

2010 Annual Report

Texas Department of Insurance



Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C
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November 20, 2010

Honorable Rick Perry, *Governor*
Honorable Susan Combs, *Texas Comptroller*
John O'Brien, *Director, Legislative Budget Board*
John Keel, CPA, *State Auditor*

Lady and Gentlemen:

We are pleased to submit the *Annual Financial Report* of the Texas Department of Insurance for the year ended August 31, 2010, in compliance with *Tex. Gov't Code, Ann. §2101.011*, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Joe Meyer at 512-463-6143.

Sincerely,

A handwritten signature in black ink that reads "Mike Geeslin".

Mike Geeslin
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2010**

TABLE OF CONTENTS

Exhibit I	Combined Balance Sheet/Statement of Net Assets – Governmental Funds	1
Exhibit II	Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds	5
Exhibit III	Combined Statement of Net Assets – Proprietary Funds	9
Exhibit IV	Combined Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	10
Exhibit VI	Combined Statement of Fiduciary Net Assets – Fiduciary Funds	11
Exhibit VII	Combined Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	12
	Notes to the Financial Statements	13
Exhibit A-1	Combining Balance Sheet - All General and Consolidated Funds	25
Exhibit A-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All General and Consolidated Funds	26
Exhibit I-1	Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds	27
Exhibit I-2	Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	28
Exhibit J-1	Combining Statement of Changes in Assets and Liabilities – Agency Funds	29
Exhibit L-1	Combining Statement of Net Assets – Discretely Presented Proprietary Component Units	31
Exhibit L-2	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Discretely Presented Proprietary Component Units	32
Schedule 1A	Schedule of Expenditures of Federal Awards	33
Schedule 6	Summary of Revenues/Transfers In	35
Schedule 6A	Comparative Statement of Revenues	38

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Texas Department of Insurance (454)

Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2010

	Governmental Fund Types		Governmental Funds Total
	General Funds (Ex A-1)	Special Revenue Funds (9999) U/F(1999)	
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
On Hand	\$ 685.00	\$ -	\$ 685.00
In Bank	100,000.00	55,202.19	155,202.19
Legislative Appropriations	1,112,941.25		1,112,941.25
In State Treasury	175,238,684.79		175,238,684.79
Cash Equivalents		5,137,957.35	5,137,957.35
Receivables from:			
Federal Receivable	253,434.07		253,434.07
Interest & Dividends Receivable		31.40	31.40
Accounts Receivable	1,448,802.86	107,201.95	1,556,004.81
Interfund Receivable (Note 12)	395,000.00		395,000.00
Due From Other Agencies	269,472.65		269,472.65
Consumable Inventories	106,623.13		106,623.13
Total Current Assets	<u>178,925,643.75</u>	<u>5,300,392.89</u>	<u>184,226,036.64</u>
Capital Assets (Note 2):			
Depreciable			
Furniture and Equipment			
Less Accumulated Depreciation			
Vehicle, Boats, and Aircraft			
Less Accumulated Depreciation			
Other Capital Assets			
Less Accumulated Depreciation			
Computer Software-Intangible, Net			
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 178,925,643.75</u>	<u>\$ 5,300,392.89</u>	<u>\$ 184,226,036.64</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 8,087,261.87	\$ -	\$ 8,087,261.87
Payroll	8,602,134.88		8,602,134.88
Interfund Payable (Note 12)	395,000.00		395,000.00
Due to Other Agencies	3,512,758.12		3,512,758.12
Deferred Revenue	25,939.09		25,939.09
Claims and Judgments (Note 5)			
Employees Compensable Leave (Note 5)			
Total Current Liabilities	<u>20,623,093.96</u>	<u>-</u>	<u>20,623,093.96</u>

The accompanying notes to the financial statements are an integral part of this statement.

