the final disposition of Texas claims of more than \$10,000 under general liability, medical professional, other professional liability and commercial automobile liability policies and the liability portion of commercial multi-peril policies. Findings developed from this data are used for the Texas Liability Insurance Closed Claim Annual Report.
- **Texas Title Insurance Agents and Underwriters Reports**, which collect information on income and expenses in the title insurance industry.
- **Disallowed Expense Report**, which collects data on insurer expenses that, by statute, may not be considered in the determination of rates.

Additional reports include the *State of Texas Property and Casualty Insurance Experience by Coverage and Carriers* (often called the *Texas Page 15 Report*) and the *Insurance Expense Exhibit*, which are compilations of data downloaded from the National Association of Insurance Commissioners (NAIC).

Data Services also oversees:

- Compliance with quality standards in the collection of the state's workers' compensation data by the National Council on Compensation Insurance (NCCI). The data is collected under the Texas Workers' Compensation Statistical Plan, the Texas Detailed Claim Information Statistical Plan and the Texas Workers' Compensation Financial Call 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 developing class code relativities, research and other regulatory purposes. Data Services publishes standard workers compensation reports developed by NCCI for TDI.
- Operation of the Auto and Residential Property Market Assistance Programs (MAP) that links:
 - Good drivers who live in "underserved" areas with auto insurers that will consider them for coverage at standard or preferred rates.
 - Homeowners who have been unable to find insurance for their homes with participating insurance companies that will consider them for residential property coverage.

Special Projects provides data analysis, collects information through special calls and surveys, produces data compilations and oversees the agency's residential property, private passenger automobile and commercial lines statistical data collection agents.

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 for use 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 benchmark rate hearings and other regulatory purposes.

In addition to seeing that data are prepared for the residential property and auto benchmark rate hearings, Special Projects provides statistical plan and special call data for market analysis and other projects. These include:

- Analyzing market data used in identifying underserved areas for both residential property and auto insurance.
- Providing data for calculating assigned risk auto quotas for the Texas Automobile Insurance Plan Association.
- Providing data for calculating insurer participation levels in the Texas Catastrophe Property Insurance Association.
- Providing data for pricing newly adopted residential property and auto endorsements.

Highlights

In Fiscal Year 2001, the **Property and Casualty Program** sent volunteers to various Disaster Recovery Centers (DRCs) in and around the Houston area to assist consumers with insurance questions about their home and auto damage in the aftermath of Tropical Storm Allison. More than 63,000 consumers visited these DRCs.

Personal and Commercial Lines Division

- Developed Review Standards Checklists for all Property and Casualty lines under the Speed to Market-Improvements to State Based Systems Plan (STM-IS3 Plan) adopted by the NAIC. These checklists were made available on the TDI Web site and the NAIC Web site.

- Participated in the Coordinated Advertising Rate and Form Review Authority (CARFRA) initiative sponsored by the NAIC.
- Assisted with the Commissioner's informational hearings on mold coverage provided in Texas residential property insurance policies. The hearings were conducted to gather information and comments on the extent to which mold coverage should be provided in Texas residential property insurance policies.
- Continued monitoring market activities surrounding nursing home medical professional liability insurance.
- Revised the Automobile Experience Rating Rule Plan that resulted in the reduction of storage space by eliminating the need for maintaining commercial automobile experience rating records and allowed the division to reallocate resources.

Inspections Division

- Conducted November 8, 2000 Building Code Advisory Committee Meeting.
- Conducted Building Code presentation to Lumberman's Association of Texas, Texas Society of Professional Engineers and Texas Tech Hurricane Seminar.
- Initiated a commercial property refund to approximately 50,000 potentially impacted policyholders after discovering errors in rating factors used by the Insurance Services Office (ISO) to promulgate commercial building and contents loss costs. All Texas property and casualty insurers were required to audit their commercial policies for affected risks.
- Referred ISO to Legal and Compliance for disciplinary action.
- Began official Preliminary Engineer Oversight Inspections by TDI Windstorm inspectors on November 1, 2000, which included an inspection form and inspection procedures.
- Began Laptop Pilot Program for Windstorm Field Inspectors in March 2001.
- TDI conducted the 3rd Annual Hurricane Awareness Conference along the Texas Gulf Coast on Thursday, May 31, 2001.

Title Division

- Noticed hearings to set rules, rates, adopt forms, and determine the agent underwriter/split.
- Held hearings on the issue of survey requirements in issuing area and boundary coverage.

Workers' Compensation Division

Staff from the Workers' Compensation Division and Data Services reviewed the reports received from the insurance companies documenting their return of the workers' compensation maintenance tax surcharge. Based on those reports, over \$170 million was returned to policyholders. Staff posted a listing of policyholder's names along with amounts of proportionate shares totaling almost \$15 million in refunds on the agency Web site so policyholders who had not been located by their insurance companies could be notified of their refunds. Insurance companies not in compliance with sending proportionate shares to policyholders or filing reports were referred to Enforcement in the Legal and Compliance Division with the recommendation that disciplinary action be taken against those companies.

Property and Casualty Actuarial Division

- Analyzed data from a Special Mold Data Call to assist in a staff proposal for mold endorsements and revised homeowners basic policies to address the problem of dramatic increases in mold claims. This increase had led to several insurers threatening to pull out of the Texas market unless coverage was limited or rates dramatically increased.
- Worked with the Commercial and Personal Lines Division and other state agencies on the implementation of legislation sparked by the nursing home liability insurance crisis. Implementation includes offering coverage to all nursing homes through the Texas Medical Joint Underwriting Association with appropriate tier rating.
- Analyzed responses to the Diminished Value Claim Survey to determine the impact of disallowing the payment of the Diminished Value Automobile Claims.

- Worked with the 77th Legislature on various pieces of legislation and began implementation on a variety of bills. Major legislation includes HB 45, authorizing mileage-based rating for auto insurance; SB 693, authorizing the Commissioner to negotiate with companies to provide short-term non-resident auto insurance; and HB 2102, which changes the current system for establishing benchmark rates (contested rate hearing before the State Office of Administrative Hearing) to a system with a non-contested hearing before the Commissioner.
- Worked on new endorsements to increase coverage at no additional cost on Texas Windstorm Insurance Association policies when compliance with building codes and local ordinances drive up the cost of repairing or rebuilding damaged property.
- Provided actuarial support for the statewide average reduction of auto benchmark rates of 1.3 percent (effective November 1, 2000) and for reductions averaging 6.1 percent for higher risk drivers insured through the Texas Automobile Insurance Plan Association (effective December 1, 2000).
- Provided actuarial support for setting residential benchmark rates. Although the average statewide benchmark rate for homeowners increased by 0.6 percent, with approximately 95 percent of business in the non rate-regulated market, the rate will have little impact on rates charged. Benchmark rates for dwelling fire and dwelling extended coverage also increased by a statewide average of 6.7 percent and 7.2 percent respectively. Renters insurance was the only line with reduced rates. The statewide average reduction was 12 percent.
- Issued a special data call for information on physicians and surgeons professional liability coverage that will be used to determine the reasonability of rates, especially on a territorial level.

Data Services Section

- Amended Residential Property Market Assistance Program (MAP) application and developed an application form for mobile homes.
- Increased awareness of the Market Assistance Program (MAP) with MAP articles in newsletter inserts prepared by Fort Worth with a distribution of 160,000 that generated no cost to the Texas Department of Insurance (TDI). Dallas included a MAP insert in their utility bill that was distributed to 300,000 consumers. The inserts were produced at a lower cost than brochures.

Figure 26 Summary of Activity: Personal Property

	FY2000	FY2001
Form and Rule Filings Processed	120	66
Premium Reduction Certificates Processed	7,197	7,070
Commissioner's Orders	Ø	†3
Bulletins	Ø	†2
Requests for Information	14,336	*71
Complaints Processed	489	422
Legislative Inquiries	Ø	*22
Telephone Calls Received	Ø	*8,793
Visitors	Ø	*71
Other Inquiries	Ø	*2,692

* Change in reporting for consistency purposes. Information is now being captured and presented separately.

† New information being captured for reporting purposes.

Figure 27 Summary of Activity: Commercial Property/Casualty

Professional Liability	FY2000	FY2001
Form and Rule Filings Processed	1,324	594
Commissioner's Orders	38	1
Bulletins	0	2
Requests for Information	88	42
Complaints	25	47
Legislative Inquiries	9	13
Telephone Calls Received	2,357	1,699
Visitors	32	47
Other Inquiries	133	690

Continued...

