

Part I

Report of Program Activities



This section of the Texas Department of Insurance's *127th Annual Report* gives a brief summary of major activity of agency programs and divisions during Fiscal Year 2002. Some agency reorganization occurred during the fiscal year. This report reflects the agency structure as it existed on August 31, 2002.

issued by the **Texas Department of Insurance**

FY 2002 brought new concerns for the Texas Department of Insurance (TDI) as it continued its roles of protecting insurance consumers and regulating the \$71.5 billion-a-year Texas insurance industry, including dealing with mold-related claims, the tightening of the homeowners insurance market, and payment of providers' claims.

This report summarizes major TDI activities from September 1, 2001, through August 31, 2002.

Mold and New Residential Property Policies

To address availability and affordability problems arising from the exponential rise in mold-related claims over the past two years, TDI held a number of hearings and Mold Advisory Task Force meetings during FY2002 on mold and proposed changes to Texas residential property insurance policies.

The Commissioner's informational hearings on mold coverage gathered information and comments on the extent to which mold coverage should be provided in Texas residential property insurance policies.

Following the public hearings, promulgated residential property policy forms were restructured to stress consumer choice on mold-related coverage. The new policy modifications:

- Delete mold remediation coverage from the basic policy.
- Specify that coverage of mold requires that the covered discharge, leakage or overflow of water or steam be "sudden and accidental."
- Provide for mandatory endorsements allowing consumers to buy coverage at a specified percentage of policy limits to cover damage from mold, fungi or other microbes.
- Prohibit "stacking" of mold-related claims beyond coverage limits should the policyholder purchase mold coverage.

As a result, the Department anticipates a reduction in losses for expensive and unregulated procedures that have contributed to unexpected and dramatic losses and premium increases.

Additional consumer choices were provided with the approval of national homeowners forms for State Farm, USAA, and the Insurance Services Office (ISO). Companies using the new policy forms have agreed to reduce rates to reflect coverage differences between the new policy forms used in most states and the standard Texas HO-B homeowners policies sold in the past.

Data calls related to mold claims provided information on the extent of the problem. In addition, the 19-member Mold Advisory Task Force developed the brochure *Effectively Handling Water Damage and Mold Claims: A Consumer Guide*. The publication includes suggested claim handling practices for insurers. TDI also worked with the Texas Department of Health to develop a related consumer publication *Protecting Your Home From Mold*.

Homeowners Insurance Market

Almost 95 percent of the homeowners insurance market was mostly unregulated as to rates in 2001, up from 91.5 percent in 2000 and 62.9 percent in 1993 (see Figure 1). The industry has moved most of its homeowners insurance business to Lloyds companies and reciprocal exchanges, which are exempt by law from most regulations affecting their property insurance rates.

To help Texans shop for homeowners insurance, TDI began work late in FY2002 on a new program to supplement TDI's rate guide for homeowners insurance and the Department's brochures that help Texans understand and shop for coverage. On September 18, 2002, TDI announced a new Web site—www.helpinsure.com—and a new toll-free number—1-866-695-6873—to provide Texans with a free and secure way to find coverage. By filling out one form—either online or through the toll-free telephone line—Texans may now apply to multiple insurance companies and agents. In turn, companies and agents have password-protected access to the data and may offer coverage to any homeowner listed. The hope is that the

Web site and toll-free number will provide Texans with a more efficient and more effective way to shop for homeowners insurance.

Helpinsure.com also allows consumers to type in a ZIP Code and get back a list of agents in their area authorized to sell for companies currently writing homeowners insurance in Texas. Visitors also can review a list of insurance companies currently offering coverage in Texas, along with contact information, or read more about homeowners insurance and the Texas insurance market.

Figure 1 Comparison of Homeowners Market in Texas between Rate-Regulated and Non Rate-Regulated Insurers¹

YEAR	NUMBER OF POLICIES WRITTEN ²			PERCENT OF POLICIES WRITTEN	
	RATE-REGULATED	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	960,612	1,626,152	2,586,764	37.1%	62.9%
1994	816,281	1,713,825	2,530,106	32.3%	67.7%
1995	819,552	1,786,159	2,605,711	31.5%	68.5%
1996	797,419	1,909,884	2,707,303	29.5%	70.5%
1997	643,280	2,086,864	2,730,144	23.6%	76.4%
1998	438,704	2,412,109	2,850,813	15.4%	84.6%
1999	339,152	2,722,720	3,061,872	11.1%	88.9%
2000	272,056	2,941,323	3,213,379	8.5%	91.5%
2001	168,347	3,149,600	3,317,947	5.1%	94.9%

YEAR	AMOUNT OF WRITTEN PREMIUM ³			PERCENT OF WRITTEN PREMIUM	
	RATE-REGULATED	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	\$688,083,892	\$1,202,419,513	\$1,890,503,405	36.4%	63.6%
1994	\$724,314,289	\$1,561,593,999	\$2,285,908,288	31.7%	68.3%
1995	\$659,445,079	\$1,515,038,186	\$2,174,483,265	30.3%	69.7%
1996	\$716,568,217	\$1,914,051,902	\$2,630,620,119	27.2%	72.8%
1997	\$578,637,807	\$2,208,269,445	\$2,786,907,252	20.8%	79.2%
1998	\$404,146,866	\$2,492,249,687	\$2,896,396,553	14.0%	86.0%
1999	\$322,396,764	\$2,856,915,602	\$3,179,312,366	10.1%	89.9%
2000	\$258,528,995	\$3,036,363,584	\$3,294,892,579	7.8%	92.2%
2001	\$149,103,064	\$3,480,364,747	\$3,629,467,811	4.1%	95.9%

Note: Some 885 companies were licensed to write fire and allied coverages in Texas in 2001, according to an analysis by TDI staff. Of those, only 150 reported any fire or allied lines premium activity that year.

1 Does not include Dwelling, Tenant/Condo, or Farm and Ranch; excludes TWIA Premium and Policy experience

2, 3 Figures are as of year-end. Source: Texas Residential Statistical Plan

Auto Insurance Market

Almost 77 percent of the private passenger automobile insurance market remained regulated as to rates in 2001, down slightly from the 78.4 percent in 2000 and 86.7 percent in 1993 (see Figure 2). About 23 percent of the insured private passenger automobiles are covered by county mutuals, which are exempt by law from most regulations affecting their private passenger auto insurance rates.

Figure 2 Comparison of Private Passenger Automobile Insurance Market in Texas between Rate-Regulated and Non Rate-Regulated Insurers

YEAR	NUMBER OF VEHICLES INSURED ¹			PERCENT OF VEHICLES INSURED	
	RATE-REGULATED	NON RATE-REGULATED	TOTAL	RATE-REGULATED	NON RATE-REGULATED
1993	7,881,680	1,210,450	9,092,130	86.7%	13.3%
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%
1998	8,412,394	2,423,928	10,836,322	77.6%	22.4%
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%
2001	8,923,445	2,686,335	11,609,780	76.9%	23.1%

Comparison of Private Passenger Automobile Insurance Market in Texas between Rate-Regulated and Non Rate-Regulated Insurers

Figure 2

YEAR	AMOUNT OF PREMIUM WRITTEN ³			PERCENT OF PREMIUM WRITTEN	
	RATE-REGULATED ²	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%
1996	\$5,796,258,626	\$2,152,607,943	\$7,948,866,569	72.9%	27.1%
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%
2001	\$6,722,374,015	\$2,641,984,782	\$9,364,358,797	71.8%	28.2%

1 Figures are as of year-end. Source: Texas Private Passenger Automobile Statistical Plan, Quarterly Market Report

2 Rate-regulated includes assigned risk figures

3 Source: State of Texas P&C Insurance Experience by Coverage and Carriers Report

Workers' Compensation

TDI continued to document the refund of the workers' compensation maintenance tax surcharge to policyholders in FY2002. Although the bulk of the refunds were delivered in the previous fiscal year, some policyholders were not located until FY2002. Staff also verified that insurance companies returned appropriate amounts to the Texas Mutual Insurance Company—formerly known as the Texas Workers' Compensation Insurance Fund—as required.

Report on the Condition of Texas Mutual Insurance Company

The Texas Workers' Compensation Insurance Fund (the Fund) was created by HB 62 during the 2nd Called Session of the 72nd Legislature to:

- Serve as a competitive force in the marketplace.
- Guarantee the availability of workers' compensation insurance in Texas.
- Serve as an insurer of last resort in Texas.

The Fund wrote its first workers' compensation policy in the voluntary market effective January 1, 1992, and wrote its first policy as the insurer of last resort effective January 1, 1994.

Under HB 3458, 77th Legislature, effective September 1, 2001, the Fund became the Texas Mutual Insurance Company and now operates as a domestic mutual insurance company writing workers' compensation business in the state of Texas.

As of December 31, 2001, the Texas Mutual Insurance Company was the largest writer of workers' compensation insurance in Texas, with a nearly 18 percent share of the market (see Part IV).

Selected Financial Information for Texas Mutual Insurance Company

Figure 3

BALANCE SHEET	2000	2001
Assets	\$1,342,198,625	\$1,480,503,146
Liabilities	\$690,717,770	\$825,251,404
Policyholders Surplus (PHS)	\$651,480,855	\$655,251,742
PREMIUM		
Net Written Premium	\$299,875,010	\$414,183,989
OPERATING RESULTS		
Net Underwriting Gain (Loss)	(\$27,147,204)	(\$36,230,896)
Net Investment Gain (Loss)	\$82,891,017	\$88,276,660
Net Income (Loss)	\$29,047,189	\$24,663,885

Medical Professional Liability Insurance

In FY2002, TDI staff continued monitoring market activities surrounding medical professional liability insurance for physicians and other health care providers, including nursing homes. Data gathered for the Texas market, as well as comparisons to markets in other states, were used for various legislative hearings during the final quarter of the fiscal year.

TDI also approved a Joint Underwriting Association (JUA) filing allowing for claims-made policies for physicians and surgeons; these policies include coverage for prior enlarged the medical malpractice insurance choices for physicians approved through the JUA. In addition, JUA rates for certain specialties were lowered.

After consultation with the Health and Human Services Commission (HHSC) and an interdisciplinary task force appointed by the Commissioner, TDI staff drafted and recommended the adoption of Best Practices for Risk Management and Loss Control that may be used by for-profit and not-for-profit nursing homes. Insurers, including the JUA, may consider a nursing home's adoption and implementation of these "Best Practices" when determining the rate for a nursing home's medical liability insurance.

Prompt Payment Law

During FY2002, the Commissioner and staff spent considerable time and effort addressing compliance with the Texas prompt payment law.

Texas law requires HMOs and insurance companies with preferred provider plans to timely pay "clean claims" submitted by contracted physicians and health care providers. In general, insurance companies and HMOs must pay clean claims not later than 45 days after receipt. Despite the law and Texas Department of Insurance (TDI) rules designed to expedite claims payment, physicians and providers continued to complain that claims often were paid slowly or were inappropriately rejected. In April 2001, following a series of meetings with provider groups across Texas, the Commissioner announced several initiatives to improve compliance with the prompt payment law and rules. Among those initiatives was the appointment of an ombudsman to help resolve complaints about slow payment.

Commissioner Jose Montemayor designated Senior Associate Commissioner Audrey Selden, head of TDI's Consumer Protection Program, as the health care Provider Ombudsman. In addition, a Provider Ombudsman Team composed of staff from throughout the agency was assembled to streamline the complaint process, educate consumers and the industry, and recommend rule changes and corrective action against companies and HMOs that failed to pay clean claims timely.

To date, the agency has entered into consent orders with 47 insurance companies and HMOs. The orders required the companies and HMOs to pay \$45.4 million in restitution to providers and more than \$14.9 million in administrative penalties for failing to pay claims timely. The restitution includes payment to approximately 34,000 providers.

Since the inception of the Provider Ombudsman Team, TDI has sponsored several workshops for insurer and HMO staff, as well as for physicians, providers and their billing staff. In addition, the clean claims rules have been amended to clarify required data elements to facilitate prompt payment of claims, and special provider resource pages have been added to the TDI Web site to address frequently asked questions and distribute information efficiently.

Health Care

In February 2001, TDI was awarded a \$1,350,735 federal grant to study:

- Why so many Texans lack health insurance—about 21 percent in 2000. (See Figure 4).
- How to expand coverage to include more people.

During much of FY2002, TDI staff conducted extensive research and coordinated several statewide surveys to obtain data used to develop options for increasing the affordability and availability of health insurance.

As part of the study, TDI contracted with the Public Research Institute of Texas A&M University to conduct a statewide survey of uninsured households and to coordinate focus group sessions with uninsured Texans and small employers in 15 cities across the state. Information from the surveys and research activities provided the basis for options presented in *Texas State Planning Grant Final Report to the Secretary U.S. Department of Health and Human Services, March 2002*.

