

2001

Annual Report



Texas Department of Insurance



Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C
333 Guadalupe • P.O. Box 149221, Austin, Texas 78714-9221
512 463-6464 telephone • 512 475-2005 fax • www.tdi.state.tx.us

José Montemayor
Commissioner of Insurance

November 19, 2001

The Honorable Rick Perry, Governor
The Honorable Bill Ratliff, Lieutenant Governor
The Honorable James E. "Pete" Laney, Speaker of the House

Dear Governors and Speaker:

I am pleased to submit the *126th Annual Report* of the Texas Department of Insurance for the year ended August 31, 2001, in compliance with Section 32.021, Chapter 32, *Texas Insurance Code*, and the General Appropriations Act, as well as requirements of the Comptroller of Public Accounts.

I am filing copies of this report simultaneously with the State Auditor, Legislative Budget Board, Comptroller of Public Accounts, Legislative Reference Library and State Library. As required, a copy of this report will be made available to insurance commissioners in other states. I also am notifying members of the Legislature of the report's availability in print and on the agency's Web site.

The State Auditor will consider Part V, the agency's financial report, as part of the audit of the statewide annual financial report. Consequently, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have questions about the contents of this report or affairs of the Texas Department of Insurance, I will be happy to respond.

Jose Montemayor, Commissioner of Insurance

126th

Annual Report
to the Governor & Legislature



**For Fiscal Year 2001
ending August 31, 2001**

José Montemayor, Commissioner of Insurance

Table of Contents

Agency Vision	v
Agency Mission	v
Agency Goals	v
Agency Regulatory Philosophy	v
Functional Agency Organization Chart	vii

Part I Report of Program Activities

Preface	1
Consumer Help	1
Mold	1
Workers' Compensation	2
Insurance Fraud	2
Legislation	2
Figure 1 Comparison of Texas Private Passenger Automobile Insurance Market (Rate-Regulated/Non Rate- Regulated Insurers: 1993–2000) ..	3
Health Care	3
Figure 2 Texas HMO Enrollment: 1990–2001	4
HMOs	4
Prompt Payment Law	5
Financial	6
Race-Based Pricing	6
Solvency	6
Figure 3 Texas Domestic Insurance Company Receiverships: FY 1983–2001	7
Accomplishments & Actions	7
Agents	7
Automobile	7
Banks	7
Consumer Protection	7
Enforcement	7
Financial	7
Fraud	8
Health Care	8
Life Insurance	8
Long-term Care	8
Medical Malpractice	8
Privacy	8
Property & Casualty	8
Commissioner's Office	9
Highlights	10
Figure 4 Summary of Activity: Commissioner's Office	12
Figure 5 Commissioner's Contested Cases by Type	12

Part I Report of Program Activities

Figure 6 Summary of Activity: Internal Audit	13
Figure 7 Summary of Activity: Public Information Office	13
Legal and Compliance	13
Highlights	14
Figure 8 Summary of Activity: Legal and Compliance	16
Insurance Fraud Unit	16
Fraud Unit History	17
Highlights	17
Financial	18
Highlights	20
Figure 10 Insurance Companies in Supervision/Conservatorship ...	22
Figure 11 Insurers Under Court-Directed/ Special Administrative Action ...	22
Figure 12 Disposition of Companies Under Rehabilitation	22
Figure 13 Texas Guaranty Association Assessments: 1975–2001 ...	22
Figure 14 Summary of Activity: Holding Company	23
Figure 15 Summary of Closed Applications: Holding Company	23
Figure 16 Amount Paid for Control of Domestic Insurance Companies: FY1995–FY2001	23
Figure 17 Texas Policyholder Premiums, Claim Payments: CY1994–CY2000	24
Figure 18 Total Capital/Surplus of Insurance Companies Operating in Texas: CY1994–CY1999 ...	24
Figure 19 Number of Examinations: FY1995–FY2001	24
Figure 20 Number of Actuarial Opinions Reviewed: FY1995–FY2001	24
Figure 21 Number of Actuarial Examinations Performed: FY1995–FY2001 ...	25
Figure 22 Actuarial Projects Completed: FY1995–FY2001	25
Figure 23 Number of Reinsurance Agreements Reviewed: FY1995–FY2001	25
Figure 24 Continuing Care Retirement Communities (CCRCs) Filings ...	25