Summary of Activity: Commercial Property/Casualty (continued)

Figure 27

	FY2000	FY2001
General Liability		
Form and Rule Filings Processed	4,171	2,333
Commissioner's Orders	26	0
Bulletins	0	0
Requests for Information	83	41
Complaints	21	21
Legislative Inquiries	46	4
Telephone Calls Received	3,798	3,036
Visitors	25	16
Other Inquiries	373	960
Bond, Miscellaneous Casualty		
Form and Rule Filings Processed	1,138	612
Experience Ratings	113	125
Consent to Rate Applications	1,175	500
Commissioner's Orders	6	0
Bulletins	4	1
Requests for Information	71	55
Complaints	71	32
Legislative Inquiries	4	4
Telephone Calls Received	4,199	3,319
Visitors	18	18
Other Inquiries	216	1,986
Commercial Property		
Form and Rule Filings Processed	3,274	1,518
Commissioner's Orders	25	0
Bulletins	3	9
Requests for Information	25	6
Complaints	60	31
Legislative Inquiries	2	3
Telephone Calls Received	1,144	768
Visitors	11	10
Other Inquiries	48	564
*Commercial Multi-Peril		
Form and Rule Filings Processed	0	3,716
Commissioner's Orders	0	1
Bulletins	0	0
Requests for Information	0	13
Complaints	0	7
Legislative Inquiries	0	
Telephone Calls Received	0	390
Visitors	0	5
Other Inquiries	0	204

* Commercial Multi-Peril information is now being captured and presented separately.

Summary of Activity: Personal & Commercial Automobile

Figure 28

	FY2000	FY2001
Rate and Form Filings Processed	1,761	1,422
Experience Rating Files Processed	54,117	^27,334
Individual Risk Submissions (IRS)	1,339	1,704
State Agency Auto Policies	28	38
Mailings	12	*0
Commissioner's Orders	*0	†7
Bulletins	*0	†6
Requests for Information	272	192
Resolved Complaints/Inquiries	108	*0
Complaints	*0	**7
Legislative Inquiries	*0	**87
Telephone Calls Received	33,603	20,221
Visitors	208	263
Other Inquiries	*0	**4,712
Outgoing Letters	8,973	†N/A
Hearings/Meetings (In Hours)	†N/A	
Special Projects (In Hours)	†N/A	

Continued on page 32

Figure 28 Summary of Activity: Personal & Commercial Automobile (continued)

* Change in reporting for consistency purposes.

** This number reflects further breakdown of captured information. The number for Other Inquiries also includes new information being captured.

† This number now reflects the actual number of individual Bulletins and Commissioner Orders issued.

‡ Information no longer being captured for reporting purposes.

^ Decrease is due to change in experience rating rules.

Figure 29 Summary of Activity: Title Insurance

ACTIVITY	FY2000	FY2001
Annual Escrow Audits Reviewed	567	560
Field Examinations/Audits Conducted	261	233
Technical Examinations	0	0
New Agency Contracts/Revisions	298	468
Complaints	228	186
General Information Requests	2,948	2,808
Rates, Rules and Policy Forms	3	0
Commissioner Orders	22	19
†Hearings	30	5
Meetings	520	480
Licenses Issued (includes renewals)	5,058	3,899
Licenses Cancelled	1,497	1,612

† Reported in hours.

Figure 30 Numbers of Agents/Licenses Under Commissioner's Jurisdiction: Title Insurance

AGENTS/LICENSES	FY2000	FY2001
Title Agents	534	534
Title Agent Licenses	1,609	1,655
Direct Operations	25	25
Direct Operation Licenses	25	25
Escrow Officers	4,857	4,985
Escrow Officer Licenses	5,079	5,175

Figure 31 Summary of Activity: Commercial Property Oversight Inspections (formerly Inspection and Fire Safety)

	FY2000	FY2001
Property Inspections Conducted	1,157	1,157
Residential/Special Inspections	21	4
Telephone Calls Processed	649	470
VIP Licenses/Certificates Issued	19	28

Figure 32 Summary of Activity: Windstorm Operations

	FY2000	FY2001
Applications	23,442	19,621
Inspections	22,201	13,425
Certificates of Compliance	22,736	20,295
Windstorm Fees Received	\$11,017	\$11,764

Figure 33 Summary of Activity: Engineering Services

	FY2000	FY2001
Public Protection Class Codes Reviewed	108	179
Building Code Interpretations	1,169	1,207
Product Evaluations	539	559
Visitors Served	67	50
Telephone Calls Processed	2,902	2,894

Figure 34 Summary of Activity: Loss Control

	FY2000	FY2001
Total Evaluations Completed	247	250
Companies Rated Adequate	245	231
Companies Rated Less Than Adequate	2	19
Companies Evaluated for Licensure	8	11
Loss Control Representative Applications Reviewed	69	67
Field Safety Representatives with a Specialty in Hospitals	19	10

Summary of Activity: Amusement Ride Safety and Insurance Act**Figure 35**

	FY2000	FY2001
Policies Reviewed	281	328
Inspection Certificates Approved	1,441	1,411
Injuries	114	224
Inspector Applications Approved	0	0
Owners Under Compliance Monitoring	288	332

Summary of Activity: Workers' Compensation Oversight Group**Figure 36**

	FY2000	FY2001
Written Inquiries Processed	132	167
Complaints Processed	50	87
Letters Written	994	1,139
Telephone Calls Processed	6,105	6,645
Experience Rating Modifiers Reviewed	531	448
Policies Reviewed	31	6
Complaints Referred to Texas Workers' Compensation Commission	596	726

Summary of Activity: Workers' Compensation Classification**Figure 37**

	FY2000	FY2001
Inspections	198	111
Days Traveled	73	43
Total Miles Traveled	14,880	9,313
Average Travel Cost Per Inspection	\$46.90	\$50.72
Letters & Telephone Calls	15,209	13,833
Visitors	4	4
Types of Inspections Made		
Insured Requests	13	9
Insurer Requests	58	34
Agent Requests	18	12
Department Requests	109	56

**Summary of Activity: Workers' Compensation Management/
Retrospective Rating/Group Purchase/Deductibles****Figure 38**

	FY2000	FY2001
Telephone Calls	1,271	1,206
Letters	601	1,008
Visitors	57	71
Groups Certified	64	47
Circular Letters Distributed	4,182	2,128
Rate Guides Distributed	37	1
Open Records Requests	85	96
Filings Reviewed		
Group Programs	136	120
*Rate Filings & Schedule Rating Plans	101	452
Rating Plans & Misc. Filings	10	18
Retro Election Notices	484	584
Endorsement/Forms Approved	34	47
Endorsement/Forms Withdrawn	33	43

* Beginning January 1, 2002, the Workers' Compensation Division began reviewing the schedule rating plans submitted by the insurance companies with their rate filings/submissions.

Other Statistical Reports Collected**Figure 39**

	FY2000	FY2001
Title insurance agents	548	548
Title insurance underwriters	18	17

Rate and Rating Plan Filings in FY1998-1999**Figure 40**

	FILINGS PROCESSED FY00	FILINGS PROCESSED FY01	PROCESSED IN 90 DAYS FY00	PROCESSED IN 90 DAYS FY01
Regular filings	4,047	4,885	73.6%	77.8%
Tort reform filings	2,122	339	62.9%	36.3%
Total filings processed	6,169	5,224	69.9%	75.1%

Life, Health and Licensing Program

THE LIFE, HEALTH AND LICENSING (L/H/L) PROGRAM regulates Health Maintenance Organizations (HMOs) and a wide range of life, health and related coverages; licenses insurance agents, 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), and resolves HMO complaints and conducts quality of care examinations of HMOs.

Primary responsibilities include:

- Regulating policy forms, evidences of coverage and related documents for life, accident and health insurance, HMOs, credit life insurance, credit accident and health insurance, viatical and life settlements, annuities, and pre-paid legal plans.
- Reviewing rate filings for credit life and accident and health, Medicare supplement, Medicare select, long-term care and accident and health insurance, and HMO coverage.
- Investigating and resolving complaints related to HMOs and conducting quality of care examinations of HMOs.
- Issuing licenses and license renewals to insurance agents, TPAs, viatical and life settlement providers, provider representatives and brokers, premium finance companies, URAs and IROs.
- Receiving and screening filings for property and casualty lines as well as the coverages listed above.
- Auditing the activities of TPAs.
- 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: Filings Intake, Licensing, Life/Health (L/H), and HMO.