Though no single approach was recommended in the report, the study yielded several possible options for further consideration. These options include:

- Redesigning the two small employer standard benefit plans to make the plans more affordable and more attractive to both employers and insurers.
- Considering revisions to the rating requirements for small employer health plans.
- Creating a statewide small employer purchasing alliance.
- Publishing a small employer rate guide.
- Conducting community “health insurance fairs” in cities throughout Texas to provide assistance to small employers and, perhaps, individuals seeking health insurance.
- Expanding coverage under CHIP to allow parents to “buy-in” to the program.

TDI began work on a small employer rate guide and conducted a series of small employer health insurance fairs statewide shortly after the close of FY2002.

Under an extension of the Texas Statewide Planning Grant program, staff will continue to develop these policy options, working with actuarial consultants and working group members. A supplemental report on the additional grant activities will be submitted in February 2003.

Number and Percentage of Texans Without Health Insurance: 1994–2000 Figure 4

YEAR	UNINSURED RATE	NUMBER UNINSURED
1991	22.1%	3,755,000
1992	23.1%	4,144,000
1993	21.8%	3,981,000
1994	24.2%	4,580,000
1995	24.5%	4,615,000
1996	24.3%	4,680,000
1997	24.5%	4,836,000
1998	24.5%	4,880,000
1999	23.3%	4,664,000
2000	21.4%	4,500,000

Source: *Texas State Planning Grant Final Report to the Secretary U.S. Department of Health and Human Services, March 2002*

HMOs

In FY2002, health maintenance organizations (HMOs) in Texas began to see an improvement in their financial picture.

The number of HMOs in the state peaked at 72 at the end of 1998 before starting a decline that reached 57 by the end of FY2002. Most of that decrease has been in basic-service HMOs, which dropped from 51 licensed in 1998 to 36 at the end of FY2002, due mostly to mergers and acquisitions. In addition, Texas ended the fiscal year with 16 single-service HMOs, three limited service HMOs and two Provider Sponsored Organizations, or PSOs, with one application pending for licensure.

In FY2002, TDI was in the fourth year of implementing 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 fourth year of stronger capitalization requirements adopted by the 76th Legislature. All these changes appeared to be nudging the HMO industry toward the goal of economic self-sufficiency.

At the end of FY2002, basic-service HMOs, taken as a whole, made a profit on their Texas-only business for the first time in six years. Aggregate after-tax losses for the Texas-only business for the 23 quarters ending December 31, 2001, totaled \$2,044,634,128. Profits for the first two quarters of calendar year 2002 totaled \$15,670,496.

Single-service HMOs remained profitable, reporting net income of \$5,323,367 for the second quarter of 2002 on Texas-only business.

The past two years have seen the costly collapse of several largely unregulated entities to which HMOs transfer financial risk. The 77th Texas Legislature took some positive steps toward addressing these entities by enacting House Bill 2828. HB 2828 strengthens oversight of entities to which an HMO may delegate some of its functions. Rules implementing this legislation became effective October 13, 2002.

Figure 5 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	*2,273,557
1998	3,768,999	*2,406,594
1999	3,873,684	*2,861,374
2000	3,937,967	*2,965,260
2001	3,611,072	*3,532,576
Through 6/30/02	3,319,546	*3,417,930

Note: Membership numbers are from annual statements filed by HMOs and include only Texas HMO members. These numbers may include duplication of some individuals in more than one type of service plan. Self-funded plan members under “administrative services only” contracts aren’t included. Prior year amounts changed because of amendments filed by the HMOs.

* Single service membership numbers have been changed to reflect Texas-only membership; whereas, previously we reported industry-wide numbers.

Insurance Fraud

Insurance fraud is one of the costliest white-collar crimes. Insurance fraud costs American families at least \$950 per year, on average, according to the Coalition Against Insurance Fraud.

Insurance fraud occurs when claimants deceive insurance companies or when anyone, whether licensed or unauthorized, deceives consumers and collects money to which they are not entitled.

TDI’s Fraud Unit investigates and refers for criminal prosecution fraudulent activities perpetrated by claimants and by those in the insurance business, whether licensed or unauthorized.

In September 2001, the Fraud Unit created two major case teams, one in the claimant provider section and the other in the insurer fraud section. The major case teams focus their investigations on large-scale claim fraud schemes, unlicensed entity fraud and insurance company key employee fraud.

The Unit’s toll-free hotline for reporting fraud continued to receive a steady flow of calls, with a total of 3,051 calls received in FY2002, and 320 case opened.

Race-Based Pricing

The Department has been investigating allegations of overcharging of minority policyholders by certain life insurance companies. The investigation has focused on identifying patterns of race-based pricing that may have led to African American and other minority policyholders paying more than Whites for the same life insurance.

The probe began in June 2000 with an initial survey of 33 insurers that sold industrial life policies. Additional insurers were surveyed, and as of May 1, 2002, TDI had entered into three consent orders covering policies sold by more than two dozen companies. Pursuant to these orders, nearly 348,000 Texans have received or will receive restitution and other benefits valued at more than \$12 million.

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.

As illustrated in the following figure, the number and dollar amount of insurer insolvencies has remained relatively small in recent years.

Texas Domestic Insurance Company Receiverships: FY1983–2002

Figure 6

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
2002	1	2	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.

The overall state of the economy is changing, and recent developments will present major challenges to the Agency's efforts to maintain a financially healthy insurance industry. With the decline of investment income resulting from a weakened stock market, TDI will have to monitor even more closely each company's operating results and business practices. Additional scrutiny will have to be applied to non-insurer holding companies with insurer subsidiaries, to assure that losses by other group members do not adversely affect the insurers. Other issues, including the decreased availability of reinsurance following the terrorist attacks of 2001, could have profound effects on the industry. All of these factors, and more, demand that TDI continue its vigorous efforts to monitor the solvency of the insurance industry and intervene if necessary.

Consumer Help

In 2001, Tropical Storm Allison brought massive flooding to the Houston area. The summer of 2002 brought another massive effort to help flood victims—this time in Central Texas and the Abilene area.

The 2002 flooding led to at least nine deaths and damage to an estimated 48,000 homes in the Hill Country, San Antonio and Abilene areas, according to the U.S. Geological Survey. Nearly 250 flood rescue calls were reported, more than 130 roads were closed, and thousands of homes and businesses lost electrical power and telephone service.

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 12 disaster relief centers (DRCs) established by FEMA. The volunteers distributed insurance information, accepted complaints and helped victims link up with insurance adjusters. By the time the program ended, more than 65 TDI employees had participated in the effort.

Thirty-nine counties were identified by the Federal Emergency Management Agency (FEMA) as Federal Declared Disaster areas. They were Atascosa, Bandera, Bee, Bexar, Blanco, Brown, Burnet, Caldwell, Calhoun, Callahan, Coleman, Comal, Dimmit, Duval, DeWitt, Eastland, Frio, Gillespie, Goliad, Gonzales, Guadalupe, Hays, Jim Wells, Karnes, Kendall, Kerr, La Salle, Live Oak, McMullen, Medina, Nueces, Real, San Patricio, Taylor, Travis, Uvalde, Victoria, Wilson and Zavala Counties. By October 14, federal agencies had provided almost \$91 million in emergency aid to more than 28,000 residents affected by the July floods.

Accomplishments & Actions

Agents

New agent licensing law (SB 414) becomes effective and rolls 44 license types into 23, provides for licensure of non-residents, removes impediments to licensure of corporations and banks as agents and requires examinations and continuing education for most agents.

Automobile

Commissioner adopts rules to implement optional mile-based rating system (HB 45).

Consumer Protection

TDI sends teams to assist consumers in July following heavy flooding in the Hill Country and San Antonio.

Commissioner adopts updated versions of Consumer Bills of Rights for auto and homeowners insurance.

Enforcement

After 17 HMOs and preferred provider carriers pay \$9.25 million in fines, plus restitution, in FY2001 for prompt payment violations, another 12 health insurers and HMOs pay \$1.7 million in fines, plus restitution, for prompt pay violations in FY2002. Fourteen additional insurers also pay \$3.9 million, plus restitution, for clean claim violations in FY2002. Payments included \$7.2 million in prepaid restitution.

Farmers Insurance Group agrees to pay \$100,000 fine and to refund \$15 million to customers whose auto policies were surcharged longer than the required three years.

Financial

Special deputy receiver distributes checks totaling \$13.8 million to policyholders of long-defunct Members Mutual Insurance Co.

New rules require fingerprinting of key people involved in insurance company mergers and acquisitions.

Surplus lines stamping fee is reduced from 0.25 percent to 0.15 percent of gross premiums.

Insurance company annual statements go on-line and become accessible through TDI's Web site.

HMO quarterly financial reports reveal basic-service HMO industry has first profitable quarter since 1996.

Fraud

American Benefit Plans, an unauthorized insurer, is placed in receivership. Court fines the company \$4.15 million for unauthorized insurance activities.

TDI issues bulletin warning agents against selling unlicensed health plans.

Ajax Health Benefit Plan, affiliate and principal fined \$1 million each and ordered to stop unlicensed health insurance business.

Emergency cease-and-desist order issued to Office and Professional Employees International Union and others to stop unlicensed health care plan.

Seven indicted and convicted in Houston-based homeowners claim fraud ring.

Health Care

State Planning Grant conference provides forum for those wanting to contribute ideas and information for final report to the Secretary, U.S. Department of Health and Human Services, on health care for the uninsured.

TDI advises insurers via bulletin that Children's Health Insurance Program (CHIP) coverage is secondary to student accident insurance coverage.

TDI adopts a standard credentialing form so that physicians need fill out only one form for entities requiring credentialing information.

Life Insurance

TDI adds remaining domestic life companies active before 1980 to race-based pricing inquiry.

Advisory committee on small face amount life policies holds meetings in Austin and Houston during FY2002 (HB 2415).

Long-Term Care

Commissioner adopts rules on long-term care rating practices and rate disclosures.

Medical Malpractice

JUA authorized to use claims-made policies.

JUA rate guide added to TDI Web site.

Commissioner adopts "best practices" designed to bring down nursing home medical professional liability rates.

Privacy

Commissioner adopts "opt-in" rules on privacy of non-public personal health information collected by insurers and HMOs (SB 11).

Property

Mold coverage hearings continued into FY2002, with a hearing in Houston.

Commissioner adds new classification 8B to Public Protection Classifications to reduce property rates in recognition of improved fire protection in some areas assigned to Class 9.

TDI asks Attorney General to investigate mold remediation in Nueces County because of extremely large disparity in cost of mold-related water claims in that area.

Commissioner adopts rules and endorsements scaling back mold coverage in Texas residential property policies in effort to address availability and affordability problems.

Commissioner appoints Advisory Task Force for Mold-Related Claims.

Commissioner orders market conduct examinations of Allstate, Farmers and State Farm because of steep homeowners premium increases.

Commissioner adopts State Farm, USAA and ISO national homeowners policy forms.

Work begins on Helpinsure.com, a new TDI Web site aimed at helping Texans find homeowners insurance.

TDI issues "suggested practices" for preventing water claims from developing into mold claims.

TDI issues bulletin reminding insurers that they must fully explain residential property insurance coverage and premium changes when selling or renewing policies.

TDI completes two emergency updates of homeowners rate guide to deal with rapidly changing market, including rate increases.

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 and Texas Automobile Insurance Plan Association ("assigned risk plan") coverages. The Texas Windstorm Insurance Association ("Windpool") must submit its proposed rates for the Commissioner's approval.

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 FY2002, the Commissioner's Office included the Chief of Staff and five activities.

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

General Counsel 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-making; performs legal research; certifies rules for the agency; and maintains records and proceedings involving Commissioner actions. The office also handles several hearings-related duties, 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 develop legislative recommendations for improving insurance regulation in Texas; reporting information regarding TDI activities and the insurance market to the Legislature; coordinating and tracking agency-wide responses to legislative and constituent inquiries; 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; and responding to information requests from the media.
- Managing content of TDI's Internet Web sites, with assistance from Information Services and other divisions.
- Coordinating electronic mail among TDI, other state insurance departments and the National Association of Insurance Commissioners, answering hundreds of 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).
- Designing, illustrating and producing agency publications and related print materials.
- Writing and overseeing production of radio and television public service announcements and other videos 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 and issuing electronic news and information bulletins to TDI staff
- Writing speeches and helping edit various agency reports and documents.