Table of Contents

Part I Report of Program Activities

Figure 25 Number of Company Licenses under Commissioner's Jurisdiction	25
Property and Casualty	25
Highlights	28
Figure 26 Summary of Activity: Personal Property	30
Figure 27 Summary of Activity: Commercial Property/Casualty	30
Figure 28 Summary of Activity: Personal & Commercial Automobile	31
Figure 29 Summary of Activity: Title Insurance	32
Figure 30 Numbers of Agents/Licenses Under Commissioner's Jurisdiction: Title Insurance	32
Figure 31 Summary of Activity: Commercial Property Oversight Inspections (formerly Inspection and Fire Safety)	32
Figure 32 Summary of Activity: Windstorm Operations	32
Figure 33 Summary of Activity: Engineering Services	32
Figure 34 Summary of Activity: Loss Control	32
Figure 35 Summary of Activity: Amusement Ride Safety and Insurance Act	33
Figure 36 Summary of Activity: Workers' Compensation Oversight Group	33
Figure 37 Summary of Activity: Workers' Compensation Classification	33
Figure 38 Summary of Activity: Workers' Compensation Management/Retrospective Rating/Group Purchase/Deductibles	33
Figure 39 Other Statistical Reports Collected	34
Figure 40 Rate and Rating Plan Filings in FY1998–1999	33
Life, Health and Licensing Program	34
Highlights	37
Figure 41 Summary of Activity: Intake Division Filings Received/Processed	40
Figure 42 Number of Licenses, Certificates and Registrations Under Commissioner's Jurisdiction	40

Part I Report of Program Activities

Figure 43 Summary of Activity: Licensing Division	41
Figure 44 Five-Year Summary of Agents License Statistics	41
Figure 45 Numbers and Types of Agents Licenses: FY1999–FY2000	41
Figure 46 Summary of Activity: Miscellaneous Lines	41
Figure 47 Number of Premium Finance Companies and Loans' Value: CY1996–CY2000	42
Figure 48 Summary of Activity: Life/Health Filings	42
Figure 49 Summary of Activity: Health Maintenance Organization Filings	42
Figure 50 Summary of Activity: Utilization Review Filings	42
Figure 51 Summary of Activity: HMO Complaints	42
Figure 52 Summary of Activity: HMO Projects/Inquiries	42
Consumer Protection	42
Highlights	43
Figure 53 Total Number of Complaint Cases Closed: FY1997–FY2001	45
Figure 54 Additional Claim Payments to Consumers: FY1997–FY2001	45
Figure 55 Restitutions/Refunds to Consumers: FY1997–FY2001	45
State Fire Marshal's Office	45
History	46
Highlights	47
Figure 56 Summary of Activity: Fire Marshal's Office	47
Administrative Operations	47
Highlights	50
Figure 57 Comparison of Maintenance Tax Rates: FY1992–FY2001	55
Part II Report on Certificates of Authority	
10-Year History: Certificate of Authority	57
Reconciliation	57
Types and Totals of Entities Licensed in Texas as of August 31, 2001	57

Table of Contents

Part II Report on Certificates of Authority

Summary of Activity: Early Warning	57
Types and Totals of Entities Holding a Certificate of Authority in Texas as of August 31, 2001 . .	58
New Companies Organized or Admitted to Texas Between September 1, 2000 and August 31, 2001	58
Cancelled Certificate of Authority Report:	62
Companies that Changed Name, Moved Home Office or Were Re-classified Between September 1, 2000 and August 31, 2001 . . .	65

Part III Liquidator's and Conservator's Reports

Summary of Supervisions: September 1, 2000–August 31, 2001	71
Summary of Conservatorships: September 1, 2000–August 31, 2001	71
Summary of Insurers under Court-Directed/Special Administrative Action: September 1, 2000–August 31, 2001	71
Insurance Companies in Supervision, Conservatorship or under Court-Directed/Special Administrative Action by Fiscal Year . . .	72
Companies in Supervision at Beginning of Fiscal Year 2001	72
Companies in Conservatorship at Beginning of Fiscal Year 2001	72
Art. 1.32/Insurers under Court-Directed/Special Administrative Action at Beginning of Fiscal Year 2001	73
Companies Placed in Supervision Between September 1, 2000 and August 31, 2001 . . .	73
Companies Placed in Conservatorship between September 1, 2000 and August 31, 2001 . . .	73
Insurers under Court-Directed/Special Administrative Action between September 1, 2000 and August 31, 2001 . . .	74
Companies Released from Supervision between September 1, 2000 and August 31, 2001	74
Companies Released from Conservatorship between September 1, 2000 and August 31, 2001	74

Part III Liquidator's and Conservator's Reports

Insurers Released from Court-Directed/Special Administrative Action between September 1, 2000 and August 31, 2001	74
Insurance Companies and Affiliates in Receivership as of August 31, 2001	75
Receiverships by Fiscal Year: New Receiverships/Receiverships Closed	75
Consolidated Receiverships Balance Sheet	76
Consolidated Receiverships Statement of Receipts and Expenditures	76

Texas Property and Casualty Insurance Guaranty Association Audited Financial Statements, December 31, 1999 and December 31, 2000

Statement of Financial Position	78
Statement of Activities and Changes in Net Assets	79
Statement of Cash Flows	80
Notes to Financial Statements	81