General Management, led by a Senior Associate Commissioner, provides management and operational direction for the program; represents the commissioner or oversees L/ H/L staff's representation on the Texas Health Care Information Council (THCIC), the National Data Interchange Standards Task Force, the Interagency Council on Genetic Services, Traumatic Brain Injury working group, the Children's Health Insurance Program's (CHIP) Marketing Oversight Committee, and the participation in the East Texas Rural Access Program. Additionally, the SAC is the TDI's liaison for the boards of the Texas Healthy Kids Corporation (THKC), Texas Health Insurance Risk Pool (THIRP), and CHIP. General Management also provides technical assistance to the Texas Health and Human Services Commission (HHSC), Texas Department of Health (TDH), Office of Attorney General (OAG), THIRP, THKC and the federal Health Care Financing Administration (now 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 National Association of Insurance Commissioner's (NAIC) working groups. The General Management staff also collects, analyzes, and reports on industry data as required by state and federal law and provides technical assistance to interim and oversight committees and task forces.

General Management is directing the implementation of a one-year federal State Planning Grant awarded to TDI to study options for expanding health insurance to uninsured Texans. 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 oversees its Regulatory Development staff who track, analyze, and coordinate TDI's comments on proposed legislation pertaining to L/H/L. Regulatory Development staff also informs industry and other interested parties of legislative and rule changes through bulletins or other means, drafts rules to implement both state and federal legislation and responds 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, and budget. Staff also oversees the program's human resource budget, purchasing, and performance measure activities and reports.

Filings Intake Division, led by a Deputy Commissioner, consists of three sections:

- **Property and Casualty Section** receives all rule, rate and policy form filings for property and casualty lines, including workers' compensation, and conducts an initial screening of the filings for compliance with basic filing requirements.
- **Life/Health and HMO Section** receives all rate and policy form filings for life, health, credit, HMO, prepaid legal, viatical and life settlements, and related products and conducts an initial screening of filings for compliance with basic filing requirements.
- **Micrographics Section** produces electronic images of closed files for property and casualty, life, health and HMO products, title agent license and title examination files, and the field reports for the windstorm Section.

Licensing Division, led by a Deputy Commissioner, oversees the licensing and regulation of insurance agents, adjusters, 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 applications for new licenses for agents and adjusters, oversees the agent criminal history review process, registers additional trade names and trade locations, and records sponsors of subagents, solicitors, 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 sub-agent 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 license's status, cancels licenses when requested by the licensee, records address and name changes for all licensees, processes open record requests, prepares records for microfilm processing, 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, prepaid legal, credit life and credit accident and health policies, certificates, applications, endorsement riders, and rates for credit life, credit accident and health, Medicare supplement, Medicare select, long-term care, and individual accident and health policies to ensure compliance with state and federal statutes and regulations. The division also registers viatical and life settlement providers, provider representatives and brokers, and reviews contractual forms related to viatical and life settlements. The 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, and Medicare select policies, and small employer plans. The section tracks small employer annual certifications and assists companies and other TDI staff in coordinating withdrawals from individual, small and large employer group markets and discontinuance of products in these markets. The section also reviews documents for Multiple Employer Welfare Arrangements and the THIRP.

- **Life, Annuity and Credit Section** reviews and analyzes form filings for life, annuity, credit life and credit accident and health insurance, prepaid legal insurance, viatical and life settlements, filings for name changes, assumptions and mergers, and rate filings for credit life and credit accident and health insurance. The section coordinates the review of combination long-term care and annuity or life products. The section also 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, and tracks annual certifications and lists of forms subject to TDI's 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 and HMO coverage. In addition, staff reviews actuarial data required for individual and group life, individual accident and health, long-term care, Medicare supplement and Medicare select coverage, small employer health benefit plans and HMO applications for certificate of authority and service area expansions. Staff also reviews the THIRP's premium rates.
- **Administration** develops and implements the 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 for the division.

In addition to the above, all sections of L/H assist in the development and implementation of rules and education of the insurance industry on regulatory requirements through bulletins, compliance workshops, manuals and checklists. The division provides technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions, and reviews of advertising materials and withdrawals from market(s). The division is often called upon to provide technical assistance to external entities including, but not limited to, the Texas Employees Retirement System (ERS), the Texas Teachers Retirement System, the NAIC, the Texas Department of Banking, TDH, HHSC, the THIRP, the OAG, and CMS.

Health Maintenance Organization (HMO) Division, led by a Deputy Commissioner, regulates HMOs, certifies and regulates URAs and certifies IROs. The division investigates complaints against these licensed entities, conducts quality of care examinations, and reviews HMO and URA form filings. The division consists of three sections:

- **Compliance/URA/IRO** reviews and analyzes HMO form filings such as evidences of coverage, provider contracts and other related filings for HMOs writing commercial and small and large employer coverage to ensure compliance with state and federal statutes and regulations, certifies URAs to conduct business in Texas, registers insurers and HMOs to conduct utilization review, 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 certificates of authority and renewals of those certificates of authority, reviews form filings required of IROs, and processes IRO requests received from URAs, insurers and HMOs.
- **Quality Assurance Section** receives and investigates all complaints against HMOs, as well as insurers, that provide coverage to CHIP enrollees. Where necessary, the section initiates enforcement actions relating to the availability, accessibility, and quality of health care provided through HMOs. Additionally, when excessive or particularly severe complaints are received, the section conducts on-site examinations to determine whether an HMO is compliant with quality standards. This section conducts triennial and other statutory quality of

care examinations that are required before TDI issues a certificate of authority or approves an HMO's service area expansion request. The Quality Assurance staff provides direct responses to complaint line calls from consumers and providers. Those calls needing clinical expertise are referred to the section's assigned "Nurse of the Day." Section staff is frequently invited to speak on regulatory issues. The section is also responsible for the grant funded by the Foundation for Insurance Regulatory Studies in which nurses in graduate education programs learn about managed care regulation.

- **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.

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, TDH, 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, THKC, THCIC, NAIC, and CMS.

Highlights

In Fiscal Year 2001, L/H/L:

General Management

- Reviewed and commented on 934 bills during the 77th Legislative Session and is coordinating implementation plans for 104 bills.
- Assisted in developing the following rules adopted by the Commissioner to implement legislation enacted by the Texas Legislature in 1999, including:
 - Breast Reconstruction Benefit Notice Rules, Art. 21.53I (House Bill 1764).
 - Prescription Drug Formulary Rules, Art. 21.52J (Senate Bill 1030).
 - Pharmacy Identification Card Rules, Art. 21.53L (Senate Bill 1237).
 - Off-Label Drug Use Rules, Art. 21.53M (House Bill 2061).
 - Point-of-Service Rules, Arts. 20A.06, 26.09 and 3.64 (House Bill 1498).
 - Specialty License Rules, Art. 21.09 (Senate Bill 957).
 - Utilization Review Rules, relating to mental health therapy, Art. 21.58A (Senate Bill 569).
 - Viatical and Life Settlement Rules, Art. 3.50-6A (House Bill 792).
- Proposed rules for implementing legislation enacted by the Texas Legislature in 2001, including Emergency Consumer Financial Privacy Rules, 28 TAC, Chapter 22, Subchapter A (Senate Bill 712).
- Assisted in developing the following amendments to Clean Claims Rules adopted by the Commissioner, 2/09/01: 28 TAC §§21.2803, 21.2809, 21.2810.
- Proposed amendments to existing Clean Claims Rules, 8/03/01: 28 TAC §§21.2803-07, 21.2809, 21.2811, 21.2815-21.2820.
- L/H/L Program issued Commissioner's bulletins on:
 - Gramm-Leach-Bliley Act privacy provisions, 10/06/00.
 - IROs, 11/16/00.
 - Rating requirements for small employer health benefit plans, 2/27/01.
 - Viatical and Life Settlements, 2/27/01.
 - Prompt Pay, 5/18/01.
 - Privacy, 6/26/01.
 - Agent Licensing Legislation, 8/28/01.
 - Employer health coverage legislation and issues, 8/31/01.