Highlights

In Fiscal Year 2002, the Commissioner's Office:

General Counsel/Chief Clerk

- Reviewed, briefed and advised the Commissioner of Insurance on 44 contested cases heard by the State Office of Administrative Hearings, including disciplinary cases and industry-wide rate cases and 42 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 and one appeal of TDI's disapproval of a form filing.
- Provided legal and technical review in connection with the adoption of 10 new *Texas Administrative Code* (TAC) rules, the repeal of three TAC rules, and the amendment of 20 previously adopted TAC rules. Twenty-three proposed TAC rules were pending at the end of FY2002.
- Provided legal and technical review in connection with the adoption of 19 manual rule proposals under Article 5.96 of the Texas Insurance Code. Twenty-eight proposals to adopt new or amended manual rules were pending at the end of FY2002.
- Reviewed and advised the Commissioner regarding 239 consent orders and 42 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 39 years of orders by insurance commissioners and the former State Board of Insurance.

- Maintained the Commissioner's agendas, bulletins, TAC and manual rules, and posted on the Agency 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 TDI 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 four financial-related or performance audits, including a statutorily required audit of seized/forfeited property. Two of the four audits were ongoing at fiscal year-end.
- Served as the Department's liaison to external auditors on three State Auditor's Office projects.
- Served as an advisor on seven 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 three investigations as authorized under Section 2102.003 (2) (E) of the *Government Code*. Two of the investigations were in process at the end of the fiscal year.
- Conducted four information system/telecommunication audits including an audit of telephone services for FY2002, an audit of TDI's Internet firewall logs, an audit of Internet controls and security, and a review of the Life, Health & HMO Billing System. Two of these projects were completed by the end of the fiscal year.

Government Relations

- Streamlined the electronic bill review system to improve the efficiency of TDI's review process.
- Tracked and coordinated implementation activities of 156 insurance-related bills passed during the 77th legislative session (2001), which resulted in approximately 439 implementation items for TDI.
- Published bill implementation information on the Department's Web site.
- Worked with bill authors and sponsors of legislation and kept them advised of implementation developments.
- Assisted TDI staff with committees, including the Clean Claims Working Group, the Small Face Amount Life Insurance Advisory Committee, the Binational Health Plan Coverage Committee, and the Mold Advisory Task Force.
- Monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner of Insurance.
- Eight legislative interim committees were charged with studying insurance related issues. The committees' activities required the preparation of 15 committee presentations by the Commissioner or TDI staff during the interim.
- Coordinated TDI staff assistance to interim legislative committees.
- Coordinated appointments of members to advisory committees and boards.

Public Information Office

- Worked with various areas of the agency, including Information Services, the Property and Casualty Program and the Licensing Division, to implement a new Web site (www.helpinsure.com).

com) and toll-free number (866-695-6873) aimed at helping Texans find homeowners insurance. Work on the Web site began in FY2002, but the Web site went online in September, shortly after the close of the fiscal year.

- Worked with Property & Casualty to publicize and provide live and archived Internet audio of several hearings around the state on mold-related insurance issues.
- Sent a volunteer public information officer to various Disaster Recovery Centers (DRCs) in South Texas to help consumers with insurance questions about home and auto damage caused by widespread flooding in June and July.
- Coordinated several media stops for the Commissioner during a tour of areas devastated by flooding.
- With Business Planning and Redesign (BPR), assisted in the planning and implementation of an agency forms management program.
- With BPR and Information Services, assisted Life, Health and Licensing in developing the Texas Standardized Credentialing Application and making it available online.
- Assisted in the design and procurement of more than 640,000 agency publications.
- Assisted the State Fire Marshal's Office with media relations at the scenes of several major fires, the Annual State Fire Marshal's Conference in Austin and the Annual Juvenile Fire-setter Intervention Conference in Austin.

Summary of Activity: Commissioner's Office **Figure 7**

	FY2001	FY2002
Commissioner's Hearings/Meetings	38	42
*Commissioner's Orders	1,215	1,342

* Commissioner's Orders in FY2002 included 299 disciplinary orders (including contested, consent and default orders), 62 rules/manual orders, 778 company activities orders, 75 authority orders for temporary acting commissioner, 5 delegation orders for routine actions and 123 other orders.

Commissioner's Contested Cases by Type **Figure 8**

	FY2001	FY2002
¹ Total Hearings Conducted for Commissioner	37	44
² Rate Hearings	3	1
Disciplinary	18	25
License Applications	10	12
³ Appeals/Other	6	6

- 1 Total number of actual hearings conducted for the Commissioner by the State Office of Administrative Hearings (SOAH), plus rate hearings conducted by the Commissioner. The count excludes prehearing conferences and additional days of extended hearings.
- 2 All rate hearings include industry-wide hearings. Oral arguments on industry-wide rate cases were counted in Figure 7.
- 3 Appeals/Other includes appeals of actions taken by the Texas Windstorm Insurance Association (TWIA) and appeals of Texas Department of Insurance disapprovals of form filings.

Summary of Activity: Internal Audit **Figure 9**

	FY2001	FY2002
Projects Completed	25	19
Reports Issued	16	7

Summary of Activity: Public Information Office **Figure 10**

	FY2001	FY2002
¹ Press Releases	73	109
News Tips	47	46
NEWSLine Audio Releases	5	8
Speeches/Testimony	35	29
Graphic Design Orders Filled	185	102
Electronic Bulletins	515	460

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) or 12 issues of the Bulletin Board (the employee newsletter).

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 three 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 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 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 2002, Legal and Compliance:

- Obtained \$54,590,063 in restitution for consumers and assessed \$26,244,575 in administrative penalties, fines and forfeitures. The restitution and penalties included:
 - Consent orders against three Farmers auto insurance companies who were fined a total of \$100,000 and were ordered to pay restitution estimated at \$10.6 million for their failure to timely remove driving record surcharges over the course of a ten-year period.
 - Restitution of \$45,377,783.57 for physicians and providers who had not been timely paid by insurance companies and HMOs. We also obtained \$14,905,000 in penalties from the companies.
 - American Benefit Plans was placed into permanent receivership and entered a judgment imposing \$4.1 million in civil penalties for illegally operating health insurance that scammed thousands of Texans. The Department was awarded \$74,192 for expenses incurred during the investigation of the unauthorized health plan.
 - Penalties of over \$286,000 against title insurance companies for violations of Texas laws prohibiting rebating.
- Emergency cease and desist orders were issued against several entities and individuals prohibiting them from further engaging in the business of insurance in Texas.

- Participated in the biennial title rate hearing through presentation of actuarial testimony and evidence, as well as cross-examination of witnesses sponsored by other parties to the rate hearing. The hearing resulted in a 6 percent decrease in title insurance rates statewide.
- Initiated an enforcement action alleging excessive nursing home liability insurance rates by the Texas Medical Liability Underwriting Association (JUA). As a result of our action, the JUA agreed to significantly reduce its rates.
- Regulated Lines Counsel Section provided substantial legal assistance for several major rules adopted during FY2001-2002, including:
 - Rules concerning both mandatory and optional endorsements to certain Texas residential property insurance policies, amendments to the Texas Personal Lines Manual, and amendments to the Residential Statistical Plan to modify coverage for mold and other fungi losses that are ensuing losses resulting from covered water losses.
 - Financial privacy rules which set forth procedures that insurers and other covered entities regulated by the Texas Department of Insurance must follow regarding privacy of their consumers' nonpublic personal financial information, and also set forth the requirements that insurers and other covered entities must meet in structuring their consumer financial practices to comply with the Gramm-Leach-Bliley Act and SB 712.
 - Health privacy rules which protect the privacy of nonpublic personal health information provided by consumers to insurers and other covered entities in compliance with SB 11.
 - Clean claims rules which provide greater clarity and more specificity in prompt payment procedures for HMOs and preferred provider carriers.
 - Specialty license rule which places responsibility for specialty insurance sales on the product vendor rather than local outlets, providing more uniformity, consistency, and reliability for the public.
 - Fee rule which implemented new license types and fee structures required by SB 414, as well as the Texas OnLine Authority subscription fee required by *Government Code* 2054.252.
 - Long-term care rules, which were designed primarily to protect policy/certificate holders from unreasonable and unjustified rate increases and to insure appropriate and adequate disclosure to persons affected by such increases.
 - State fire marshal's office rules which allow portable fire extinguishers to be serviced regardless of whether the fire extinguisher carries certain required listing or labeling.
- Assisted residential property program with the adoption of national residential property policy forms and endorsements filed by national insurers, State Farm and USAA and with the approval of a residential property insurance program filed by a national organization of insurance companies, Insurance Services Office, Inc.
- Adopted updated Consumer Bills of Rights for Personal Automobile and Homeowners, Dwelling and Renters Insurance.
- Continued investigation of racial discrimination in the sale of life insurance policies. The Department has entered into three Consent Orders covering policies sold by more than two dozen companies. Pursuant to these orders, nearly 348,000 Texans have or will receive restitution and other benefits valued at more than 12 million dollars.
- Completed 2000 Texas Title Insurance Biennial Hearing adopting rules, rates, and forms for Texas title insurance.
- Assisted with implementation of SB 414, the consolidated agents' license bill passed during the 77th Legislature. The bill gives TDI the authority to draft rules relating to the regulation of certain insurance agents, consolidation of insurance agent licenses, and promote uniformity in regulation of agents. This is a major ongoing project-some rules have been adopted and others have been proposed.

- Proposed new subchapter relating to delegation agreements entered into by HMOs with certain delegated entities which set forth the requirements an HMO and delegated entity must meet in order for an HMO to properly delegate health care services and other functions to another party as required by HB 2828. The rules were adopted September 23, 2002.
- Proposed amendments concerning contracting provisions for HMOs and preferred provider plans, which address the disclosure of certain information concerning fee schedules and coding procedures that affect the payment for services provided by physicians and other health care providers pursuant to a physician or provider contract with an HMO or insurer. The amendments were adopted September 18, 2002.

Summary of Activity: Legal and Compliance **Figure 11**

	FY1998	FY1999	FY2000	FY2001	FY2002
Cases received	1,160	1,021	1,049	1,062	1,321
Cases closed	1,320	1,059	1,008	868	1,012
¹ License revocations	62	59	69	55	48
² License denials	57	23	16	17	10
³ License suspensions/ suspensions of writing	5	12	14	4	18
Cease and desist orders	3	1	0	0	6
⁴ Monetary forfeitures/ restitution orders	128	162	202	224	232
⁵ Assurances of voluntary compliance	32	31	5	3	0
Forfeitures/assessments/ Restitution	\$15,623,697	\$4,363,158	\$9,451,047	\$22,118,832	\$80,834,638

- 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 and license suspensions with probation.
- 4 This number does not include assurances of voluntary compliance; only orders are included. It also includes State Fire Marshal orders.
- 5 TDI is focusing more on commissioner's orders rather than voluntary agreements.

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.

The **Insurer Fraud Section** investigates fraud cases involving companies, agents and other TDI licensees, including third party administrators, 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.

The **Claimant and Provider Fraud Section** 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

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 a criminal analyst. 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), National Health Care Anti-Fraud Association, and federal law enforcement agencies such as the FBI, IRS, U.S. Postal Service, U.S. Attorneys, National White Collar Crime Center (NWCCC) and Regional Organized Crime Information Center (ROCIC).

Highlights

In Fiscal Year 2002, the Insurance Fraud Unit:

- Received more than 3,600 reports of fraud and opened 320 investigations.
- Made 225 referrals of suspects to appropriate agencies for prosecution.
- Obtained 74 indictments that included theft, conspiracy, insurance claim fraud, misapplication of fiduciary property, securing execution of a document by deception, unauthorized insurance activity, mail fraud, and money laundering.
- Arrested, either directly or with other law enforcement officers, nine suspects indicted on charges involving alleged insurance fraud.
- Obtained 69 convictions 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 fourth annual statewide training session for insurance company special investigation units and law enforcement in January 2002.
- Maintained a toll-free hotline for persons to report suspected insurance fraud. Received more than 3,000 calls on the toll-free hotline.

Figure 12 Summary of Activity: Insurance Fraud Unit

	FY2001	FY2002
Reports of Fraud	3,065	3,686
Cases Opened	264	320
Assessments (Fines & Penalties)/Restitution	\$4,761,780	\$13,021,437
Cases Referred to Prosecutors	156	225
Indictments	81	74
*Arrests By Fraud Unit Peace Officers	4	9
Convictions	62	69

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

FINANCIAL licenses insurance carriers operating in Texas, determines eligibility of surplus lines carriers, and monitors the solvency and market conduct of 2,035 licensed insurance companies, health maintenance organizations (HMOs) and multiple employer welfare arrangements (MEWAs). In addition, Financial seeks to rehabilitate companies that fall short of solvency standards and eventually liquidates the few that cannot be rehabilitated. In FY2002 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, foreign risk retention groups, continuing care retirement communities, multiple employer welfare arrangements, etc.) is 3,222. Annual statements filed by insurers and HMOs for Calendar Year 2001 reported \$71.5 billion in Texas premiums and \$52.5 billion in claim payments to Texas claimants. These companies reported aggregate assets of \$4.3 trillion, liabilities of \$3.7 trillion and capital and surplus of \$524.3 billion. More information from insurance company annual statements may be found in Part IV of this report.