Life, Accident, Health and Hospital Service Insurance Guaranty Association Audited Financial Statements, December 31, 1999 and December 31, 2000

Statement of Financial Position	86
Statement of Activities and Changes in Net Assets	86
Statement of Cash Flows	87
Notes to Financial Statements	87

Texas Title Insurance Guaranty Association Audited Financial Statements, December 31, 1999 and December 31, 2000

Statement of Financial Position	92
Statement of Activities and Changes in Net Assets	92
Statement of Cash Flows	92
Notes to the Financial Statements	93

Part IV Summary of Information from Annual Statements

Top 40 Insurers/Homeowners	95
--------------------------------------	----

Table of Contents

Part IV Summary of Information from Annual Statements

Top 40 Insurers/Private Passenger Auto	95
Top 40 Insurers/Workers' Compensation	96
Top 40 Insurers/Accident and Health	97
Top 40 Health Maintenance Organizations/ Accident and Health	98
Top 40 Insurers/Life	98
Top 40 Insurers/Annuities	99
Texas Premium Summary	100
Property and Casualty 1999–2000	100
Life, Accident & Health and Annuity 1999–2000	101
Legal Reserve Life Insurance Companies for Calendar Year 2000, All Companies Combined	101
Legal Reserve Life Insurance Companies for Calendar Year 2000, Texas Business Only . . .	101
Stipulated Premium Companies for Calendar Year 2000	102
Fraternal Benefit Societies for Calendar Year 2000	102
Statewide Mutual Assessment Companies, Local Mutual Aid Associations and Burial Associations for Calendar Year 2000	102
Exempt Associations for Calendar Year 2000	103
Non-Profit Group Hospital Service for Calendar Year 2000	103
Health Maintenance Organizations for Calendar Year 2000	103
Non-Profit Legal Services Corporations for Calendar Year 2000	104
Stock Fire, Stock Casualty, and Stock Fire and Casualty Insurance Companies for Calendar Year 2000	104
Mutual Fire and Casualty Companies for Calendar Year 2000	105
Lloyds for Calendar Year 2000	106

Part IV Summary of Information from Annual Statements

Reciprocal Exchanges for Calendar Year 2000	106
County Mutual Fire Insurance Companies for Calendar Year 2000	107
Farm Mutual Insurance Companies for Calendar Year 2000	107
Risk Retention Groups for Calendar Year 2000	108
Title Companies for Calendar Year 2000	108

Part V Annual Financial Report

Exhibit I Combined Balance Sheet–All Fund Types/Account Groups and Discretely Presented Component Units . . .	110
--	-----

Exhibit II Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–All Governmental Fund Types and Expendable Trust Fund	113
--	-----

Exhibit IV Combined Statement of Revenues, Expenses, and Change in Fund Equity–All Proprietary Fund Types and Similar Trust Funds	114
---	-----

Exhibit V Combined Statement of Cash Flows– All Proprietary Fund Types	115
--	-----

Notes to the Financial Statements

Exhibit A-1 Combining Balance Sheet: Component Units/Proprietary Funds	126
--	-----

Exhibit B-1 Combining Balance Sheet: Fiduciary Fund Types	127
---	-----

Exhibit C-1 Combining Statement of Changes in Assets and Liabilities– All Agency Funds	128
---	-----

Schedule 1-A Schedule of Expenditures of Federal Awards	130
---	-----

Schedule 2 Summary of Revenues	132
---	-----

Schedule 2-A Comparative Statement of Revenues	134
--	-----

Agency Vision

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

Agency Mission

The Texas Department of Insurance regulates the Texas insurance industry firmly, fairly, effectively and efficiently.

TDI supports a fair, efficient and productive industry dedicated to the long-term concept of insurance and its contributions to society.

TDI works for the availability of quality insurance products for all Texans at reasonable prices and under reasonable terms and strives to protect consumers' insurance assets.

TDI enforces solvency standards and promotes competition in the industry while protecting consumers from fraud, misrepresentation and unfair practices.

TDI educates the public about insurance so that Texans can make informed choices, and TDI insists that the industry be responsive to its customers.

TDI works to make Texas a place where industry will want to do business.

TDI works to protect the lives and property of the citizens of Texas from fire and fire-related hazards.

Agency Goals

- ◆ Ensure that Texas consumers are effectively and efficiently served by high-quality professionals and businesses by setting clear standards, maintaining compliance and seeking market-based solutions.
- ◆ Encourage fair competition in the insurance industry.
- ◆ Encourage the financial health of the insurance industry through monitoring and regulation.
- ◆ Decrease insurance industry loss costs.
- ◆ Reduce loss of life and property due to fire.