- The one-year federal State Planning Grant study of options for expanding health insurance to uninsured Texans involves several statewide survey projects, focus group meetings in 15 different cities, a statewide conference, and extensive research of health insurance activities in other states. The grant project continues through February 2002, at which time TDI will finalize a report of the project findings and recommendations.
- The L/H/L Program surveyed health coverage carriers to determine which carriers offered children-only coverage. This information was used to develop children-only brochures.
- General Management continued work and coordination with HHSC and TDH in relation to the CHIP Program and attended the CHIP Marketing Oversight Committee monthly meetings.
- General Management staff participated in several small business organization meetings regarding small employer health plans.
- General Management staff spoke to industry and provider, and consumer groups regarding life, health, and licensing issues.

Filings Intake Division

- Received 26,788 Life/Health rate and form filings.
- Received 3,599 HMO rate and form filings.
- Processed 7,343 Exempt Life/Health rate and form filings.
- Received 14,152 Property & Casualty rate and form filings.
- Processed 620 Property & Casualty rate and form filings.
- Processed \$533,780 in filing fees for Life and Health rate and form filings.
- Processed \$137,605 in filing fees for HMO rate and form filings.
- Scanned 545,953 images for Property & Casualty Program.
- Scanned 493,108 images for Life/Health and HMO Divisions
- Represented Texas on the NAIC System for Electronic Rate and Form Filing (SERFF) Working Group, which guides SERFF policy decisions.
- Assisted the L/H Division with implementing the Coordinated Advertising Rate and Form Review Authority (CARFRA) pilot.

Licensing Division

- Completed implementation of a new database to enable Licensing to comply with NAIC initiatives and legislation.
- Activated the Texas Online agent search function, allowing agents, consumers, and companies to verify the status of an agent's license.
- Implemented the PIN (Producer Information Network) and SIRCON (State Insurance Regulators Connection) electronic appointment processes, through which companies can process appointments electronically in multiple states.
- Activated on-line renewals through Texas Online in December 2000, allowing renewing licensees to submit address changes through Texas Online.
- Made Texas licensing data available on the National Insurance Producer Registry's Producer Database.
- Implemented the scanning of renewal vouchers in November 2000, in conjunction with the Comptroller's Office, to decrease the manual data entry of renewals.
- Assisted in developing 28 TAC, Chapter 19, Subchapter G, adopted by the Commissioner, regarding insurance adjusters, which consolidated the eight different types of adjuster licenses into three license types.
- Began implementing changes related to SB414, SB314, and SB466 of the 77th Legislative Session.
- Completed modifications to the Interactive Voice Response system to make it compatible with the new license database.
- Participated in the Texas Department of Information Resources pilot project for benchmarking Texas Online results.

Life/Health Division

- Reviewed and processed 26,228 life, annuity, accident and health, prepaid legal, credit life and credit accident and health insurance, and viatical life settlement forms, small and large employer certifications, long-term care reports, life illustration certifications, Medicare supplement rate refund calculations, and rates for Medicare supplement, individual accident and health, and long-term care products.
- Represented the division or department at various meetings and seminars.
- Reviewed, commented, and assisted with rules, publications, and bulletins relating to small employer, long-term care insurance, viatical and life settlements, and Medicare supplement issues.
- Responded to numerous legislative, consumer, and agent inquiries, including e-mail inquiries.
- Updated the checklists and product resource guides on the Internet.
- Participated in the Agent Licensing Exam Focus Group.
- Updated withdrawal procedures for HMO and indemnity carriers requesting a withdrawal from the small or large employer group and/or individual hospital or medical and surgical market.
- Trained staff to use SERFF.
- Participated in the development of review standards and Texas deviations for the CARFRA Speed to Market Working Group effort. (CARFRA is an NAIC initiative designed to provide a single point of entry to submit forms for review and obtain approval for multiple state use within an established number of days.)
- Prepared 13,599 files for imaging.
- Began creating the L/H/L Program InfoBase.

Health Maintenance Organization Division

- Completed review of 3,258 HMO forms filings.
- Conducted 21 quality of care examinations of HMOs.
- Completed 7,131 complaints regarding HMOs.
- Assigned 457 IRO case reviews.
- Reviewed, commented, and assisted with various rules, including, but not limited to pharmacy identification cards, prescription drug formularies, and utilization review.
- Assisted in the development of prompt payment of claims rules, which provide a comprehensive definition of a “clean claim” for the purpose of prompt payments of claims. Also assisted in the proposal and adoption of amendments to these rules.
- Assisted the TDI Provider Ombudsman with the review of provider claims data from HMOs and their delegated entities.
- Reviewed and approved one HMO service area expansion request.
- Reviewed and completed two HMO certificate of authority applications.
- Assisted HHSC with implementation and operation of the CHIP Program, including proposed refinements to CHIP marketing strategies, monitored the continued development of the medical and dental CHIP provider network, and reported data to HHSC concerning CHIP complaints.
- Represented the Commissioner on the Interagency Council on Genetic Services (Senate Bill 602, 76th Legislative Session).
- Spoke to numerous industry, provider, and consumer groups regarding managed care issues, including the two TDI workshops on prompt payment of claims.
- Developed the HMO Delegated Entity Database to capture information about all entities involved in managed care.
- Initiated a process to coordinate HMO examination elements and function with the HHSC.
- Certified and renewed 117 URAs.
- Responded to 223 open record requests.
- Resolved 76 complaints against URAs performing utilization review under a worker’s compensation policy.

Figure 41 Summary of Activity: Intake Division Filings Received/Processed

	FY2000	FY2001
Flex-Rate Filings		
Personal Auto	1,167	989
Commercial Auto	702	600
Homeowners	180	¹ 24
<i>Total</i>	2,049	1,613
Other Rate Filings		
Commercial Property	708	538
Workers' Compensation	154	370
General Liability	2,605	919
Professional Liability	3	258
Bond, Burglary, Title	1,002	381
Multi-Peril	428	888
² <i>Total</i>	6,796	3,354
Policy Form, Endorsement and Rule Filings		
Personal Automobile	117	109
Commercial Automobile	519	366
Intake Unit	12	19
Interline	42	6
Homeowners	91	84
Commercial Property	1,622	1,446
General Liability	2,570	2,280
Bond, Burglary	696	621
Workers' Compensation	123	188
Professional Liability	814	503
Multi-Peril	3,399	3,563
<i>Total</i>	10,005	9,185
Rating Manual		
Bond, Burglary	2	0
Commercial Automobile	0	0
General Liability	0	0
Homeowners	0	0
Intake Unit	0	0
Multi-Peril	0	0
Personal Automobile	0	0
Professional Liability	0	0
Commercial Property	0	0
Workers' Compensation	0	0
<i>Total</i>	2	0
³ Total P & C Filings Received	18,852	14,152
Intake Unit Filings Processed	408	620

1 Approximately 85–95 percent of homeowners coverage is being written in non-rate regulated companies (such as Lloyds companies). These companies do not fall under the benchmark rate structure. Only rate-regulated companies would be required to file their rates with TDI.

2 FY2000 was the final year insurers were required to report tort reform savings in a separate filing. More than 2,000 tort reform filings were processed in FY2000.

3 Total includes 14 SERFF Filings.

Figure 42 Number of Licenses, Certificates and Registrations under Commissioner's Jurisdiction

LICENSE TYPE	FY1997	FY1998	FY1999	FY2000	FY2001
¹ Agents	216,493	231,680	244,878	255,644	261,951
Adjusters	31,458	32,620	35,390	38,498	37,524
² Full-Time Home Office Salaried Employees	N/A	N/A	2,498	3,323	3,707
³ Vehicle Rental	N/A	30	48	N/A	N/A
² Specialty–Credit	0	0	0	718	1,250
² Specialty–Travel	0	0	0	231	330
² Specialty–Rental Car Company	0	0	0	58	60
⁴ Specialty–Self-Service Storage Facility	0	0	0	43	48
Life Counselors	113	120	124	124	122
Risk Managers	1,115	1,121	1,125	1,126	1,111

Continued...

**Number of Licenses, Certificates and Registrations
under Commissioner's Jurisdiction (continued)**

Figure 42

LICENSE TYPE	FY1997	FY1998	FY1999	FY2000	FY2001
Reinsurance Intermediary	1,125	1,184	1,322	1,399	1,361
Premium Finance Companies	300	290	106	291	275
Third-Party Administrators	649	710	655	696	714
¹ Grand Total of Lines Regulated	251,253	267,761	286,146	302,151	308,453

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 FY1998.