The Financial Program consists of five activities.

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

Financial Analysis & Examinations encompasses both in-house and on-site monitoring of licensed insurance entities. 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, including supervision and conservation. It reviews changes of control, mergers, affiliate agreements and investments, and holding company registration statements of 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.

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 when appropriate. In addition, Examinations processes annual operations reports required of premium finance companies. To hold down travel expenses and provide adequate oversight of the examination process, regional offices are maintained in Dallas, Houston and San Antonio.

The 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.

A large project that the Actuarial Division has been charged with in FY2002 is to lead a study of small face amount life insurance pursuant to House Bill 2415. This effort has involved surveys to the industry, analysis of responses, coordination with staff, and chairing public meetings of the required consumer and industry advisory committee en route to a final report to be delivered by year-end to the Legislature by the Commissioner.

Conservation of Companies provides a wide range of regulatory oversight services, including supervision and conservatorship. 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.

The Conservator's Report at the beginning of Fiscal Year 2002 showed Conservation had 38 insurance companies under supervision, conservatorship or special administrative and court-directed actions. Another 19 companies were referred to Conservation during the fiscal year, while 16 were released or closed, leaving a year-end balance of 41 companies under some sort of regulatory oversight.

Liquidation Oversight assumes responsibility for the estates of companies that cannot be rehabilitated and are found to be insolvent. In such cases, 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, if applicable. Liquidation (Oversight) monitors and evaluates each SDR's performance by analyzing business plans, including financial statements, cost benefit analyses, budgets, estimated general administrative expenses, other planned activities and maintains the records of insolvent insurers during and after receivership, as required by the *Texas Insurance Code*. Oversight also monitors the operations of the state's guaranty associations including the appropriate and fair processing of receivership-related claims and complaints. One multiple employer welfare arrangement (MEWA), and two property and casualty insurers were placed in receivership during Fiscal Year

2002. In FY2002, the Commissioner issued orders declaring five foreign companies (companies domiciled outside Texas) to be impaired, thereby triggering state guaranty fund coverage of Texas claims. 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 made assessments of \$86,161,687 and refunded \$2,276,986 in FY2002 to member insurers. The Texas Life, Accident, Health and Hospital Service Guaranty Association made assessments of \$30,832,449 and refunded \$16,142,300 to member insurers in FY2002. The Title Insurance Guaranty Association made no assessments in FY2002 and made no refunds to member insurers. All assessments are based upon prior, current and projected future receiverships.

One unauthorized entity was placed into receivership in FY2002, resulting in the recovery of over \$7 million for the payment of claims in Texas and other states. Generally, unauthorized entities are issued cease-and-desist orders to curtail their operations. Entities with unusual or complex operations may be handled through an action by the Texas Attorney General.

During FY2002, five receivership estates were liquidated and closed, leaving 22 active receiverships in the process of liquidation—11 property and casualty companies, nine life, accident and health companies, one health maintenance organization and one multiple employer welfare arrangement. Liquidation Oversight anticipates closing about nine of the 22 active receiverships in FY2003.

Three key components in overseeing receiverships are:

- **Special Deputy Receivers:** When insolvent insurers are placed in receivership by the State 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 *Texas 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 State 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 *Texas 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

In Fiscal Year 2002, the Financial Program:

- Completed the review of approximately 12 acquisitions or restructurings of insurance companies or HMOs based in Texas, with purchase prices totaling more than \$153 million.
- Supported TDI's investigation of race-based pricing practices in the insurance industry by examining 12 companies and participating in settlements with three companies.

- Remained at the forefront of implementing the Framework for Insurance Group Review Analysis that was adopted by the NAIC at its Spring 2002 q
- Participated in the Form A Pilot Project to facilitate coordination and communication among states in reviewing applications for changes in control of insurance companies as set forth in the Framework.
- Played a key role in the NAIC's responses to the International Accounting Standards Board's exposure drafts for developing international accounting standards
- Amended the rules governing withdrawals from insurance markets to include Health Maintenance Organizations (HMOs).
- Continued to work closely with the NAIC to make it possible for the general public to access the financial statements of insurance companies online. As a result of these efforts, Texas consumers can now access this information from TDI's web site.
- Continued to work toward a more efficient system of annual statements possible for companies to file most financial statement supplements electronically.
- Implemented a multi-divisional Homeowners' Task Force and Medical Malpractice Task Force to monitor the capability and participants in the Texas homeowners' and medical malpractice insurance markets, particularly in light of increasing claims and rates resulting from mold, large judgements, etc.
- Took steps to ensure that Health insurers are adequately preparing for the electronic transaction and code sets rule (ETCSR) established by the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Financial sent questionnaires to all Accident & Health insurers writing in Texas, and is actively following up to ensure that affected health insurers in Texas are taking steps to comply with HIPAA requirements.
- Continued assistance to the U. S. Department of Commerce by participating in the U. S.-Vietnam Trade Council and the U.S. Department of Commerce's insurance program in Vietnam to provide technical assistance to the insurance division of the Ministry of Finance for the Republic of Vietnam.
- Supported TDI's adoption of key elements of the NAIC's Uniform Regulation through Technology (URTT) program by continuing implementation of the Uniform Certificate of Authority Application (UCAA) process.
- Participated in the Clean Claims Committee and conducted follow up examinations to ensure compliance with consent orders and payments restitution;
- Continued to chair the Small Face Amount Advisory Committee and expects to complete the interim study of the marketplace by end of this calendar year;
- Streamlined the Special Deputy Receiver selection process to facilitate a quicker and more efficient transition from Conservation to Liquidation.
- Oversaw the recovery of \$24 million (net of expenses) through the receivership process.
- Improved the asset recovery expense ratio by reducing it to 7 percent, which indicates that the SDRs are spending fewer dollars to recover assets.
- Implemented the new Records Retention Policy that minimized space requirements and the related overhead of the Liquidation Oversight Division. These savings reduce costs for the receivership estates and for the Abandoned Property Fund, which funds "no asset" estates.

Figure 13 Insurance Companies Under Regulatory Intervention

	FY2001	FY2002
Balance of Companies Beginning of Fiscal Year	32	38
Placed Under Supervision/Conservatorship	15	20
Placed Under Court-Directed Action	0	0
Placed Under Special Administrative Action	13	7
Placed Under Hazardous Financial Condition Action (Article 1.32)	2	12
Total	62	77

Disposition of Companies Under Rehabilitation

Figure 14

	FY2001	FY2002
Total (Figure 10)	62	77
Cases Closed:		
Rehabilitation	10	10
In Receivership	1	2
Dissolved	5	3
*Other Changes	8	21
Total Cases Closed	24	36
Balance at End of Fiscal Year	38	41

* FY 2002/Other Changes: 9 entities moved from Supervision to Article 1.32; 3 entities moved from Supervision to Administrative Oversight; 2 entities moved from Administrative Oversight to Supervision; 1 entity moved from Administrative Oversight to Conservatorship1; 5 entities moved from Letter Agreement to Supervision; and 1 entity moved from Supervision to Chapter 7 Bankruptcy.

Texas Guaranty Association Assessments: 1975–2002

Figure 15

YEAR	LIFE/A&H	P&C	TITLE	TOTAL
*2002	30,821,449	86,161,687	0	116,983,136
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
1976	0	4,120,000	0	4,120,000
1975	600,000	3,305,000	0	3,905,000

* Life/A&H made \$30.8 million in assessments in 2002; however, it refunded \$16.1 million to its member insurers.

† Property & Casualty assessments were \$86.1 million and refunds to members totaled \$2.2 million.

Summary of Activity: Holding Company

Figure 16

	FY2001	FY2002
Pending Action from Previous FY	97	67
Applications for Affiliate Transactions and Acquisition of Control or Exemption Received	698	773
Applications not closed as of 8/31	67	89
Pending Applications Closed	728	751

Figure 17 Summary of Closed Applications: Holding Company

	CLOSED AT END OF FY2001	CLOSED AT END OF FY2002
Reinsurance Arrangements	*118	144
Management, Data Processing Service, Cost Sharing Arrangement	*172	190
Pledge of Assets and Pooling of Assets	3	23
Investment in, Valuation of, Affiliates	10	0
Purchase of Securities, Real Estate, Automobile Treasury Stock	20	29
Affiliate Loans and Mortgage Loan Participation	11	2
Lease Arrangements	8	17
Issuance of Surplus Debentures/Notes	25	33
Payment of Money Advanced	19	21
Dividends and Other Distributions to Shareholders	156	173
Consolidated Tax Returns	39	24
Financing Arrangements	8	2
Exemption from Commercially Domiciled	7	9
Demutualizations	0	0
Acquisitions of Control	27	15
Exemptions from Acquisition of Control	30	25
MGA Agreements	3	12
Informational Filing by HC Exempt Insurers	0	0
Disclosure of Material Transactions	1	2
Relocation of Books and Records	20	23
Disclaimer	48	7
Quasi Reorganization	3	0
Total	728	751

* Figures were updated from prior report.

Note Reinsurance arrangements between affiliates within a holding company system.

Figure 18 Amount Paid for Control of Domestic Insurance Companies: FY1995–FY2002

YEAR	AMOUNT PAID
1995	\$2,550,643,350
1996	6,319,751,750
1997	7,130,712,854
1998	51,194,884,952
1999	14,023,005,912
2000	8,787,693,620
2001	57,461,681,313
2002	153,643,899

Note: 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. 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. The figure for FY97 includes one acquisition with a purchase price of \$3 billion and another for \$2.62 billion. The figure for FY98 includes three acquisitions with purchase prices of \$42.6 billion, \$3.124 billion and \$2.3 billion. 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. 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. The figure for FY01 includes four acquisitions with purchase prices of \$31.1 billion, \$22.9 billion, \$1.9 billion and \$1.2 billion. The figure for FY2002 includes 2 acquisitions with purchase prices of \$97 million and \$34.8 million.

Texas Policyholder Premiums, Claim Payments: CY1994–CY2001

Figure 19

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%
CY2001	71.5 billion	52.5 billion	73.4%

**Total Capital/Surplus of Insurance Companies Operating in Texas
CY1994–CY2001**

Figure 20

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
CY2001	524.3 billion

Number of Examinations: FY1995–FY2002

Figure 21

YEAR	NUMBER OF EXAMINATIONS
FY1995	160
FY1996	163
FY1997	157
FY1998	221
FY1999	215
FY2000	207
FY2001	195
FY2002	167

Note: FY1997 includes 21 examinations conducted by third party contractors. FY1998 includes 34 contracted examinations and 7 examinations of local recording agents. FY1999 includes 39 contracted examinations. FY2000 includes 33 contracted examinations. FY2001 includes 28 contracted examinations

Number of Actuarial Opinions Reviewed: FY1995–FY2002

Figure 22

YEAR	NUMBER REVIEWED
FY1995	1,844
FY1996	2,012
FY1997	1,937
FY1998	2,023
FY1999	1,627
FY2000	1,877
FY2001	*667
FY2002	*626

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

Figure 23 Number of Actuarial Examinations Performed: FY1995–FY2002

YEAR	NUMBER OF EXAMS
1995	89
1996	97
*1997	83
*1998	82
1999	80
2000	82
2001	79
2002	80

* Does not include examinations conducted by third party contractors.

Figure 24 Number of Reinsurance Agreements Reviewed: FY1995–FY2002

YEAR	ARRANGEMENTS REVIEWED
1995	168
1996	169
1997	209
1998	200
1999	226
2000	251
2001	194
2002	142

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

Figure 25 Number of Company Licenses under Commissioner’s Jurisdiction

LICENSE TYPE	FY98	FY99	FY00	FY01	FY02
Insurance Companies	2,027	2,011	1,999	1,998	1,978
Health Maintenance Organizations	73	73	64	62	57
Premium Finance Companies	290	292	291	219	230
Continuing Care Retirement Communities	19	19	19	21	21
Third Party Administrators	607	655	696	714	724
Total	3,016	3,050	3,069	3,014	3,010

Note: Does not include foreign risk retention groups (50) and surplus lines carriers (162).

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 the State Fire Marshal's Office with establishment of public protection classifications by outside entities and conducts windstorm inspections for compliance with building codes. It consists of four sections.

Commercial Property Oversight Inspections Section ensures consumers receive fair and equitable commercial property 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; provides education on the windstorm codes to consumers and professionals; provides oversight of Texas licensed engineers appointed as qualified inspectors; 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; reviews calculation and building design plans certified by engineers; and supports Building Code Advisory Committee.