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ -	\$ -	\$ 685.00
			155,202.19
			1,112,941.25
			175,238,684.79
			5,137,957.35
			253,434.07
			31.40
			1,556,004.81
			395,000.00
			269,472.65
			106,623.13
-	-	-	<u>184,226,036.64</u>
6,871,468.55			6,871,468.55
(6,048,540.32)			(6,048,540.32)
1,170,723.22			1,170,723.22
(667,106.06)			(667,106.06)
17,399.30			17,399.30
(12,468.94)			(12,468.94)
34,420.17			34,420.17
1,365,895.92	-	-	1,365,895.92
<u>\$ 1,365,895.92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,591,932.56</u>
\$ -	\$ -	\$ -	\$ 8,087,261.87
			8,602,134.88
			395,000.00
			3,512,758.12
			25,939.09
	608,600.65		608,600.65
	5,085,345.82		5,085,345.82
-	<u>5,693,946.47</u>	-	<u>26,317,040.43</u>

The accompanying notes to the financial statements are an integral part of this statement.

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Texas Department of Insurance (454)

Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2010

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special</u>	
	<u>Funds</u>	<u>Revenue</u>	<u>Governmental</u>
	<u>(Ex A-1)</u>	<u>Funds</u>	<u>Funds</u>
	<u>(9999) U/F(1999)</u>	<u>(9999) U/F(1999)</u>	<u>Total</u>
Non-Current Liabilities:			
Claims and Judgments (Note 5)			
Employees Compensable Leave (Note 5)			
Total Non-Current Liabilities	-	-	-
Total Liabilities	<u>20,623,093.96</u>	<u>-</u>	<u>20,623,093.96</u>
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	\$ 122,685.47	\$ -	\$ 122,685.47
Inventories	106,623.13		106,623.13
Imprest	100,685.00		100,685.00
Unreserved Designated for:			
Undesignated	<u>157,972,556.19</u>	<u>5,300,392.89</u>	<u>163,272,949.08</u>
Total Fund Balances	<u>158,302,549.79</u>	<u>5,300,392.89</u>	<u>163,602,942.68</u>
Total Liabilities and Fund Balances	<u>\$ 178,925,643.75</u>	<u>\$ 5,300,392.89</u>	<u>\$ 184,226,036.64</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets:
 Invested in Capital Assets, Net of Related Debt
 Unrestricted
 Total Net Assets

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<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Other Adjustments</u>	<u>Statement of Net Assets</u>
	15,351,071.17		15,351,071.17
	3,817,554.02		3,817,554.02
-	19,168,625.19	-	19,168,625.19
-	24,862,571.66	-	45,485,665.62
\$ -	\$ -	\$ -	\$ 122,685.47
			106,623.13
			100,685.00
			<u>163,272,949.08</u>
			<u>163,602,942.68</u>
			1,365,895.92
	(24,862,571.66)		(24,862,571.66)
<u>\$ 1,365,895.92</u>	<u>\$ (24,862,571.66)</u>	<u>\$ -</u>	<u>\$ 140,106,266.94</u>

The accompanying notes to the financial statements are an integral part of this statement.

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Texas Department of Insurance (454)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds

For the Fiscal Year Ended August 31, 2010

	General Funds (Ex A-2)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
REVENUES			
Original Appropriations	\$ 224,406.00	\$ -	\$ 224,406.00
Additional Appropriations	36,392.51		36,392.51
Taxes	1,408,570.36		1,408,570.36
Federal Revenue (Sch 1A)	3,646,734.66		3,646,734.66
Federal Pass-Through Revenue (Sch 1A)	2,142,167.64		2,142,167.64
State Grant Pass-Through Revenue	345.94		345.94
Licenses, Fees & Permits	37,969,474.91		37,969,474.91
Sales of Goods and Services	13,378.03		13,378.03
Interest and Other Investment Income		7,491.61	7,491.61
Other	7,016,456.17	842,991.59	7,859,447.76
Total Revenues	52,457,926.22	850,483.20	53,308,409.42
EXPENDITURES			
Salaries and Wages	77,094,521.39	829,840.45	77,924,361.84
Payroll Related Costs	23,170,304.17	171,013.04	23,341,317.21
Professional Fees and Services	5,279,861.99	19,820.00	5,299,681.99
Travel	1,884,856.43	2,781.69	1,887,638.12
Materials and Supplies	2,688,238.20	2,350.19	2,690,588.39
Communication and Utilities	1,643,512.39	4,458.53	1,647,970.92
Repairs and Maintenance	677,438.62		677,438.62
Rentals & Leases	3,869,242.57		3,869,242.57
Printing and Reproduction	578,417.51		578,417.51
Claims and Judgments	4,379,942.25		4,379,942.25
Intergovernmental Payments	1,895,000.00		1,895,000.00
Public Assistance Payments	10,000.00		10,000.00
Other Expenditures	5,364,561.00	894,152.58	6,258,713.58
Capital Outlay	575,180.34		575,180.34
Depreciation Expense			
Amortization Expense			
Total Expenditures/Expenses	129,111,076.86	1,924,416.48	131,035,493.34
Excess (Deficiency) of Revenues			
Over Expenditures	(76,653,150.64)	(1,073,933.28)	(77,727,083.92)
OTHER FINANCING SOURCES (USES)			
Transfers In	131,502,805.62	-	131,502,805.62
Transfers Out	(37,608,294.20)		(37,608,294.20)
Sale of Capital Assets	31,765.00		31,765.00
Insurance Recovery	220.00		220.00
Legislative Transfers Out (Note 12)			-
Appropriations Lapsed			-
Gain (Loss) on Sale of Capital Assets			-
Total Other Financing Sources and Uses	93,926,496.42	-	93,926,496.42
Net Change in Fund Balances/Net Assets	17,273,345.78	(1,073,933.28)	16,199,412.50

The accompanying notes to the financial statements are an integral part of this statement.

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 224,406.00
			36,392.51
			1,408,570.36
			3,646,734.66
			2,142,167.64
			345.94
			37,969,474.91
			13,378.03
			7,491.61
			<u>7,859,447.76</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>53,308,409.42</u>
	(130,848.40)		77,793,513.44
			23,341,317.21
			5,299,681.99
			1,887,638.12
			2,690,588.39
			1,647,970.92
			677,438.62
			3,869,242.57
			578,417.51
	1,082,915.89		5,462,858.14
			1,895,000.00
			10,000.00
			6,258,713.58
(575,180.34)			-
698,972.56			698,972.56
20,484.26			20,484.26
<u>144,276.48</u>	<u>952,067.49</u>	<u>-</u>	<u>132,131,837.31</u>
<u>(144,276.48)</u>	<u>(952,067.49)</u>	<u>-</u>	<u>(78,823,427.89)</u>
			131,502,805.62
(6,592.13)			(37,614,886.33)
(31,765.00)			-
			220.00
			-
			-
<u>23,614.85</u>			<u>23,614.85</u>
<u>(14,742.28)</u>	<u>-</u>	<u>-</u>	<u>93,911,754.14</u>
<u>(159,018.76)</u>	<u>(952,067.49)</u>	<u>-</u>	<u>15,088,326.25</u>

The accompanying notes to the financial statements are an integral part of this statement.

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Texas Department of Insurance (454)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds

For the Fiscal Year Ended August 31, 2010

	<u>General Funds (Ex A-2)</u>	<u>Special Revenue Funds (9999) U/F(1999)</u>	<u>Governmental Funds Total</u>
FUND FINANCIAL STATEMENT-FUND BALANCES			
Fund Balances--Beginning	\$ 141,029,204.01	\$ 6,374,326.17	\$ 147,403,530.18
Restatements (Note 14)			-
Fund Balances, September 1, 2009, as Restated	<u>141,029,204.01</u>	<u>6,374,326.17</u>	<u>147,403,530.18</u>
 Fund Balances--August 31, 2010	 <u>\$ 158,302,549.79</u>	 <u>\$ 5,300,392.89</u>	 <u>\$ 163,602,942.68</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets/Change in Net Assets	<u>\$ 163,602,942.68</u>
Net Assets-Beginning	
Restatements (Note 14)	
Net Assets, September 1, 2009, as Restated	
 Net Assets-August 31, 2010	 <u>\$ 163,602,942.68</u>