3 License type created by the 75th Legislature and repealed by the 76th Legislature.

4 Specialty License types created by the 76th Legislature.

Summary of Activity: Licensing Division

Figure 43

	FY2000	FY2001
Total Filings Processed by Licensing Division	690,762	655,670
*Telephone Inquiries Answered	258,842	138,067

* Licensing implemented an Interactive Voice Response system on August 27, 1999, to improve the Division's ability to field more calls from companies, agents and the public. The IVR provides 24-hour, 7-day-a-week access to licensing information.

Five-Year Summary of Agents License Statistics*

Figure 44

TOTAL LICENSES	FY1997	FY1998	FY1999	FY2000	FY2001
Issued	49,785	51,330	59,736	61,679	56,963
Renewed	71,253	97,242	84,527	103,397	44,392
Total Appointment Transactions	287,785	237,761	267,666	280,355	459,682
Total Current Agents & Adjusters Licenses	247,951	264,300	280,268	294,142	299,475
Other Licenses	3,302	3,461	5,878	8,009	8,978
Grand Total of Licenses Regulated	251,253	267,761	286,146	302,151	308,453

* Beginning in FY2001, a renewal for a license that has multiple qualifications is counted as one renewal; previously, each qualification was counted as a separate renewal.

Numbers and Types of Agents Licenses: FY1999-FY2000

Figure 45

AGENTS	FY2000	FY2001
Group I Life	114,787	120,088
Group II Life	31,427	28,460
Variable Contracts	35,527	40,233
*Local Recording	38,043	40,359
Solicitor	18,005	15,720
Insurance Service Rep	2,656	1,883
*Non-Resident Fire/Casualty	1,139	2,230
Managing General	4,384	2,602
Agricultural	321	296
Surplus Lines	2,818	3,312
Prepaid Legal	6,537	6,768
Total	255,644	261,951

* Licenses of non-resident agents who reside in a state that has signed the Uniform Treatment Declaration and that grant full reciprocity to Texas agents were converted to Local Recording Agents in FY2000.

Summary of Activity: Miscellaneous Lines

Figure 46

	FY2000	FY2001
TPA On-Site Examinations	7	0
TPA Desk Audits Conducted	20	22
TPA New Licenses Issued	88	53
TPA License Exemptions Granted	57	67
New Premium Finance Licenses Issued	20	17
Premium Finance Licenses Renewed	271	282

Figure 47 Number of Premium Finance Companies and Loans' Value: CY1996–CY2000*

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

* These figures are reported in calendar years, and 2000 is the last full calendar year available.

Figure 48 Summary of Activity: Life/Health Filings

	FY2000	FY2001
Filed	23,854	26,788
Accepted	22,804	25,853
Approved	6,165	6,614
Disapproved	3,944	3,486
Exempt	5,831	7,343

Figure 49 Summary of Activity: Health Maintenance Organization Filings

	FY2000	FY2001
New Forms Received	2,672	3,599
Forms Completed	2,949	3,258

Figure 50 Summary of Activity: Utilization Review Filings

	FY2000	FY2001
Applications Received	52	31
Applications Pending Review	13	16
Registered Utilization Review Agents Approved	14	5
Certified Utilization Review Agents Approved	66	51
Certified and Registered URAs renewed	18	94

Figure 51 Summary of Activity: HMO Complaints

	FY2000	FY2001
Complaints Received	5,446	7,716
Complaints Closed	5,132	21
Medicare Complaints Forwarded	32	7,131
HMO Quality of Care Examinations Completed	5,601	1,501

Figure 52 Summary of Activity: HMO Projects/Inquiries

	FY2000	FY2001
Projects/Inquiries Received	120	145
Projects/Inquiries Completed	120	145

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. Complaints Resolution staff examine complaints for violations of the Texas Insurance Code and the Texas Administrative Code and recommend enforcement action when appropriate. The complaints resolution process routinely results in the return of millions of dollars in premium refunds and additional claim payments to consumers. Complaints Resolution Property and Casualty handles complaints involving mostly home and auto coverage; Complaints Resolution Life, Accident and Health handles mostly life and health coverage complaints.

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 members answer common questions regarding most lines of insurance, furnish information about the license status of companies and agents, provide other company information—complaint histories, financial information and financial ratings from a nationally recognized rating organization—and advise consumers about filing complaints. Staff members also process requests for complaint forms, rate guides and other consumer publications.

Information Assistance helps non-English speakers through its Spanish-speaking operators, automated telephone service messages and instructions in Spanish and use of the AT&T Language Line. Service for the hearing or speech impaired is provided through Relay Texas at 1-800-735-2989 (TDD/TTY).

Public Education, in cooperation with other TDI activities, develops informational materials to increase consumers' understanding of insurance products, encourages wise insurance shopping and promotes TDI consumer services. Publications include rate guides, brochures and fliers available in English, Spanish and Vietnamese. Publications also are accessible through the Internet. Consumers may order complaint forms and information brochures 24 hours a day, seven days a week, by calling a toll-free automated telephone line at 1-800-599-SHOP (7467). Public Education also coordinates a Speakers Bureau that delivers public presentations and workshops to civic and community organizations, consumer groups and business and industry associations. 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 with insurance concerns.

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.

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

Highlights

In Fiscal Year 2001, Consumer Protection:

- Assisted consumers in the Houston area following massive flooding resulting from Tropical Storm Allison. TDI assisted consumers at 12 disaster recovery centers for a three-month period in summer 2001. TDI staff received 748 flood-related complaints and assisted more than 930 consumers with telephone inquiries regarding the disaster.
- Led the Provider Ombudsman Team, which facilitated the payment of "clean" claims submitted to insurers by doctors and other health care providers. The team analyzed data on insurance company and HMO claims payment and ultimately recommended more than \$9.25 million in fines in addition to full restitution to providers. In addition, Consumer Protection hosted two workshops on prompt payment of clean claims for insurance company and HMO representatives and provider billing staff. Audio from both workshops was broadcast live over the Internet.
- Was recognized by the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) for the HICAP Program's outstanding commitment to educating seniors about insurance and related issues.

- Responded to more than 338,000 inquiries. Complaints Resolution staff processed nearly 29,000 written complaints.
- Produced more than \$32 million in additional claims paid and premium refunds to consumers through intervention in consumer complaints.
- Conducted 566 Speakers Bureau presentations throughout Texas on insurance issues.
- Distributed 2.19 million publications, including more than 662,000 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 the Consumer Protection page on TDI's Internet Web site. The page recorded nearly 333,000 hits in FY2001. Items accessed most frequently were company profiles, auto rate guides, the Internet Complaint Information System and the on-line insurance complaint form.
- Reviewed 6,047 insurance advertisements to ensure compliance with state laws and TDI rules.
- Promoted the Market Assistance Program (MAP) for consumers residing in under-served ZIP codes, in cooperation with the Property and Casualty program and the Public Information Office.
- Initiated or expanded partnerships with governmental agencies to promote TDI services and enhance outreach activities, including partnerships with:
 - The cities of Dallas and Beaumont to distribute MAP information in utility bills.
 - County tax assessor-collector offices to distribute MAP and other insurance information.
 - Texas high schools to distribute information about insurance to students.
 - The Office of the Texas Attorney General to conduct outreach at community events.
 - The Texas Department on Aging to conduct the HICAP Program for older Texans and benefits counselors in local Area Agency on Aging offices statewide.
 - The Texas Commission on Alcohol and Drug Abuse and more than 40 other agencies and organizations in the Alliance Against Underage Drinking. The Alliance (www.2young2drink.com) is a resource center for parents, schools and communities working to curb underage drinking in Texas.
 - The City of Austin and a variety of local, state, and public entities in Project Impact, a program to educate citizens about ways to mitigate the effects of natural disasters in the community.
 - The Division of Emergency Management and representatives of the insurance industry to enhance the state and TDI disaster plans to better coordinate responses to disasters.
- Continued, in cooperation with the Financial and Legal programs, an outreach campaign to assist Holocaust survivors and their heirs with information about how to file a claim for unpaid insurance settlements from policies issued in Europe between 1928 and 1945.
- Chaired NAIC subgroup charged with developing proposed national standards for review of insurance advertising. Consumer Protection also coordinated the agency's participation in similar discussions regarding the standards and process for reviewing policy forms and rates.
- Launched a new paperless complaints processing system, which will automate complaint processing and file storage and retrieval. Equipment installation and training began in August 2001. The system will be fully implemented in FY2002. The project implementation culminates several years of planning and coordination with staff in TDI's Information Services, Legal and Purchasing sections. In addition, Consumer Protection continued to maintain and update the TDI.nfo database. The electronic database provides TDI staff with on-line information about insurance laws and rules to assist consumers consistently, efficiently and quickly.