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 341 amusement ride owner/operators and 1,230 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 a recommendation regarding 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 in accordance with the Residential Property Statistical Plan, the Private Passenger Automobile Statistical Plan and the Commercial Lines Statistical Plan. Oversight includes modifying statistical plans, ensuring compliance with TDI performance standards, overseeing statistical agent audits, resolving problems between reporting companies and the statistical agents and ensuring the delivery of data for 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 2002, the Property and Casualty Program sent volunteers to various Disaster Recovery Centers (DRCs) in and around the San Antonio area to assist consumers with insurance questions about their home and auto damage that was caused by the floods during June and July.

Staff in several divisions of Property & Casualty 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. Related activities included:

- Consulting with a 19-member Mold Advisory Task Force appointed by the Commissioner in developing for publication and distribution a brochure entitled *Effectively Handling Water Damage and Mold Claims: A Consumer Guide*. The publication also included suggested practices for insurers.

- Consulting with the Texas Department of Health to develop a consumer publication entitled *Protecting Your Home From Mold*.

Staff assisted in restructuring residential property policies to stress consumer choice on mold-related coverage. In addition to modifications to delete mold remediation coverage, mandatory endorsements allow consumers to purchase, for an additional premium, a specified percentage of policy limits for mold, fungi or other microbes coverage. The modifications were designed to expand consumers options.

Staff assisted in review and approval of national homeowners forms for State Farm, USAA, and the Insurance Services Office (ISO). Review of other national forms continued into FY2003.

Staff continued monitoring market activities surrounding medical professional liability insurance for physicians and other healthcare providers, including nursing homes. In addition, staff:

- Approved a filing by the JUA for claims-made policies for physicians and surgeons that included coverage for prior acts, improving the medical malpractice insurance choices for physicians applying for coverage through the JUA. In addition, rates for certain specialties were lowered.
- Gathered data from a variety of sources for analysis of the Texas medical malpractice market as well as comparison to markets in other states. This analysis was presented to public policy officials and used in preparing a follow up data call that addressed the potential impact of a variety of proposed legislative changes presented during legislative hearings during the final quarter of the fiscal year. Analysis of that data call will be presented to public policy officials in FY2003.
- After consultation with the Health and Human Services Commission (HHSC) and an interdisciplinary task force appointed by the Commissioner, staff drafted and recommended the adoption of Best Practices for Risk Management and Loss Control that may be used by for-profit and not-for-profit nursing homes. Insurers, including the JUA, may consider a nursing home's adoption and implementation of these "Best Practices" when determining a rate for medical malpractice insurance for a nursing home.

The Workers' Compensation and Data Services divisions reviewed reports received from insurance companies further documenting the return of the workers' compensation maintenance tax surcharge to policyholders. Although the bulk of the returns were delivered in the previous fiscal year, these reports dealt with policyholders who were located later and sent their proportionate shares, policyholders who were not located and checks that were not cashed by policyholders. In addition, staff verified that insurance companies did return appropriate amounts to the Texas Mutual Insurance Company as required by the statute and rule.

Title staff assisted the Commissioner with hearings on rates which ultimately resulted in a 6 percent decrease in title insurance rates, the largest reduction in Texas title insurance history.

Through funding from the Texas Windstorm Insurance Association (TWIA) TDI engineering staff in the Inspections Division developed and tested impact protective assemblies for wind-borne debris and developed a product evaluation for consumers to protect their exterior openings with wood structural panels.

Due to unfavorable trends of collision, uninsured motorist and property damage liability claims, benchmark rates for automobile coverage increased by a statewide average 5.3 percent. Rates for the Texas Automobile Insurance Plan Association, sometimes known as the assigned risk plan, increased by a statewide average of 9.2 percent.

Title staff assisted with hearings on rules and forms, which resulted in new endorsements for manufactured housing, clarified and updated survey coverage, and streamlined mortgage coverage.

Staff outreach efforts included:

- Numerous presentations to various consumer groups and trade groups on topics such as mold, commercial property and general liability insurance, and medical professional liability insurance.
- Presentations to title agent groups to improve the quality of title insurance statistical reporting which contributed to an increase in electronic reporting from 69 percent to 77 percent.
- Increased awareness of the Market Assistance Program (MAP) through MAP inserts that tax assessor collectors included in tax mailings.

Commercial and Personal Lines staff continued to participate in the Review Standards Checklists Subgroup under the Speed to Market-Improvements to State Based Systems Plan (STM-IS3 Plan) adopted by the NAIC.

Summary of Activity: Homeowners

Figure 26

	FY2001	FY2002
Form and Rule Filings Processed	66	171
Premium Reduction Certificates Processed	7,070	8,473
Commissioner's Orders	3	4
Bulletins	2	4
Requests for Information	71	181
Complaints Processed	422	2,711
Legislative Inquiries	22	155
Telephone Calls Received	8,793	12,825
Visitors	71	131
Other Inquiries	2,692	4,306

Note: Increase in complaints processed, telephone calls and other inquiries were due primarily to mold and rate issues.

Summary of Activity: Commercial Property/Casualty

Figure 27

	FY2001	FY2002
Professional Liability		
Form and Rule Filings Processed	594	433
Commissioner's Orders	1	0
Bulletins	2	0
Requests for Information	42	46
Complaints	47	32
Legislative Inquiries	13	31
Telephone Calls Received	1,699	2,138
Visitors	47	16
Other Inquiries	690	1,305
General Liability		
Form and Rule Filings Processed	2,333	3,500
Commissioner's Orders	0	5
Bulletins	0	0
Requests for Information	41	89
Complaints	21	37
Legislative Inquiries	4	4
Telephone Calls Received	3,036	3,153
Visitors	16	4
Other Inquiries	960	1,032
Bond, Miscellaneous Casualty		
Form and Rule Filings Processed	612	906
Experience Ratings	125	102
Consent to Rate Applications	500	367
Commissioner's Orders	0	1
Bulletins	1	1
Requests for Information	55	67
Complaints	32	33
Legislative Inquiries	4	5
Telephone Calls Received	3,319	2,552
Visitors	18	12
Other Inquiries	1,986	2,696

Continued on page 32

Figure 27 Summary of Activity: Commercial Property/Casualty

	FY2001	FY2002
Commercial Property		
Form and Rule Filings Processed	1,518	1,704
Commissioner's Orders	0	0
Bulletins	9	13
Requests for Information	6	33
Complaints	31	30
Legislative Inquiries	3	6
Telephone Calls Received	768	763
Visitors	10	7
Other Inquiries	564	591
Commercial Multi-Peril		
Form and Rule Filings Processed	3,716	4,109
Commissioner's Orders	1	3
Bulletins	0	0
*Requests for Information	13	241
Complaints	7	22
Legislative Inquiries		2
Telephone Calls Received	390	479
Visitors	5	2
Other Inquiries	204	281

* This number includes requests for Commercial Multi-Peril filings, as well as requests for multiple lines of insurance.

Figure 28 Summary of Activity: Personal & Commercial Automobile

	FY2001	FY2002
Rate and Form Filings Processed	1,422	1,799
Experience Rating Files Processed	*27,334	*3,437
Individual Risk Submissions (IRS)	1,704	2,058
State Agency Auto Policies	38	17
Commissioner's Orders	7	11
Bulletins	6	17
Requests for Information	192	199
Complaints	7	13
Legislative Inquiries	87	115
Telephone Calls Received	20,221	13,830
Visitors	263	225
Other Inquiries	4,712	4,845

* Decrease is due to change in experience rating rules.

Figure 29 Summary of Activity: Title Insurance

ACTIVITY	FY2001	FY2002
Annual Escrow Audits Reviewed	560	568
Field Examinations/Audits Conducted	233	250
Technical Examinations	0	0
New Agency Contracts/Revisions	468	632
Complaints	186	215
General Information Requests	2,808	2,771
Rates, Rules and Policy Forms	0	36
Commissioner Orders	19	7
Hearings (reported in hours)	5	28
Meetings	480	515
Licenses Issued (includes renewals)	3,899	5,500
Licenses Cancelled	1,612	1,562

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

AGENTS/LICENSES	FY2001	FY2002
Title Agents	534	536
Title Agent Licenses	1,655	1,640
Direct Operations	25	17
Direct Operation Licenses	25	17
Escrow Officers	4,985	5,327
Escrow Officer Licenses	5,175	5,477

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

Figure 31

	FY2001	FY2002
Property Inspections Conducted	1,157	1,158
Residential/Special Inspections	4	10
Telephone Calls Processed	470	403
VIP Licenses/Certificates Issued	28	5

Summary of Activity: Windstorm Operations

Figure 32

	FY2001	FY2002
Applications	19,621	29,364
Inspections	13,425	15,715
Certificates of Compliance	20,295	26,095
Windstorm Fees Received	\$11,764	\$17,397

Summary of Activity: Engineering Services

Figure 33

	FY2001	FY2002
Public Protection Class Codes Reviewed	179	91
Building Code Interpretations	1,207	1,614
Product Evaluations	559	614
Visitors Served	50	58
Telephone Calls Processed	2,894	3,025

Summary of Activity: Loss Control

Figure 34

	FY2001	FY2002
Total Evaluations Completed	250	246
Companies Rated Adequate	231	222
Companies Rated Less Than Adequate	19	24
Companies Evaluated for Licensure	11	3
Loss Control Representative		
Applications Reviewed	67	108
Field Safety Representatives		
with a Specialty in Hospitals	10	18

Summary of Activity: Amusement Ride Safety and Insurance Act

Figure 35

	FY2001	FY2002
Policies Reviewed	328	339
Inspection Certificates Approved	1,411	1,230
Injuries	224	169
Inspector Applications Approved	0	0
Owners Under Compliance Monitoring	332	341

Summary of Activity: Workers' Compensation Oversight Group

Figure 36

	FY2001	FY2002
Written Inquiries Processed	167	256
Complaints Processed	87	113
Letters Written	1,139	1,481
Telephone Calls Processed	6,645	6,597
Experience Rating Modifiers Reviewed	448	587
Complaints Referred to Texas Workers' Compensation Commission	726	888

Summary of Activity: Workers' Compensation Classification

Figure 37

	FY2001	FY2002
Inspections	111	75
Days Traveled	43	27
Total Miles Traveled	9,313	5,783
Average Travel Cost Per Inspection	\$50.72	\$52.25
Letters & Telephone Calls	13,833	12,558
Visitors	4	6
Types of Inspections Made		
Insured Requests	9	9
Insurer Requests	34	29
Agent Requests	12	8
Department Requests	56	29

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

	FY2001	FY2002
Telephone Calls	1,206	971
Letters	1,008	686
Visitors	71	26
Groups Certified	47	59
Open Records Requests	96	82
Filings Reviewed		
Group Programs	120	140
Rate Filings & Schedule Rating Plans	452	458
Rating Plans & Misc. Filings	18	32
Retro Election Notices	584	584
Endorsement/Forms Approved	47	62
Endorsement/Forms Withdrawn	43	44

Figure 39 Other Statistical Reports Collected

	FY2001	FY2002
Title insurance agents	548	548
Title insurance underwriters	17	16

Figure 40 Rate and Rating Plan Filings

	FILINGS PROCESSED FY01	FILINGS PROCESSED FY02	PROCESSED IN 90 DAYS FY01	PROCESSED IN 90 DAYS FY02
Regular filings	4,885	3892	77.8%	84.8%
Tort reform filings	339	98	36.3%	0%
Total filings processed	5,224	3990	75.1%	82.8%

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); 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 prepaid legal plans.
- Reviewing rate filings for credit life and accident & health, Medicare supplement, Medicare SELECT, long-term care, 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 (SAC), 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 participating in the East Texas Rural Access Program. Additionally, the SAC is the TDI's liaison for the boards of the 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, and the federal Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services. The SAC and division deputies serve on various National Association of Insurance Commissioners (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 assists 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 inform industry and other interested parties of legislative and rule changes through bulletins or other means, draft rules to implement both state and federal legislation, and respond to changes in the industry.

General Management develops the program's business plan and the program's portion of the TDI strategic plan, annual report, appropriations request, 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. Staff enters filing data into the Oracle tracking system.

Life/Health and HMO Section receives all rate and policy form filings for life, annuity, 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. Staff enters filing data into the Oracle tracking system.

Micrographics Section produces electronic images of closed files for property and casualty, life, health, credit, HMO, prepaid legal, viatical and life settlements, and related products, title agent license and title examination files, Workers' Compensation employer files, and the field reports for 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, 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 & health, prepaid legal, credit life and credit accident & health policies, certificates, applications, endorsements, riders, and rates for credit life, credit accident & health, Medicare supplement, Medicare SELECT, long-term care, and individual accident & health to ensure compliance with state and federal statutes and regulations. The L/H division also registers viatical and life settlement providers, provider representatives and brokers, and reviews contractual forms related to viatical and life settlements. The L/H division consists of four sections:

Accident & Health Section reviews and analyzes form filings for individual and group accident & health products, which include Medicare supplement, Medicare SELECT, long-term care, large and small employer groups, non-employer groups, and combination life and accident & health products. The section coordinates the review of rate filings for accident & health, long-term care, Medicare supplement, Medicare SELECT, individual accident & health and small employer rating methodologies. 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 Texas Health Insurance Risk Pool (THIRP).