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ 1,524,914.68	\$ -	\$ -	\$ 148,928,444.86
<u>1,524,914.68</u>	<u>-</u>	<u>-</u>	<u>148,928,444.86</u>
<u>\$ 1,365,895.92</u>	<u>\$ (952,067.49)</u>	<u>\$ -</u>	<u>\$ 164,016,771.11</u>
\$ (159,018.76)	\$ (952,067.49)	\$ -	\$ 162,491,856.43
<u>1,524,914.68</u>	<u>(23,910,504.17)</u>	<u>-</u>	<u>(22,385,589.49)</u>
<u>1,524,914.68</u>	<u>(23,910,504.17)</u>	<u>-</u>	<u>(22,385,589.49)</u>
<u>\$ 1,365,895.92</u>	<u>\$ (24,862,571.66)</u>	<u>\$ -</u>	<u>\$ 140,106,266.94</u>

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Texas Department of Insurance (454)
Exhibit III - Combined Statement of Net Assets
Proprietary Funds

August 31, 2010

	Total Proprietary Component Units (Exhibit L-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ 113,015,092.00
Cash Equivalents (Note 3)	23,131,346.00
Short Term Investments (Note 3)	267,322,966.00
Receivables from:	
Interest and Dividends	-
Accounts Receivable	39,574,324.00
Other	102,627,805.00
Deferred Acquisition Costs	35,394,046.00
Total Current Assets	581,065,579.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	10,046,145.00
Less Accumulated Depreciation	(6,329,485.00)
Other Non-Current Assets	26,702.00
Total Non-Current Assets	3,743,362.00
Total Assets	584,808,941.00
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	6,535,602.00
Deferred Revenue	232,068,313.00
Other Liabilities	222,414,932.00
Notes and Loans Payable	-
Total Current Liabilities	461,018,847.00
Non-Current Liabilities:	
Other Liabilities	825,224.00
Total Non-Current Liabilities	825,224.00
Total Liabilities	461,844,071.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	114,863,012.00
Unrestricted	8,101,858.00
Total Net Assets	\$ 122,964,870.00

Note A - These Component Units have a fiscal year end of December 31, 2009. Financial information is as of that date.

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Texas Department of Insurance (454)
Exhibit IV - Combined Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds

For the Fiscal Year Ended August 31, 2010

	Total Proprietary Component Units (Exhibit L-2)
OPERATING REVENUES:	
Federal Revenues	\$ 6,247,177.00
Sales of Goods and Services:	
Other Sales of Goods and Services	\$ 2,232,655.00
Premium Revenue	389,697,527.00
Interest and Investment Income	844,971.00
Other Operating Revenues	88,030,165.00
Total Operating Revenues	487,052,495.00
OPERATING EXPENSES:	
Salaries and Wages	18,887,143.00
Payroll Related Costs	3,288,866.00
Professional Fees and Services	13,526,723.00
Travel	13,862,550.00
Materials and Supplies	340,948.00
Communication and Utilities	319,696.00
Repairs and Maintenance	204,407.00
Rentals and Leases	1,730,740.00
Printing and Reproduction	163,856.00
Depreciation and Amortization	906,986.00
Other Operating Expenses	151,000,567.00
Total Operating Expenses	204,232,482.00
Operating Income (Loss)	282,820,013.00
Change in Net Assets	282,820,013.00
Total Net Assets, September 1, 2005	(159,855,143.00)
Restatements	-
Total Net Assets, September 1, 2005, as Restated	(159,855,143.00)
Total Net Assets, August 31, 2006	\$ 122,964,870.00

Note A - These Component Units have a fiscal year end of December 31, 2009. Financial information is as of that date.