Agency Regulatory Philosophy

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

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

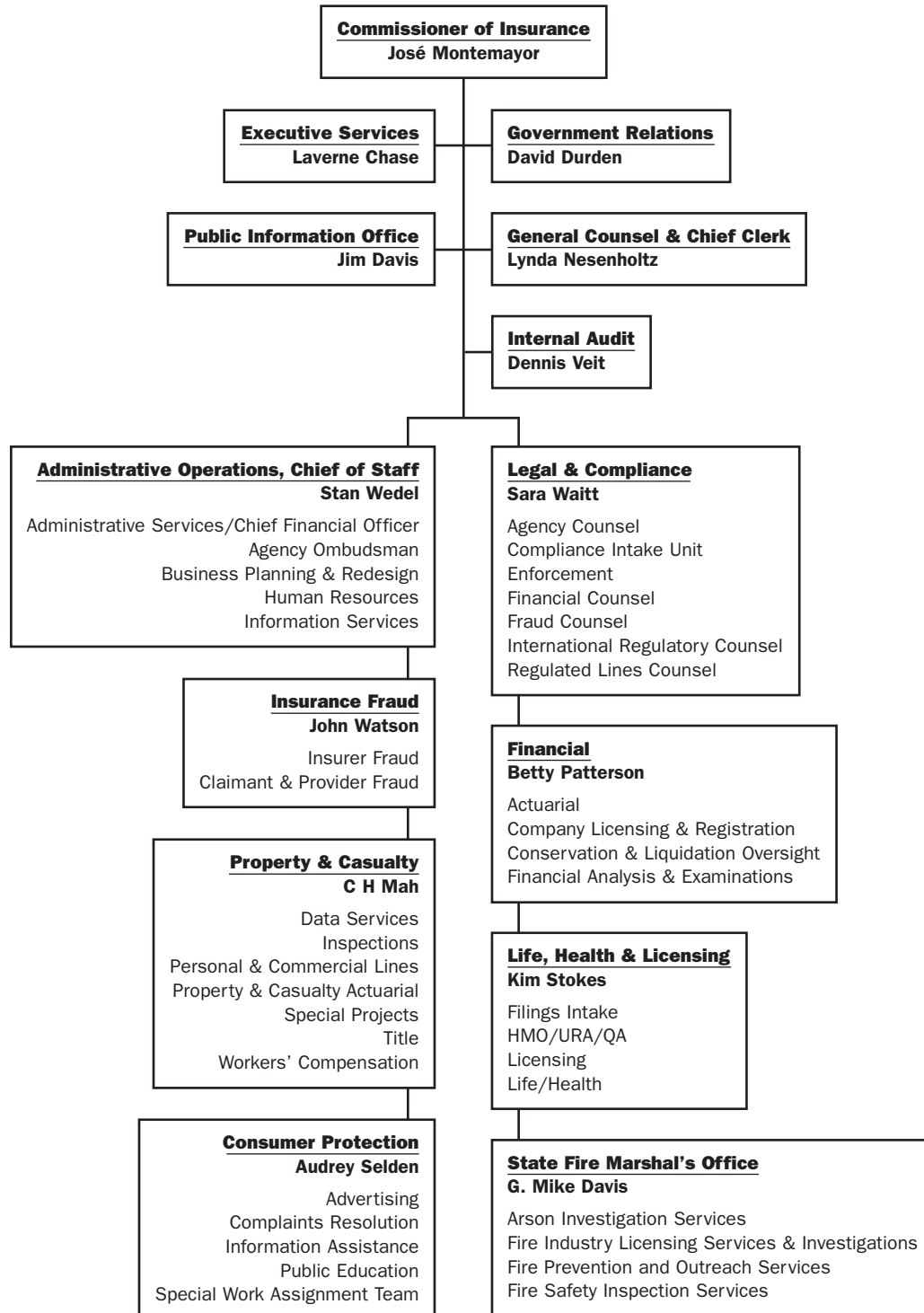
Agency Regulatory Philosophy

- ◆ We believe that each employee is an integral part of our team effort to serve the people of the State of Texas. We pledge to share our knowledge and to assist each other in achieving the mission of the agency.
- ◆ We believe in decentralizing power and delegating authority to our employees. We pledge to do our best individually and recognize that each of us is responsible and accountable for our actions.
- ◆ We have a responsibility to the people working in the insurance industry.
- ◆ We pledge to make Texas a place where industry will want to do business.
- ◆ We pledge to support a fair, efficient and productive industry dedicated to the long-term concept of insurance, and its contributions to society.
- ◆ We pledge to communicate concerns, problems and issues to the industry. We encourage industry to communicate its suggestions and concerns to the Department.
- ◆ We pledge to assist the industry in an efficient and responsive manner in meeting its obligations to the public and its policyholders.

Explanatory Note

References to statutes and insurance-related legislation: Unless otherwise noted, statutory references, including citations of articles, refer to the Texas Insurance Code.

Functional Agency Organization Chart
as of August 31, 2001



This page intentionally left blank.