Life, Annuity & Credit Section reviews and analyzes form filings for life, annuity, credit life, credit accident & health, prepaid legal plans, viatical and life settlements, filings for name changes, assumptions, demutualizations and mergers, as well as rate filings for credit life and credit accident & health. 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 & health data call information and tracks certifications pertaining to forms subject to the life illustration rule.

Actuarial Section reviews, analyzes, and evaluates rate filings pertaining to certain individual accident & health, long-term care, Medicare supplement, Medicare SELECT, credit life and credit accident & health and HMO coverage. In addition, staff reviews actuarial data required for individual and group life, individual accident & health, long-term care, Medicare

supplement and Medicare SELECT coverage, changes to small employer rating methodologies, risk assuming applications for small employer carriers, HMO applications for certificate of authority and service area expansions and credit life and credit accident & health data call information. Staff reviews the THIRP's actuarial memorandum and premium rates as well as assists the consumer protection program with the resolution of consumer inquiries and complaints regarding rating issues.

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

In addition to the above, all sections of the L/H division assist in the development and implementation of rules and education of the insurance industry on regulatory requirements through bulletins, compliance workshops, manuals and checklists. The L/H division provides technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions and withdrawals from market(s). The division is often called upon to provide technical assistance to external entities including, but not limited to, the Employee Retirement System (ERS), the Teacher Retirement System (TRS), 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.

The HMO Quality Assurance Section performs two main functions: investigation and examination of all complaints filed with the Department against HMOs. The complaints are categorized to identify the nature of the complaint (e.g., network availability, timely payment of claims, access to urgent care, etc.), which enables the section to monitor health plan performance.

Examinations of HMOs are routinely scheduled based on licensure date. The section has statutory authority to examine an HMO anytime in the first three years of operation and thereafter every 3 years. Should problems or issues be identified that cause concern, complaint examinations can be scheduled to determine compliance with applicable statutes and rules.

The section performs many other functions, including public speaking. Typically, public speaking engagements are conducted when a group asks for information on the statutes or rules governing HMOs. 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, THCIC, NAIC, and CMS.

Highlights

In Fiscal Year 2002, L/H/L:

General Management

- Assisted in developing the following rules adopted by the commissioner:
 - HMO Delegated Entities, §§11.2601–11.2612
 - Licensing Fees, §19.801–19.803
 - Coverage for Acquired Brain Injury, §§21.3101–21.3105
 - Repeal of Quality of Care Committees, §11.1903
 - Credentialing of Physicians, §21.3201
 - Quality of Care and Credentialing, §§11.2, 11.1607, 11.1901–11.1902
 - Unfair Discrimination in Compensation for Women's Health, §§21.3301–21.3305
 - Mandatory Benefit Notice Requirements, §21.2107
 - Minimum Standards Medicare Supplement Policies, §§3.3306, 3.3308, 3.3312
 - Insurance Consumer Health Information Privacy, §§22.51–22.67
 - Insurance Consumer Financial Information Privacy, §§22.1–22.26
 - Mandatory Benefit Notice Requirements-Colorectal Cancer, §§21.2101–21.2103, 21.2105 and 21.2106
 - Long Term Care, §§3.3803–3.3844
 - Specialty Insurance License, §§19.1902, 19.1905, and 19.1909
 - Amendments to Clean Claim Rules, §§21.2803–21.2807, 21.2809, 21.2811, 21.2815–21.2820
 - General Provisions (relating to Texas Automobile Insurance Plan Association Financing Disclosure and Premium Finance Comparison Disclosure Form), §25.9
- Assisted in developing the following rules which have been proposed for adoption:
 - Data Collecting/Reporting Relating to Mandated Health Benefits & Offers of Coverage, §§21.3401–21.3409
 - Licensing of Insurance Adjusters, §19.602 and Continuing Education and Adjuster Prelicensing Education Programs, §19.1001–19.1019
 - Repeal sections of Agents and Adjusters Continuing Education Program, §§19.1007–19.1013
 - General Regulation of Surplus Lines Insurance, §§15.2–15.5
 - Physician & Provider Contracts & Arrangements, §11.901
 - Contracting Provisions-Preferred Provider Plans, §3.3703
- Worked on the following rules which are in progress:
 - Chapter 26 rules
 - Dependent Eligibility (HB 1440)
 - M.O.U. Rule (§§3.9001–3.9002) relating to prepaid funeral services and transactions.
- Assisted in drafting the following Commissioner's Bulletins:
 - Selected bills passed during the 77th Regular Legislative Session and summary of requirements of new and/or amended statutes enacted under those bills, 9/10/01 (B-0036-01)

- Medicare Beneficiaries’ Right to Change Medicare Coverage Upon Receipt of Notification of Involuntary Termination from Their Medicare+Choice Coverage, 11/16/01 (B-0049-01)
- Regarding Information Relating to SB 333 Passed by the 77th Texas Legislature, 4/26/01 (B-0024-02)
- Reminder to Insurers Offering Long-Term Care Insurance in Texas of the Amended Requirements, Effective January 1, 2002, 4/15/02 (B-0020-02)
- “Potential” Clean Claim Elements and Attachments, 4/02/02 (B-0012-02)
- Maintained updated information on the Department’s Implementation Plan spreadsheet for L/H/L.
- Reviewed and provided comments on CMS non-renewal notice for Medicare+Choice coverage.
- Worked on survey of insurers and HMOs for the Texas Legislative Interim Special Committee on Prompt Payment of Health Care Providers regarding Electronic Data Interchange and Claims Processing, to gather information regarding insurers’ and HMOs’ preparations for compliance with the federal HIPAA Administrative Simplification requirements as they relate to standardized transactions for health insurance claims. Additional information was requested concerning current electronic claims transactions.
- Assisted with the Provider Ombudsman Compliance Workshop.
- Worked on the TAC rule review required by *Texas Government Code* §2001.039. The chapters reviewed by L/H/L were Chap. 1, 11, 15, 19, 21, 23, & 26.
- Worked on developing/revising the Filing Rules (Billing, HMO Billing, Filing Requirements, and Summary Procedures) to enable TDI to utilize a billing system for filings submitted to the department.
- Co-chaired TDI-sponsored industry, provider, and consumer task force on Clean Claim issues.
- Chaired TDI Privacy Task Force.
- Attended THIRP board meetings and worked with THIRP on issues as they arose.
- Pursuant to HB 2498 and SB 496, assisted with study of health care needs in the border region of Texas and impediments to binational health plans; participated in first of several interim legislative committee hearings, in August 2002.
- Represented TDI on HHSC Telemedicine Advisory Committee (HB 2700)
- Represented TDI on National Data Interchange Standards Task Force.
- Recently completed the first year of work under the federally-funded State Planning Grant study of options for expanding health insurance to uninsured Texans. A comprehensive report of the findings was submitted to the U.S. Secretary of Health and Human Services. The report includes a summary of all survey activities and research, detailed information on characteristics of Texas’ uninsured population, and numerous options for expanding coverage. TDI will continue to work on several data collection projects and development of expansion options through February 2003.

Filings Intake Division

- Received 31,133 Life/Health rate and form filings.
- Received 2,640 HMO rate and form filings.
- Processed 8,735 Exempt Life/Health rate and form filings.
- Received 17,825 Property & Casualty rate and form filings.
- Processed 885 Property & Casualty rate and form filings.
- Processed \$585,885 in filing fees for Life and Health rate and form filings.
- Processed \$124,050 in filing fees for HMO rate and form filings.
- Processed \$23,520 in filing fees for Viatical Settlement form filings.
- Scanned 650,515 images for Property & Casualty Program.
- Scanned 411,240 images for Life/Health and HMO Divisions.

- Represented Texas on the following NAIC Working Groups: System for Electronic Rate and Form Filing (SERFF) Working Group, Filing Submission Uniformity/Metrics Subgroup, and Review Standards Checklist Subgroup.
- Completed Life, Health & HMO Billing System Functional Requirements.
- Represented the Filings Intake Division or department at various meetings and seminars.
- Participated in the Compliance Workshop to inform and educate the industry.
- Reviewed, commented and assisted with a proposed rule to amend Filing Requirements and a proposed rule to implement a Life, Health and HMO billing system.

Licensing Division

- Converted approximately 300,000 agent license and appointment records for compliance with agent license type changes in SB 414.
- Began sending fingerprint cards to the Federal Bureau of Investigation, improving the accuracy and completeness of TDI's criminal history background checks of license applicants.
- Developed rules to implement new requirements established in SB 414 concerning: surplus lines agents, agents' and adjusters' continuing education, and license and renewal fees.
- Revised agent license application forms, appointment forms and TDI web pages to include new license types established in SB 414.
- Began implementing a change from the TexasOnline convenience fee to the renewal subscription fee per SB 187 and SB 645, in coordination with Information Services, Accounting and several external entities.
- Issued a Request for Proposals and awarded contract for Agent License Testing services, to continue having a private-sector conduct the agent license examinations.
- Implemented the new Specialty License for Telecommunications Equipment Vendors, established by SB 466.
- Participated in the Texas Department of Information Resources pilot project for benchmarking Texas Online results.
- Participated in Texas state Disaster Coalition.

Life/Health Division

- Reviewed and processed 31,149 policies, contracts, related forms, rates, certifications, applications for registrations, risk assuming applications, rating methodologies and reports as appropriate for life, annuity, accident and health, prepaid legal, credit life, credit accident health and accident & health insurance, viatical and life settlement, accident and health small and large employer, long-term care, life illustration and Medicare supplement.
- Represented the L/H division or department at various meetings and seminars.
- Reviewed, commented, and assisted with rules, publications, and bulletins related to bills that were adopted during the 77th Legislative Session and Medigap issues.
- Responded to numerous legislative, consumer, and agent inquiries.
- Updated checklists and product resource guides on the Web site.
- Participated in the Agent Licensing Exam Focus Group.
- Updated withdrawal procedures for HMO and indemnity carriers requesting a withdrawal from small or large employer group and/or individual hospital or medical and surgical market.
- Participated in the development of review standards for the CARFRA Speed to Market Working Group effort.
- Populated L/H/L Program Infobase with current and historical data
- Began implementing HB 2159 relating to credit life and credit accident & health, including contracting with Milliman USA.
- Published the 1997, 1998 and 1999 Credit Life and Credit Accident and Health data.

- Surveyed insurers offering credit life and credit accident & health insurance to ascertain if monthly outstanding balance closed-end credit life and/or credit accident & health insurance products were available (SB 1581).
- Assisted the Teacher Retirement System in the implementation of SB 273.
- Participated in the L/H/L Compliance Workshop to inform and educate the industry.
- Participated in Recodification of the *Texas Insurance Code* by reviewing and comparing new language to existing language.
- Participated in TDH Immunizations Stakeholders Group.

Health Maintenance Organization Division

- Completed review of 2,447 HMO forms filings.
- Conducted 23 quality of care examinations of HMOs.
- Completed 9,414 complaints regarding HMOs.
- Assigned 812 IRO case reviews.
- Assisted with the development of the Acquired Brain Injury Rules, developed the Texas Standardize Credentialing Form and amended the credentialing rules and worked on the Physician and Provider Contract Rules (bundling and downcoding).
- 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 HHSC with 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 (SB 602, 76th Legislative Session) and TDH Morbid Obesity Task Force.
- Spoke to numerous industry, provider, and consumer groups regarding managed care issues, including the two TDI workshops on prompt payment of claims.
- Developed an M.O.U. to coordinate HMO examination elements and function with the HHSC.
- Certified and renewed 76 URAs.
- Certified one (1) IRO and renewed three (3).
- Responded to 193 open record requests.
- Drafted amendment to M.O.U. with TWCC.
- Participated in TDH Diabetes Council outcomes.