5

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Texas Department of Insurance (454)
Exhibit VI - Combined Statement of Fiduciary Net Assets
Fiduciary Funds

August 31, 2010

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 355,256.12	\$ -	\$ 355,256.12
Cash in State Treasury	619,551.89	11,483,787.07	12,103,338.96
Cash Equivalents	276,285,040.81		276,285,040.81
Accounts Receivable	1,668.70	252,013.76	253,682.46
Other Assets	80,949,849.88	1,749,591,407.18	1,830,541,257.06
Total Assets	<u>358,211,367.40</u>	<u>1,761,327,208.01</u>	<u>2,119,538,575.41</u>
LIABILITIES			
Accounts Payable	-	-	-
Due to Other Agencies		252,013.76	252,013.76
Funds Held for Others	80,949,849.88	1,761,075,194.25	1,842,025,044.13
Total Liabilities	<u>80,949,849.88</u>	<u>1,761,327,208.01</u>	<u>1,842,277,057.89</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	277,261,517.52		277,261,517.52
Total Net Assets	<u>\$ 277,261,517.52</u>	<u>\$ -</u>	<u>\$ 277,261,517.52</u>

The accompanying notes to the financial statements are an integral part of this statement.

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Texas Department of Insurance (454)
Exhibit VII - Combined Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

August 31, 2010

	Private- Purpose Trust (Exhibit I-2)	Totals
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 311,996.38	\$ 311,996.38
Total Investing Income	311,996.38	311,996.38
Less Investing Activities Expense		-
Net Income from Investing Activities	311,996.38	311,996.38
 Total Net Investment Income	 311,996.38	 311,996.38
 Other Additions		
Other Revenue	138,306,984.55	138,306,984.55
Transfers In		-
Total Other Additions	138,306,984.55	138,306,984.55
 Total Additions	 138,618,980.93	 138,618,980.93
DEDUCTIONS		
Settlement of Claims	63,711,777.16	63,711,777.16
Public Assistance	-	-
Other Expense	11,324,865.26	11,324,865.26
Transfers Out	-	-
Total Deductions	75,036,642.42	75,036,642.42
 NET INCREASE (DECREASE)	 63,582,338.51	 63,582,338.51
 Net Assets- September 1, 2009	 213,679,179.01	 213,679,179.01
Restatements		-
Net Assets, September 1, 2009 As Restated	213,679,179.01	213,679,179.01
 Net Assets - August 31, 2010	 \$ 277,261,517.52	 \$ 277,261,517.52

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Department of Insurance is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Texas Department of Insurance is provided for in Chapter of 31.002 of the Texas Insurance Code. Chapter 31.002 states "the department shall (1) regulate the business of insurance in this state; (2) administer the workers' compensation system of this state as provided by Title 5 Labor Code, and (3) ensure that this code and other laws regarding insurance and insurance companies are executed." The history of the Agency dates back to the Texas Constitution of 1876. Since then, the composition of the Agency has changed several times. In 1993, House Bill No. 1461, 73rd Legislature, Regular Session, amended the Insurance Code to establish the Commissioner of Insurance as the primary policy-setting authority and to abolish the three-member State Board of Insurance no later than September 1, 1994. The Board transferred all remaining power to the Commissioner effective December 16, 1993. Additionally, effective September 1, 2005, House Bill 7, 79th Legislature, Regular Session, created the Division of Workers' Compensation within the Texas Department of Insurance. This legislation transferred many of the duties and functions of the abolished Texas Workers' Compensation Commission to the Division of Workers' Compensation to administer and operate the workers' compensation system of the State.

The Texas Department of Insurance includes within this report all components as determined by an analysis of their relationship to the Texas Department of Insurance as listed below.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Blended Component Units

No component units have been identified which should be blended into an appropriate fund.