Total Number of Complaint Cases Closed: FY1997–FY2001**Figure 53**

YEAR	CASES CLOSED
FY1997	17,650
FY1998	18,829
FY1999	22,472
FY2000	28,005
FY2001	28,996

Additional Claim Payments to Consumers: FY1997–FY2001**Figure 54**

YEAR	CLAIM PAYMENTS
FY1997	\$17.0 million
FY1998	\$21.3 million
FY1999	\$24.4 million
FY2000	\$32.0 million
FY2001	\$31.4 million

Restitutions/Refunds to Consumers: FY1997–FY2001**Figure 55**

YEAR	RESTITUTIONS OR REFUNDS
FY1997	\$1.2 million
FY1998	\$1.3 million
FY1999	\$1.2 million
FY2000	\$1.8 million
FY2001	*\$636,000

* Fewer complaints involving large refunds of annuity premiums were received in FY2001. In addition, the proportion of health complaints against self-funded plans has increased significantly. Such complaints do not result in premium refunds.

State Fire Marshal's Office

THE STATE FIRE MARSHAL'S OFFICE (SFMO) develops, fosters and promotes methods of protecting the lives and property of the citizens of Texas from fire and related hazards. The Office 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 State Fire Marshal's Office deploys field staff throughout the state permitting rapid response for investigations and inspections and reduced travel expenses.

The State Fire Marshal's Office consists of the following major service areas:

Fire/Arson Investigation Services

- **Fire/Arson Investigations** investigates, upon request, fire scenes throughout the state and provides assistance to local law enforcement authorities.
- **Arson Hotline** provides 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 four certified teams are available 24 hours a day.
- **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.
- **Mobile Response Unit** houses a self-contained command center, interview room, computer and audio-visual workstations and telecommunications systems.

Fire Industry Licensing Services

- **Fire Industry Licensing** issues registrations, licenses and permits to those working in the fire alarm, extinguisher, sprinkler and fireworks industries.

- **Fire Industry Investigations** conducts investigations of existing fire alarm, extinguisher and sprinkler systems and fireworks retail sites to ensure compliance with adopted safety standards.

Fire Safety Inspection Services

- **Fire Safety Inspections** conducts fire safety inspections of public buildings and private facilities in Texas, including 24-hour care facilities, state buildings, 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.

Fire Prevention and Outreach Services

Fire Prevention and Outreach Services provides fire protection information and education through a series of programs and publications.

Fire Safety for Texans is a series of fire and burn prevention curriculum guides for grades K-12 developed by the State Fire Marshal’s Office (SFMO). The SFMO believes the key to reducing fires and fire deaths is a comprehensive, age-appropriate approach to fire safety education. Each guide includes lesson plans, teacher and student materials.

The Fire Safety House teaches hands-on fire safety skills to Texas school children. The fire safety house was a gift from the Texas Fire Chiefs’ Foundation. The house is a 30-foot mobile travel trailer that is a scaled down “kid-sized” functional two-story house. Children are able to walk through a kitchen, living room and bedroom locating potential fire hazards. They get to practice simple methods of eliminating potentially dangerous situations.

The Juvenile Firesetter Intervention Program assists fire departments, upon request, in establishing their own community-based firesetter intervention programs for juveniles. An advisory team of fire prevention professionals in existing juvenile intervention programs helped develop a “model” intervention program that can be easily adapted to meet the individual needs of fire departments. Assistance is extended to existing programs by providing information, material and technical support, and by providing a means of networking among the various local programs throughout the state.

Public Protection Classification (PPC) Oversight assists local fire departments, upon request, with PPC and the ISO Fire Safety Rating Schedules.

The Texas Fire Incident Reporting System (TEXFIRS) collects data from fire departments and compiles statistics to determine the impact of fire on lives and property. Each year a summary of the fires reported, *Fires in Texas*, is published. This data helps in the development of laws, standards and prevention programs.

Fire Prevention and Outreach Services develops and distributes brochures on home fire safety and publishes **FireLines**, a quarterly newsletter. **FireLines** provides fire-safety information of interest to fire-safety professionals located, or doing business, in Texas.

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 the 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 Office of State Fire Marshal to TDI.

Highlights

In Fiscal Year 2001, the State Fire Marshal's Office:

- Continued an aggressive, on-site fire safety inspection project on state university campuses. More than 1,500 residential buildings were inspected. SFMO inspectors worked with university officials to remedy any dangerous situation uncovered by the inspections.
- Sponsored the second annual State Fire Marshal's Conference in Austin with more than 100 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.
- Worked with the Attorney General to obtain injunctive relief against a hotel that had gradually changed its occupancy to a less-than-full-care nursing home without providing for the appropriate level of fire protection. Support from local fire service officials was critical to this successful effort.
- Engaged in arson investigations that resulted in 177 cases referred for prosecution, 105 indictments and 76 criminal convictions.
- Provided more than 25,000 Texas school children invaluable fire safety training through community visits from the SFMO's Fire Safety House. This exhibit provided children with a simulated home fire escape experience.
- Implemented an automated, customer service telephone system that speeds callers to their intended destination.

Summary of Activity: Fire Marshal's Office

Figure 56

	FY2000	FY2001
TEXFIRS incident reports processed	710,748	1,075,756
Informational/educational presentations conducted	2,423	1,998
Requests for engineering assistance	151	166
Initial and follow-up fire investigations	617	523
Samples analyzed in arson laboratory	2,501	2,418
Juvenile Firesetter Intervention	26	33
Programs formed or expanded		
Companies and personnel licensed for Fireworks, Extinguisher, Alarm and Sprinklers	10,524	10,492
Investigations/inspections of complaints against Fire protection equipment/fireworks industries	1,364	1,318
Buildings inspected/re-inspected for fire safety hazards	8,428	10,668

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, the copy center and administers the agency's Safety and Risk Management Program. It also handles, tracks and delivers all mail, including inter-agency memos and correspondence.
- **Purchasing and Contract Administration** is responsible for obtaining all goods and services for the agency. This includes establishing contracts, verifying taxes, soliciting procurement opportunities on the statewide electronic bulletin board and maintaining an audit trail for each procurement made. In addition, the division must track all contract employees; procurements of recycled items and contracts established with out-of-state vendors. The purchasing division also administers the agency's Historically Underutilized Business Program and monitors all service contracts and other major procurements to ensure that each contract is properly administered by agency customers.

Information Services (IS) provides automation and computer support for all agency programs and activities and is managed by the agency's Information Resource Manager (IRM). The activity'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. IS 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 activity consists of four divisions.

- **Planning and Administration** consists of business analysts, Information Technology (IT) planning, and the budget and administration groups. The business analysts perform analysis and consulting services, which includes defining customer automation requirements as they relate to the agency strategies and business processes. IT planning is responsible for developing and implementing an information technology planning process that is integrated with all other TDI planning processes. This includes the various planning functions ranging from strategic to tactical planning and coordination of IT needs such as contingency planning and information security as well as technical writing. The budget and administration group plans and monitors the capital and operational budgets. Administration includes the centrally administrated technical library that houses all authorized software licenses and documentation. This group also performs personnel and timekeeping functions.
- **Customer Support Center** includes the Help Desk, Desktop Support, Project Support, and Telecommunications Services. The Help Desk provides an intake function for all customer requests for IS service. The request may be fulfilled in other parts of the division, but the Help Desk receives, evaluates and tracks each request to completion. Desktop Support provides software/hardware support at the workstation and software training, both formal and informal. All printing services, LAN and local, are monitored and assistance provided when needed. Project Support provides consulting and project management for software implementations or other support functions. Telecommunications provides telephone services, cabling and other telecommunication services.
- **Development** includes the development of new applications, enhancement and maintenance of existing applications, resolution of production problems and rapid response assignments. The Planning Work Group (PWG) prioritizes large projects. Small projects are addressed on a rotational basis as prioritized by the program area. Requests for unscheduled maintenance are submitted to Development via Customer Service Requests (CSRs).