Summary of Activity: Intake Division Filings Received/Processed

Figure 41

	FY2000	FY2001	FY2002
Flex-Rate Filings			
Personal Auto	1,167	989	721
Commercial Auto	702	600	503
Homeowners	180	124	144
Total	2,049	1,613	1,368
Other Rate Filings			
Commercial Property	708	538	494
Workers' Compensation	154	370	192
Intake Unit	0	0	0
General Liability	2,605	919	912
Professional Liability	3	258	175
Bond, Burglary, Title	1,002	381	409
Multi-Peril	428	888	891
² Total	6,796	3,354	3,073

Continued on page 42

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

	FY2000	FY2001	FY2002
Policy Form, Endorsement and Rule Filings			
Personal Automobile	117	109	55
Commercial Automobile	519	366	520
Intake Unit	12	19	12
Interline	42	6	0
Homeowners	91	84	165
Commercial Property	1,622	1,446	2,075
General Liability	2,570	2,280	4,065
Bond, Burglary	696	621	956
Workers' Compensation	123	188	376
Professional Liability	814	503	479
Multi-Peril	3,399	3,563	4,681
Total	10,005	9,185	13,384
*Rating Manual			
Bond, Burglary	2	0	0
Commercial Automobile	0	0	0
General Liability	0	0	0
Homeowners	0	0	0
Intake Unit	0	0	0
Multi-Peril	0	0	0
Personal Automobile	0	0	0
Professional Liability	0	0	0
Commercial Property	0	0	0
Workers' Compensation	0	0	0
Total	2	0	0
³ Total P & C Filings Received	18,852	14,152	17,825
Intake Unit Filings Processed	408	620	885

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 102 SERFF Filings.

* Note: Rating Manual portion removed. Rating manuals are now included in Rate Filing figures.

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

LICENSE TYPE	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002
¹ Agents	216,493	231,680	244,878	255,644	261,951	216,464
Adjusters	31,458	32,620	35,390	38,498	37,524	46,458
² Full-Time Home Office Salaried Employees	N/A	N/A	2,498	3,323	3,707	3,205
³ Vehicle Rental	N/A	30	48	N/A	N/A	N/A
⁴ Specialty-Credit	0	0	0	718	1,250	2,030
⁴ Specialty-Travel	0	0	0	231	330	455
⁴ Specialty-Rental Car Company	0	0	0	58	60	64
⁴ Specialty-Self-Service Storage Facility	0	0	0	43	48	49
⁵ Specialty-Telecommunication Equipment Vendor						0
Life Counselors	113	120	124	124	122	143
Risk Managers	1,115	1,121	1,125	1,126	1,111	1,081
Reinsurance Intermediary	1,125	1,184	1,322	1,399	1,361	1,638
Premium Finance Companies	300	290	106	291	275	286
Third-Party Administrators	649	710	655	696	714	724
¹ Grand Total of Lines Regulated	251,253	267,761	286,146	302,151	308,453	272,597

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.

5 Specialty Telecommunication License types created by the 77th Legislature.

Summary of Activity: Licensing Division

Figure 43

	FY2000	FY2001	FY2002
Total Filings Processed by Licensing Division	690,762	655,670	724,305
*Telephone Inquiries Answered	258,842	138,067	170,407

* 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	FY1998	FY1999	FY2000	FY2001	FY2002
Issued	51,330	59,736	61,679	56,963	51,654
Renewed	97,242	84,527	103,397	67,865	81,662
Total Appointment Transactions	237,761	267,666	280,355	459,682	510,650
Total Current Agents & Adjusters Licenses	264,300	280,268	294,142	299,475	262,922
Other Licenses	3,461	5,878	8,009	8,978	9,675
Grand Total of Licenses Regulated	267,761	286,146	302,151	308,453	272,597

* 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: FY 2000–FY 2002*

Figure 45

	FY2000	FY2001	FY2002
County Mutual (Part of Group 2)	†	†	4,623
General Lines-Life, Accident, Health and HMO (Group 1 Life)	114,787	120,088	124,146
General Lines-Property and Casualty (Local Recording, Solicitor and Non-Resident Fire/Casualty)	57,187	58,309	61,940
Insurance Service Representative	2,656	1,883	2,249
Life not to Exceed \$15,000 (Part of Group 2)	†	†	1,466
Limited Lines (Prepaid Legal Services, Agricultural and part of Group 2)	38,285	35,524	16,860
Managing General Agent	4,384	2,602	1,646
Pre-Need (Part of Group 1)	†	†	1,472
Surplus Lines	2,818	3,312	2,062
†Variable Contracts	35,527	40,233	†
Total	255,644	261,951	216,464

* Some licenses were consolidated and/or re-named by SB 414, 77th Legislature. The names of comparable license categories reported in previous annual reports are in parentheses.

† New license type in FY 2002.

† The 77th Legislature added variable contracts (VC) to the lines that may be written by General Lines-Life, Accident and Health (GL-LAH) Agents. Prior to 2002, agents selling VC were required to have both a GL-LAH license and a GL-VC license.

Summary of Activity: Miscellaneous Lines

Figure 46

	FY2000	FY2001	FY2002
TPA On-Site Examinations	7	0	0
TPA Desk Audits Conducted	20	22	7
TPA New Licenses Issued	88	53	61
TPA License Exemptions Granted	57	67	83
New Premium Finance Licenses Issued	20	17	20
Premium Finance Licenses Renewed	271	282	288

Number of Premium Finance Companies and Loans' Value CY1996–CY2001*

Figure 47

CALENDAR YEAR	NUMBER OF COMPANIES	NUMBER OF PREMIUM LOANS	VALUE OF LOANS
1996	306	404,532	\$1.65 billion
1997	300	443,278	\$1.76 billion
1998	292	455,492	\$1.54 billion
1999	291	468,129	\$1.68 billion
2000	283	408,892	\$1.69 billion
2001	281	387,866	\$1.90 billion

* These figures are reported in calendar years, and 2001 is the last full calendar year available.

Figure 48 Summary of Activity: Life/Health Filings

	FY2000	FY2001	FY2002
Filed	23,854	26,788	31,133
Accepted	22,804	25,853	30,195
Approved	6,165	6,614	9,354
Disapproved	3,944	3,486	3,072
Exempt	5,831	7,343	8,735

Figure 49 Summary of Activity: Health Maintenance Organization Filings

	FY2000	FY2001	FY2002
New Forms Received	2,672	3,599	2,640
Forms Completed	2,949	3,258	2,447

Figure 50 Summary of Activity: Utilization Review Filings

	FY2000	FY2001	FY2002
Applications Received	52	31	17
Applications Pending Review	13	16	7
Registered Utilization Review Agents Approved	14	5	2
Certified Utilization Review Agents Approved	66	51	21
Certified and Registered URAs renewed	18	94	76

Figure 51 Summary of Activity: HMO Complaints

	FY2000	FY2001	FY2002
Complaints Received	5,446	7,716	9,468
Complaints Closed	5,132	*7,131	9,414
Medicare Complaints Forwarded	*1,533	*5,132	3,362
HMO Quality of Care Examinations Completed	*32	*21	23

*Note: Data revised after FY2001 Annual Report released.

Figure 52 Summary of Activity: HMO Projects/Inquiries

	FY2000	FY2001	FY2002
Projects/Inquiries Received	120	145	248
Projects/Inquiries Completed	120	145	248

Consumer Protection

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

The Consumer Protection Program consists of five activities:

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

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

Public Education develops and distributes informational materials to increase consumers' understanding of insurance products and to help consumers shop wisely for the insurance they

need. Publications are available in English, Spanish and Vietnamese. Publications also are accessible through the Internet. Consumers may order complaint forms and publications 24 hours a day, seven days a week, by calling a toll-free automated telephone SHOP (7467). Public Education also coordinates a Speakers Bureau that provides public presentations for civic and community organizations and consumer groups. In partnership with other state and federal agencies, Public Education operates the federally funded Health Information, Counseling and Advocacy Program (HICAP), which provides statewide training to volunteer benefits counselors who assist senior citizens in their local communities.

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

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

Highlights

In Fiscal Year 2002, Consumer Protection:

- Assisted consumers in the Houston area following flooding resulting from Tropical Storm Allison. More than 90 TDI staff assisted consumers at 12 disaster recovery centers in summer and fall 2001.
- Assisted consumers in Central Texas and the Abilene area following flooding in July 2002. More than 65 TDI staff helped consumers at 12 disaster recovery centers.
- Returned \$48.5 million to consumers in additional claims payments and refunds as a result of complaints resolution.
- Led the Provider Ombudsman Team, which facilitated the payment of "clean claims" submitted to insurers by doctors and other health care providers. To date, the project has resulted in more than \$45.3 million in restitution paid to approximately 34,000 health care providers and administrative penalties of \$14.9 million for failure to pay claims timely.
- Responded to more than 621,000 inquiries. Complaints Resolution staff processed more than 34,000 written complaints.
- Conducted 574 Speakers Bureau presentations throughout Texas on insurance issues.
- Distributed 2.2 million publications, including more than 652,000 rate guides. Rate guides provide information to help Texans save money on their insurance. TDI publishes rate guides for automobile, homeowners, Medicare supplement, long-term care and workers' compensation insurance.
- Maintained consumer information on TDI's Internet Web site. Items accessed most frequently were company profiles and publications. Consumer publications recorded more than 1.02 million hits, while the company profiles were accessed more than 302,000 times. Other frequently accessed items included the on-line complaint form and the Internet Complaint Information System.
- Reviewed more than 6,000 insurance advertisements to ensure compliance with state laws and TDI rules.
- Initiated or expanded partnerships with governmental agencies to promote TDI services and enhance outreach activities, including partnerships with:
 - The cities of Dallas and Beaumont to distribute Market Assistance Program (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 and the Texas Legal Services Center to conduct the HICAP Program for older Texans and benefits counselors in local Area Agency on Aging offices statewide.
- The Division of Emergency Management and representatives of the insurance industry in the Texas State Disaster Coalition, which is designed to enhance responses to disasters.

Figure 53 Total Number of Complaint Cases Closed: FY1997–FY2002

YEAR	CASES CLOSED
FY1997	17,650
FY1998	18,829
FY1999	22,472
FY2000	28,005
FY2001	28,996
FY2002	34,364

Figure 54 Additional Claim Payments to Consumers: FY1997–FY2002

YEAR	CLAIM PAYMENTS
FY1997	\$17.0 million
FY1998	21.3 million
FY1999	24.4 million
FY2000	32.0 million
FY2001	31.4 million
FY2002	46.6 million

Figure 55 Restitutions/Refunds to Consumers: FY1997–FY2002

YEAR	RESTITUTIONS OR REFUNDS
FY1997	\$1.2 million
FY1998	1.3 million
FY1999	1.2 million
FY2000	1.8 million
FY2001	*636,000
FY2002	1.9 million

* Fewer complaints involving large refunds of annuity premiums were received in FY2001.

State Fire Marshal’s Office

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

The State Fire Marshal’s Office provides the following major services:

Fire/Arson Investigation Services

- Fire/Arson Investigations investigates all line-of-duty deaths of firefighters, and, upon request, investigates fire scenes throughout the state and assists local law enforcement authorities.
- The Arson Hotline is a toll-free number for the public to report suspicious activity involving fires. The hotline, 1-877-4FIRE45 (1-877-434-7345), is staffed 24 hours a day.
- Canine Teams consist of a handler, who is a certified peace officer/arson investigator, and a canine that has been certified and trained to detect hydrocarbons. The canines’ keen sense of smell helps them identify areas for evidence collection at fire scenes.
- The Forensic Arson Laboratory, based in Austin, provides accelerant testing services and analysis of fire scene debris to law enforcement and public safety organizations. The lab is accredited by the American Society of Crime Laboratories Directors.

- The Mobile Response Unit houses a self-contained command center, interview room, computer and audio-visual workstations and telecommunications systems used at fire scenes.

Fire Industry Licensing Services

- Fire Industry Licensing issues registrations, licenses and permits to individuals and companies working in the fire alarm, extinguisher, sprinkler and fireworks industries.
- Fire Industry Investigations, upon complaint, conducts investigations of fire alarm, extinguisher and sprinkler systems to ensure compliance with state law. They also inspect 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, universities, prisons, day-care centers, hotels and motels.
- Inspections are conducted based on need or in response to a request or complaint. Inspections of storage, handling and use of flammable liquids are conducted at retail service stations throughout the state.

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. 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.

The Juvenile Firesetter Intervention Program assists fire departments to establish 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 in Texas.

Public Protection Classification (PPC) Oversight assists local fire departments, upon request, with PPC and the ISO Fire Safety Rating Schedules. These ratings affect insurance premiums on local property insurance.

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. Data and reports are available to all fire departments and to the public upon request. Information is used to plan fire prevention programs at the state level.

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 2002, the State Fire Marshal's Office:

- Continued an aggressive, on-site fire safety inspection project on state university campuses with a special focus on dormitories. Twelve, full-campus inspections were conducted with over 3,000 buildings inspected. SFMO inspectors worked with university officials to remedy any dangerous situation uncovered by the inspections.
- Implemented statutorily required line-of-duty death investigation process. Six line-of-duty deaths occurred within Texas fire services during FY2002.
- Sponsored the third 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.
- Assisted with U.S./Russian presidential conference in Crawford, Texas by providing fire safety inspection services.
- Provided fire investigation canine team for Canadian television series on working dogs.
- Collected \$45,000 in fire industry licensing fines and saved property owners over \$59,000 by requiring companies to correct improperly installed systems.
- Engaged in arson investigations that resulted in 230 cases referred for prosecution, 86 percent of which resulted in legal action.