Discretely Presented Component Units

These component units are legally separate from the state, but are financially accountable to the state, or have a relationship with the state such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

- The Surplus Lines Stamping Office of Texas was created in August, 1987, by the 70th Legislature of the State of Texas to assist the Texas Department of Insurance in the regulation of surplus lines insurance and encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of the Texas Department of Insurance. The Texas Department of Insurance approves operating procedures for the administration of the Stamping Office.
- The Texas Health Reinsurance System is a not-for-profit entity created to assure the availability of appropriate health care coverage to Texas residents and to provide a reinsurance mechanism to facilitate the provision of small employer coverage. The Commissioner approves the assessment formula by which assessments are made against reinsured carriers.
- The Texas Health Insurance Risk Pool was created to provide access to quality health care at minimum cost to the public, to relieve the insurable population of the disruptive cost of sharing coverage and to maximize reliance on strategies of managed care proven by the private sector. It is governed by a nine-member board appointed by the Commissioner of Insurance, who also approves rates and rate schedules used by the Risk Pool.
- The Texas Windstorm Insurance Association (TWIA) was created as the state's insurer of last resort for wind and hail coverage in the 14 coastal counties and parts of Harris County (east of Hwy 146). TWIA provides wind and hail coverage when insurance companies exclude it from their homeowners and other property policies sold to coastal residents. Effective January 1, 2010, the Commissioner appoints the members to the TWIA Board of Directors.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

Capital Assets Adjustment Fund Type

Capital Assets Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

Other Adjustments Fund Type

Other Adjustments fund type will be used to convert all other governmental fund types' activity from modified accrual to full accrual.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds

Private-Purpose Trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

COMPONENT UNITS

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

Proprietary Component Units are used to account for the discretely presented component units which follow proprietary fund measurement focus and accounting principles.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Inventories and Prepaid Items

Inventories consist of consumable inventories. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

LIABILITIES

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Non-Current Payables - Other

Outstanding claims for the Texas Health Insurance Risk Pool are classified as Other Liabilities by the Comptroller of Public Accounts.

Claims and Judgments

Claims and judgments which are settled but unpaid at year-end and will be paid with future fund resources.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that become "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Unreserved/Undesignated

Other represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 2: CAPITAL ASSETS

Revenue received from the sale of Surplus Property is recorded in Unappropriated General Revenue.

A summary of changes in Capital Assets for the year ended August 31, 2010 is presented below:

GOVERNMENT Asset Type	Balance 9/1/09	Adjust-ments	Comple-t -ed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans	PRIMARY		Balance 8/31/10
						Additions	Deletions	
Governmental activities:								
Non-depreciable Assets								
Other Capital Assets	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total non-depreciable assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciable Assets								
Furniture and Equipment	9,011,567.48	(2,395,276.83)	0.00	0.00	(15,080.66)	408,007.50	(137,748.94)	6,871,468.55
Vehicles	1,156,623.38	0.00	0.00	0.00	0.00	167,172.84	(153,073.00)	1,170,723.22
Other Capital Assets	22,399.30	0.00	0.00	0.00	0.00	0.00	(5,000.00)	17,399.30
Total depreciable assets at historical costs	10,190,590.16	(2,395,276.83)	0.00	0.00	(15,080.66)	575,180.34	(295,821.94)	8,059,591.07
Accumulated Depreciation								
Furniture and Equipment	(7,961,287.97)	2,340,372.40	0.00	0.00	8,488.53	(571,019.94)	134,906.66	(6,048,540.32)
Vehicles	(689,047.21)	0.00	0.00	0.00	0.00	(125,823.98)	147,765.13	(667,106.06)
Other Capital Assets	(15,340.30)	0.00	0.00	0.00	0.00	(2,128.64)	5,000.00	(12,468.94)
Total accumulated depreciation	(8,665,675.48)	2,340,372.40	0.00	0.00	8,488.53	(698,972.56)	287,671.79	(6,728,115.32)
Amortizable Assets-Intangible								
BC Computer Software	0.00	2,395,276.83	0.00	0.00	0.00	0.00	0.00	2,395,276.83
BC Other Capital Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Amortizable Assets-Intangible	0.00	2,395,276.83	0.00	0.00	0.00	0.00	0.00	2,395,276.83
Accumulated Amortization								
BC A/A Computer Software								
BC A/A Other Intangible Capital Assets								
Total Accumulated Amortization	0.00	(2,340,372.40)	0.00	0.00	0.00	(20,484.26)	0.00	(2,360,856.66)
Total Governmental activities , net	\$ 1,524,914.68	\$ 0.00	0.00	0.00	(6,592.13)	(144,276.48)	(8,150.15)	1,365,895.92