Production problems are reported to the section via Problem Reports. The Rapid Response unit handles other short-term automation tasks that, by their nature, cannot be scheduled (e.g., requests for data submitted under the Public Information Act). The IS Web team, which is responsible for the technical administration of TDI's Web site, is part of the Development section. Also included is the Data Management team, whose responsibilities include data and database administration.

- **Networking** is responsible for the day-to-day monitoring and maintenance of the agency's major 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 operational. Networking staff provide file/data backups and recovery, as well as continuous capacity planning. The Networking group also verifies that a current disaster recovery plan for TDI's infrastructure is in place and functional through a process of technical planning, periodic testing and continuous monitoring of back-up processes. Protecting the agency against intrusion attempts and viruses on the agency's networks, Web server, and e-mail is a high priority, requiring that all protection software be monitored/updated on a daily basis. Statistical reports document any intrusion attempts, Web access issues and Web site blocking updates.

Human Resources (HR) promotes agency goals primarily by developing, implementing and interpreting agency personnel policies and procedures, handling personnel and benefit needs, providing professional development opportunities for employees and managers and staffing the agency switchboard to direct incoming calls throughout the agency. Human Resources consists of Program Administration, Personnel and Benefits, Professional Development and Information Assistance.

- **Program Administration** includes the Director, Assistant Director and management team personnel. This team analyzes and researches human resources issues, develops and reviews agency policy, provides reports on agency personnel issues to the Chief of Staff and Commissioner and develops human resources initiatives, including coordinating and implementing the division's goals and business plan. In addition, it administers the Americans with Disabilities Act (ADA) and the Employee Assistance Program and works with managers in addressing and resolving employee issues.
- **Personnel and Benefits** handles personnel, payroll, benefits and other day-to-day operations, including managing and monitoring agency hiring, payroll records, employment records, personnel actions, time and leave issues, position classification issues, employee insurance and benefits, the agency performance management system and employee exit interviews. It also handles recruiting qualified applicants, reporting employment statistics and maintaining the agency's Human Resources Information System (HRIS).
- **Professional Development** assesses employee and agency training needs, provides technical insurance, management and employee training, including new employee orientation and sexual harassment/discrimination training, maintains employee training records, produces various statistical training reports and coordinates the agency's Tuition Reimbursement Program. It also coordinates the agency's Wellness Program. The Information Assistance staff reports to the manager of this section.
- **Information Assistance** is comprised of the staff from the information desk in the lobby of the William P. Hobby Building and the agency switchboard operators. The information desk staff assists visitors and monitors sign-in of visitors to the building. The agency switchboard operators direct incoming calls throughout the agency from the main agency telephone number.

Business Planning and Redesign (BPR) works with other agency planners and managers to develop and implement business plans that enhance program effectiveness and help TDI accomplish its strategic goals; examine the agency to identify areas for improvement; and facilitate agency planning by coordinating the business and strategic planning processes.

In FY2001, Business Planning and Redesign led several projects designed to improve program or agency operations, including:

- Analyzing TDI forms and developing recommendations to improve management of forms and forms processes at TDI.
- Developing a TDI Forms Inventory listing all forms produced and/or published by TDI in hard copy, on the Web site and in the Texas Administrative Code.
- Testing of program and agency disaster recovery plans.
- Initiating the records management project aimed at improving the way TDI creates, stores and disposes of records.
- Creating TDI's E-Commerce Work Group to identify opportunities that will enhance our efforts to meet customer service and regulatory needs in an electronic or on-line environment.

The division continued to evaluate employee suggestions for agency improvements and develop implementation plans for approved suggestions. Business Planning and Redesign worked closely with the programs, individually and through the Planning Work Group, to monitor progress on current business plans, begin developing TDI's FY2002–2003 Program Business Plans and coordinate agency-wide projects. Business Planning and Redesign staff also supported the programs by refining and communicating the process for developing project proposals for approval and by providing advice and consultation on specific project proposals.

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 2001, Administrative Operations:

Administrative Services

- Developed and produced the agency's FY2002 Operating Budget.
- Monitored and projected agency expenditures by strategy, object of expense and organizational unit.
- Maintained a salary and travel cap tracking system that enabled the agency to operate in compliance with the General Appropriations Act.
- Assisted in preparation of the quarterly FTE State Employee Report to the State Auditor's Office, pursuant to the General Appropriations Act.
- Monitored performance measures monthly to evaluate progress on strategic plan performance measures.
- Reported performance measures quarterly to the Legislative Budget Board.
- Coordinated self-audits of strategic plan performance measures and assisted with corrective actions.
- Participated in a post-payment audit by the Comptroller of Public Accounts of all TDI expenditures made during FY2000.
- Completed requirements and implemented enhancement of the agency's accounting system and participated in an interagency contract to improve the system.
- Prepared the ***FY2000 Annual Financial Report*** and the ***Binding Encumbrance and Accounts Payable Report***.
- Developed rates for maintenance tax, examination/overhead assessment and premium finance assessment.
- Processed 9,660 payment vouchers and 26,414 cash receipts.
- Assisted in developing requirements to receive revenue payments via the Internet.
- Posted procurement opportunities on the Statewide Electronic Bulletin Board.
- Implemented the agency's Contract Management and Administration Process.

- Established agency contract administration policy to ensure that the agency effectively manages contracts.
- Made good faith efforts to support Historically Underutilized Business (HUB) in the agency's procurement process.
- Prepared and submitted the agency's *FY2002 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 bid out and awarded to HUBs.
- Processed approximately 2,500 purchase orders.
- Monitored 536 contracts through the agency's contract administration process.
- Processed 1,323,155 pieces of agency mail.
- Microfilmed 725,663 documents and stored 2,066 cubic feet of records through the Texas State Library for record retention.
- Processed 2,290 work orders through the General Services Commission.
- Developed and implemented a new vehicle fleet management plan.
- Coordinated 30 building improvement projects and modular furniture installations and renovations.
- Purchased a heart defibrillator system and trained and stationed 17 operators throughout the agency.
- Reduced the number of workers compensation claims by 58 percent and decreased monetary expenditures by 33 percent over the previous fiscal year. Two program areas were completely accident-free during FY2001.

Information Services

- Implemented an agency Technology Roadmap and the Information Resources Strategic Plan for Fiscal Years 2001 through 2005 to guide TDI's future technology decisions.
- Worked with Property and Casualty staff to develop an interface between the NAIC's automated Electronic Rate and Form Filing and Property and Casualty's tracking system. The project received a special recognition award from the National Association of State Information Resource Executives to honor it as a technology project that significantly improves the way government interacts with its constituents.
- Monitored technology bills during the 77th legislative session and provided assessments of their possible impact on the agency.
- Participated in the Texas Information Technology Academy (ITA) pilot program, a public-private partnership led by the Comptroller of Public Accounts. IS sponsored two ITA graduates and brought them into the IS division.
- Monitored project management to ensure the percentage of scheduled projects completed on time and within budget remained consistently high (81 percent in FY2001).
- Helped enhance the agency's fifth year of Internet presence by:
 - Working with agency programs, including the Public Information Office, to restructure and redesign the TDI Web site to improve navigation for visitors and ease of upkeep for employees.
 - Offering live audio broadcasts of the Commissioner's Public Hearings and agency events via the Internet, as well as providing access to archived versions of the broadcasts for replay at any time.
 - Promoting use of TDI's Web site, which saw monthly "hits" increase to more than 694,000 per month by August 2001, up nearly 200,000 from August 2000.
 - Working with agency programs to add pertinent and timely information to the Web site, including proposed rules, an interactive company profile information, interactive

consumer complaint forms, a variety of pamphlets and publications, rate guides, lists of agents, listings of companies and insurance/agency forms.