Figure 56 Summary of Activity: Fire Marshal's Office

	FY2000	FY2001	FY2002
TEXFIRS incident reports processed	710,748	1,075,756	1,209,523
Informational/educational presentations conducted	2,423	1,998	*1,036
Requests for engineering assistance	151	166	†12
Initial and follow-up fire investigations	617	523	551
Samples analyzed in arson laboratory	2,501	2,418	2,303
Juvenile Firesetter Intervention Programs formed or expanded	26	33	79
Companies and personnel licensed for Fireworks, Extinguisher, Alarm and Sprinklers	10,524	10,492	11,250
Investigations/inspections of complaints against Fire protection equipment/fireworks industries	1,364	1,318	1,290
Buildings inspected/re-inspected for fire safety hazards	8,428	10,668	10,308

* fire safety house out of service most of school year

† the State Fire Marshal's Office is unable to provide this service at the same level as in previous years due to the unavailability of staff resources

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

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 assist in

prevention and detection of 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

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 division's primary goals are to ensure that automation applications and technology are of good quality and are maintainable, available and meet agency and state standards. 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 various functions ranging from strategic to tactical planning, coordination of IT needs (such as contingency planning and information security) and technical writing and maintenance of the IS Technical Library. Software and hardware asset management services are performed in conjunction with the maintenance of all software licenses and hardware inventory. The budget and administration group plans and monitors the capital and operational budgets. This group also performs personnel, timekeeping and other administrative 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 formal and informal software training. All printing services, LAN and local, are monitored and assistance provided when needed. Project Support provides consulting and project management for hardware implementations or other support functions. Telecommunications provides telephone services, cabling and other telecommunication services.

Development includes 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 backup 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) supports 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 recruitment and hiring, payroll records, employment records, personnel actions, time and leave issues, position classification issues, employee insurance and benefits, federal and state reporting, the agency performance management system and employee exit interviews.

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 FY2002, Business Planning and Redesign led several projects designed to improve program or agency operations, including:

- Conducting the agency's customer satisfaction assessment and preparing TDI's Customer Service Report to the state leadership.
- Maintaining the Agency Wide Information page on the TDI Intranet site to keep staff informed of agency-wide projects and activities.
- Continuing to analyze TDI forms and implement recommendations to improve management of forms and forms processes at TDI.
- Maintaining 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.
- Continuing work on the records management project aimed at improving the way TDI creates, stores and disposes of records.
- Developing TDI policies for agency forms and records management.
- Updating TDI program and agency disaster recovery plans.
- Creating a subcommittee of TDI's E-Commerce Work Group to identify customer needs and regulatory concerns 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 and business plan projects, and to 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. Additionally, the Business Planning and Redesign director serves as the Commissioner's designated Customer Relations Representative, and the division responds to customers seeking help through the Compact with Texans.

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 2002, Administrative Operations:

Administrative Services

- Developed and produced the agency's FY2003 Operating Budget.
- Prepared and submitted the FY 2004/05 Legislative Appropriations Request.
- Monitored and projected agency expenditures by strategy, object of expense and organizational unit.
- Maintained a 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 Reports 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.
- Prepared and submitted the agency's FY 2003/07 Strategic Plan.
- Prepared the FY2001 Annual Financial Report and the Binding Encumbrance and Accounts Payable Report.
- Developed rates for maintenance tax, examination/overhead assessment and premium finance assessment.
- Processed 8,060 payment vouchers and 27,909 cash receipts.
- Assisted in developing requirements to receive revenue payments via the Internet.
- Posted procurement opportunities on the Statewide Electronic Bulletin Board.
- Administered the agency's Contract Management and Administration Process.
- Administered support to the Historically Underutilized Business(HUB) program and made good faith efforts to utilize HUBs in the agency's procurement process.
- Established a Mentor Protégé relationship with a Texas Business and a Historically Underutilized Business.
- Prepared and submitted the agency's FY 2002 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 2,700 purchase orders.
- Monitored 460 contracts through the agency's contract administration process.
- Processed 1,194,558 pieces of agency mail.
- Microfilmed 959,343 documents and stored 3,220 cubic feet of records through the Texas State Library for record retention.
- Processed 2,101 work orders through the General Services Commission.
- Coordinated 12 building improvement projects and modular furniture installations and renovations.
- Reduced the number of workers compensation claims by 43 percent and decreased monetary expenditures by 32 percent over the previous fiscal year. Four program areas were completely accident-free during FY2002.

Information Services

- Updated an agency Technology Roadmap and the Information Resources Strategic Plan for Fiscal Years 2002 through 2006 to guide TDI's future technology decisions.
- Completed a Personal Computer (PC) Obsolescence study that included documenting the PC life cycle and determining Total Cost of Ownership statistics. Further analysis was performed to compare benefits of leasing options versus purchasing and seat management alternatives.
- Monitored project management to ensure the percentage of scheduled projects completed on time and within budget remained consistently high (90 percent in FY2002).
- Helped enhance the agency's sixth year of Internet presence by:
 - Promoting use of TDI's Web site. Monthly "hits" increased to more than 873,000 per month by August 2002, up nearly 179,000 from August 2001.
 - Working with agency programs to add pertinent and timely information to the Web site, including proposed rules, 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 encourage state business on the Web, including:
 - Continuing participation as one of eight original state agencies in the TexasOnline web site by offering insurance agents the ability to renew licenses online, including paying their renewal fees, and allowing citizens and businesses to search for information about insurance agents. Each month more than 2,000 license renewals are performed online and over 266,000 queries are executed to obtain license information.
 - Continuing to allow customers to renew agency publication subscriptions over the Internet, including payment of subscription renewal fees.
- Established an Internet site (Helpinsure.com) to help consumers obtain homeowners insurance.
- Began offering training on the MS Office suite (Word, Excel, Access) to staff from other agencies;
- Improved the agency's infrastructure and electronic communications by:
 - Migrating TDI applications and databases from a costly Unix server to more efficient Windows 2000 servers;
 - Upgrading and modernizing TDI's Oracle database;
 - Conducting a research project to evaluate new tools and techniques available for programming;
 - Completing procedures for standardizing application and product documentation;
 - Deploying over 185 laptops and over 150 portable printers as part of TDI's obsolescence plan, including providing laptop training in Austin and in field offices;
 - Determining the feasibility of converting to a managed print environment using multi-functional devices to replace current obsolete network printers and copiers;
 - Researching, installing and testing a new operating system (MS Windows XP) and a new office software suite (MS Office XP) for desktops as a part of TDI's obsolescence plan;
 - Providing mobile access to information on the LAN within a portion of the Hobby Building by installing wireless connections;
 - Implementing the electronic reception of faxes;
 - Consolidating the GroupWise(e-mail)Post Offices onto one server to improve maintenance;
 - Distributing the electronic Southwestern Bell phone book to the agency and providing demonstrations in order to replace the need for phone books.
- Continued agency-wide and IS specific disaster recovery and contingency planning by:
 - Conducting an Information Services disaster recovery exercise in March at the agency's disaster recovery site. The primary goal of ensuring that the database could be restored was achieved.
 - Reformatting and updating the division's disaster recovery plan to reflect procedural and personnel changes.
 - Utilizing older servers and other available IT equipment at the disaster recovery site to eliminate the need for TDI to obtain outside disaster recovery services.
- Refined information security at TDI by:
 - Strengthening the security requirements for passwords.
 - Implementing a security sweep process by which spot checks are made throughout the agency to ensure good security practices are being followed.
 - Scheduling a scan and penetration test of the TDI network by the Security Office of the Department of Information Resources.
- Completed business unit IT initiatives, including:
 - Assisting Consumer Protection staff in the implementation of an electronic workflow system.
 - Completing a project for Life, Health and Licensing to determine the requirements for a billing system for policy form reviews;

- Completing a system enhancement for Agents' License to allow for consolidation of license types, as a result of legislative requirements;
- Completing a project for Administrative Services to address the requirements of Accounting Policy Statement 029 by recording receipt and payment of Convenience Fees related to TexasOnline applications;
- Enhancing the Complaints Inquiry System to add reports to provide statistical data on complaints from healthcare providers;
- Completing a system to track HMO Delegated Entities.

Human Resources

- Developed agency Workforce Plan and submitted with Agency Strategic Plan.
- Continued to improve 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.
- Updated agency Personnel Manual.
- Continued implementation of legislatively mandated salary increase.
- Continued participation in the Texas State Human Resource Association (TSHRA), State Agency Coordinating Committee (SACC), the SACC HR Subcommittee and the SACC Training and Development Subcommittee. TDI's Manager of Professional Development completed second year as Chair of the SACC Training and Development Subcommittee.
- Delivered training using new and innovative methods including 50-minute sessions for managers. Delivered New Employee Orientation via Compact Disk (CD) in order to decrease delivery time for training staff. Completed installation of technologies to allow for recording of training to be delivered on CD.
- 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.
- Delivered legislatively mandated sexual harassment and discrimination training.
- Continued analysis of in-house leave accounting system. Developed and received approval of Project Analysis Model to move forward with project. Anticipated completion is the end of FY2003.
- 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 comprehensive end of fiscal year annual and mid-year 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.
- Coordinated UT Survey of Organizational Excellence and disseminated results to agency and program areas.
- Processed 602 personnel actions for the agency, including merit raises, promotions, transfers and separations of employment.
- Participated in the State Employee Charitable Campaign and had a 14 percent participation rate from TDI employees.
- Delivered 32 Wellness Program events.
- Completed development of on-line registration for internal training courses.
- Delivered 426 hours of training, including segments on new employee orientation, Spanish, communication, customer service, defensive driving and management training.
- Implemented new management training in two tracks—one for new managers/team leaders and the other for tenured managers based on results of 2001 Training Needs Assessment.
- Delivered 194 hours of insurance training, including in-house Chartered Property Casualty Underwriter (CPCU), insurance regulation, and a new Introduction to Life and Health Insurance course.

- Filled 68 positions in FY2002.
- Decreased agency turnover rate from 14.49 percent to 10.14 percent.
- Time to hire in FY2002 was 68 days compared to 70 days in FY2001.

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.
- Maintained the agency's Forms Inventory, an agency-wide database of all TDI forms.
- Initiated a subcommittee of TDI's E-Commerce Work Group to identify customer needs and regulatory concerns in an electronic or online environment.
- Updated the handbook on electronic/digital signature terms, concepts, and technology to assist TDI programs when they consider converting processes to an electronic or online environment.
- Participated in a review of agency operations, concentrating on the administration of the Windstorm Inspection Program.
- Monitored and reported on the status of FY2002-2003 business plan projects and initiatives.
- Helped agency work groups implement legislation and FY2002–2003 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.
- Conducted the 2002 Customer Satisfaction Survey and prepared TDI's biennial Customer Service Report.
- Assisted HR in drafting the TDI Workforce Plan, a component of the agency's Strategic Plan.
- Assisted HR in identifying specifications for an automated leave accounting system for the agency.
- 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.

Figure 57 Comparison of Maintenance Tax Rates: FY1993–FY2002

TYPE	MAX LEGAL RATE	FY93	FY94	FY95	Fy96	FY97	FY98	FY99	FY00	FY01	FY02
Motor Vehicle	0.2	0.058	0.069	0.068	0.055	0.066	0.056	0.058	0.055	0.057	.060
Fire	1.25	0.525	0.606	0.656	0.436	0.418	0.370	0.381	0.358	0.352	.401
Workers' Compensation	0.6	0.200	0.386	0.120	0.093	0.096	0.085	0.072	0.055	0.060	.069
Casualty	0.4	0.210	0.295	0.319	0.209	0.251	0.197	0.232	0.200	0.186	.210
Title	1.0	0.132	0.187	0.171	0.110	0.135	0.174	0.123	0.144	0.086	.111
Life, Accident and Health	0.04	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	.040
Third-Party Administrators	1.0	0.5	0.222	0.235	0.310	0.339	0.313	0.244	0.218	0.237	.330
*HMO Multi-Service	\$2.00	\$0.78	\$1.23	\$1.27	\$0.68	\$0.80	\$1.21	\$1.08	\$1.08	\$1.11	1.10
*HMO Single Service		\$0.42	\$0.62	\$0.38	\$0.22	\$0.27	\$0.41	\$0.36	\$0.36	\$0.37	0.37
*HMO Limited Service							\$0.41	\$0.36	\$0.36	\$0.37	0.37
Prepaid Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.030	0.020	0.30

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