- Helped implement state business on the Web, including:
 - Participating as one of eight original state agencies in the TexasOnline portal project and becoming one of the first agencies to offer online services to the public via the state portal.
 - Posting two fully automated online applications in partnership with KPMG. The Agent License Query/Renewals allows citizens and businesses to search for information about insurance agents. The same application allows insurance agents to renew their licenses online, including paying their renewal fees. Over 600 insurance agents per month now renew their licenses over the Internet using this service. The Subscriptions Renewals application allows customers to renew subscriptions to agency publications over the Internet, including paying any subscription renewal fees.
- Improved the agency's infrastructure and electronic communications by:
 - Installing ZenWorks server software to ensure reliable and efficient distribution of software and/or configuration changes to agency workstations.
 - Upgrading the agency's desktop faxing software for the network.
 - Replacing outdated technology by installing a Citrix server that provides up to 65 concurrent application sessions to agency personnel in the field.
 - Upgrading the Oracle database software to Version 8.1.6.
 - Completing an upgrade of 26 TDI applications from Oracle Forms 4.5 to current Forms release 6.0.
 - Continuing implementation of the Technology Obsolescence Plan, allowing for replacement of eight desktops and 185 laptops with current technology.
 - Upgrading all network firewall software and hardware in the Hobby Building and implementing a disaster recovery firewall for hardware housed at the Cameron Road warehouse.
- Continued agency-wide and IS disaster recovery and contingency planning by:
 - Conducting with Business Planning and Redesign a "Day One" test at the agency's alternate disaster recovery site. Participants reported to locations they would occupy in an actual disaster and logged on to the contingency planning environment.
 - Participating in an agency-wide "table top" exercise where executive management discussed their disaster procedures in relation to the agency's response.
- Refined information security at TDI by:
 - Updating the agency's Computer Security Manual.
 - Continuing to improve and enhance the agency-wide security awareness program, including publishing the security awareness training program.
 - Continuing to provide monthly security incident reports to DIR.
- Completed business unit IT initiatives, including:
 - Working with Human Resource staff and an outside vendor to upgrade the Human Resources Management System. The upgrade was completed remotely and adds additional functionality to the application.
 - Assisting Consumer Protection staff in the design of an electronic workflow system.
 - Assisting the HMO staff in the design and implementation of a Delegated Entity System to interface with the Complaint Inquiry System (CIS). The new system allows systematic sharing of information about delegated entities among those who process complaints and helps ensure that delegated entity data is captured, managed and reported.
 - Upgrading the Open Records Tracking System to provide enhanced query capabilities.
 - Working with State Fire Marshal's Office to design and implement an automated Juvenile Firesetters Intervention Program.
 - Completing the installation of the COSMOS Agents License application, including interfaces with other agency systems.
 - Enhancing the HMO Quality Assurance Audit Database to enable TDI staff to conduct on-site examinations.

- Enhancing the Financial Statement System and the Microfilm system and converting both systems to the latest version of Oracle forms.
- Modifying all letters, forms and licenses generated by Oracle to conform to the agency-wide standard letterhead format.

Human Resources

- Improved communication of Human Resources information by making more information available to agency employees through the Intranet, employee and manager roundtables and regular meetings with personnel liaisons. Communications on the Employee Assistance Program were placed on the agency Intranet. Human Resources began a monthly “hot topic” to communicate policy information to employees. In addition, management articles on human resource related topics were sent to agency managers on a regular basis.
- Reviewed and prepared analysis for implementation of legislation from the 77th legislative session.
- Implemented legislatively mandated salary increase and a targeted pay increase for financial examiners.
- Continued participation in the State Agency Coordinating Committee (SACC), the SACC HR Subcommittee and the SACC Training and Development Subcommittee. TDI’s Manager of Professional Development completed her first year as Chair of the SACC Training and Development Subcommittee.
- Developed and conducted a training needs assessment, with an employee response rate of 35 percent.
- Conducted management roundtable sessions for program management groups, which provides a forum for managers and Human Resources to discuss human resource related topics in a learning environment.
- Developed new management training program to be delivered in FY2002.
- Delivered legislatively mandated sexual harassment and discrimination training to 100 percent of agency staff.
- Reviewed leave accounting system for development of an in-house automated leave accounting system.
- Developed time card guidebook for agency time card liaisons and employees.
- Traveled to field offices to deliver training and summer enrollment information.
- Held recognition ceremony to present awards for state service, State Employee Charitable Campaign participation, and State Employee Incentive and Productivity participation.
- Developed and delivered a comprehensive end of the year annual report to program areas. Information on vacancies, time to fill positions, turnover rates and projections on human resource related issues were provided to and discussed with program heads.
- Processed 1,054 personnel actions for the agency, including merit raises, promotions, transfers and separations of employment.
- Revised hiring processes based on a team of HR staff recommendations to reduce the time to hire new employees.
- Participated in the State Employee Charitable Campaign and had a 21 percent participation rate from TDI employees.
- Delivered 40 Wellness Program events.
- Completed pilot project with Information Services and Consumer Protection to test feasibility of on-line training program.
- Completed development of on-line registration for internal training courses.
- Delivered 516.5 hours of training, including segments on new employee orientation, Spanish, communication, customer service and management.
- Delivered 406 hours of insurance training including in-house Chartered Property Casualty Underwriter (CPCU) and insurance regulation courses. TDI’s passing ratio for insurance examinations is consistently higher than the national average.

- Filled 200 positions in FY2001.
- Time to hire in FY2001 was 70 days compared to 92 days in FY2000.

Business Planning and Redesign

- Continued to lead a multi-phased project aimed at improving the way TDI creates, uses, revises, processes and stores agency records and forms.
- Developed an agency-wide database of all TDI forms, which will be maintained as the agency's Forms Inventory.
- Initiated TDI's E-Commerce Work Group to identify opportunities that will enhance our efforts to meet customer service and regulatory needs in an electronic or online environment.
- Drafted a handbook on electronic/digital signature terms, concepts, and technology to assist TDI programs when they consider converting processes to an electronic or online environment.
- Conducted a case study of the Company Licensing division's records management practices that will serve as the foundation for a guidebook that all TDI programs can use to enhance records management strategies.
- Monitored and reported on the status of FY2000-2001 business plan projects and initiatives.
- Helped agency work groups implement legislation and FY2000–2001 business plan projects.
- Coordinated Planning Work Group meetings that provide an agency-wide forum for discussing and prioritizing projects requiring Administrative Operations support.
- Served as the Customer Relations Representative and helped customers seeking information or assistance from TDI.
- Reviewed the results of the Customer Satisfaction Survey with programs and assisted them in developing customer service improvement projects and initiatives.
- Maintained the Agency-Wide Information Page on TDI's Intranet, providing access to and updates on agency projects and processes.
- Worked with Information Services, Administrative Services and program areas to test and update disaster recovery/business continuity plans for each work group and the agency as a whole.
- Worked with Information Services, Administrative Services and program areas to enhance the agency-wide process for developing and seeking approval of proposed projects.
- Assisted programs by communicating with the Foundation for Insurance Regulatory Studies in Texas regarding grants that benefit TDI.
- Worked with Human Resources to successfully administer the State Employee Incentive Program, with HR responsible for overall program administration and BPR responsible for evaluating the suggestions and preparing implementation plans for approved suggestions.
- Assisted programs in evaluating the need, costs and benefits of projects requiring Administrative Operations support.

Employee Ombudsman and Ethics Advisor

- Assisted TDI employees in resolving a variety of workplace issues and conflicts through counseling, coaching, mediation and facilitation.
- Provided management skills assistance to specific divisions and departments.
- Represented TDI as a speaker and presenter at conferences, workshops and seminars that addressed various workplace issues, including sexual harassment and discrimination training.

Comparison of Maintenance Tax Rates: FY1991–FY2001 Figure 57

	MAX LEGAL RATE	FY92	FY93	FY94	FY95	FY96	FY97	Fy98	FY99	FY00	FY01
Motor Vehicle	0.2	0.07	0.058	0.069	0.068	0.055	0.066	0.056	0.058	0.055	0.057
Fire	1.25	0.574	0.525	0.606	0.656	0.436	0.418	0.370	0.381	0.358	0.352
Workers' Compensation	0.6	0.217	0.200	0.386	0.120	0.093	0.096	0.085	0.072	0.055	0.060
Casualty	0.4	0.210	0.210	0.295	0.319	0.209	0.251	0.197	0.232	0.200	0.186
Title	1.0	0.178	0.132	0.187	0.171	0.110	0.135	0.174	0.123	0.144	0.086
Life, Accident and Health	0.04	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Third-Party Administrators	1.0	0.8	0.5	0.222	0.235	0.310	0.339	0.313	0.244	0.218	0.237
*HMO Multi-Service	\$2.00	1.25	\$0.78	\$1.23	\$1.27	\$0.68	\$0.80	\$1.21	\$1.08	\$1.08	\$1.11
*HMO Single Service		\$0.62	\$0.42	\$0.62	\$0.38	\$0.22	\$0.27	\$0.41	\$0.36	\$0.36	\$0.37
*HMO Limited Service								\$0.41	\$0.36	\$0.36	\$0.37
Prepaid Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.030	0.020

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

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