DISCRETELY PRESENTED COMPONENT UNITS

Asset Type	Balance		Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	Balance
	\$ 9/1/09	\$ Adjust-ments						\$ 8/31/10
Proprietary activities:								
Depreciable Assets								
Furniture and Equipment	4,174,024.00	3,812,714.00	0.00	0.00	0.00	2,059,407.00	0.00	10,046,145.00
Total depreciable assets at historical costs		0.00	0.00	0.00	0.00		0.00	
Less accumulated depreciation for:								
Furniture and Equipment	(3,140,158.00)	(2,282,341.00)	0.00	0.00	0.00	(906,986.00)	0.00	(6,329,485.00)
Total accumulated depreciation		0.00	0.00	0.00	0.00		0.00	
Depreciable assets, net	1,033,866.00	1,530,373.00	0.00	0.00	0.00	1,152,421.00	0.00	3,716,660.00
Business-Type activities capital assets, net	\$ 1,033,866.00	\$ 1,530,373.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,152,421.00	0.00	3,716,660.00

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

The Texas Department of Insurance reports investments held in the Texas Treasury Safekeeping Trust Company. The Texas Treasury Safekeeping Trust Company is authorized by statute to make investments following the "prudent person rule". There were no significant violations of legal provisions during the period.

DEPOSITS OF CASH IN BANK

As of August 31, 2010, the carrying amount of deposits was \$113,525,550.21 as presented below.

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING VALUE	\$155,202.19
Cash In Bank Per AFR	<u>\$ 155,202.19</u>
Governmental Funds Current Assets Cash in Bank	\$155,202.19
Governmental Funds Texas Treasury Safekeeping Trust	0.00
Cash in Bank per AFR	<u>\$155,202.19</u>
Fiduciary Funds	
CASH IN BANK – CARRYING VALUE	\$355,256.12
Cash In Bank Per AFR	<u>\$355,256.12</u>
Fiduciary Funds Current Assets Cash in Bank	\$115,256.12
Fiduciary Funds Texas Treasury Safekeeping Trust	240,000.00
Cash in Bank per AFR	<u>\$355,256.12</u>
Discrete Component Units	
CASH IN BANK – CARRYING VALUE	\$113,015,092.00
Cash In Bank Per AFR	<u>\$113,015,092.00</u>
Discrete Component Unit Current Assets Cash in Bank	\$113,015,092.00
Cash in Bank per AFR	<u>\$113,015,092.00</u>

These amounts consist of all cash in local banks. These amounts are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts.

As of August 31, 2010 the total bank balance was as follows.

Governmental and Business-Type Activities	\$139,975.68	Fiduciary Funds	\$360,703.12	Discrete Component Units	\$113,015,092.00
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Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency and the discrete component units will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a policy for custodial credit risk but maintains cash balances in a major financial institution and monitors account balances for amounts over \$250,000 of the FDIC limit. The Surplus Lines Stamping Office's cash deposits are held in a major financial institution and are insured up to \$250,000. Management monitors balance in all accounts and has not experienced any losses on the deposits. The Texas Health Insurance Risk Pool deposits exceeding the insured limit are swept in to overnight investments which are backed by the full faith and credit of the United States. TWIA deposits exceed the insured limit, but the deposits are held in the Transaction Account Guarantee Program that guarantees 100% of their cash. The bank balances that were exposed to custodial credit risks are as follows:

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
15	3159	\$1,209,791		

INVESTMENTS

As of August 31, 2010, the carrying value and fair value of investments are as presented below.

<u>Governmental and Business-Type Activities</u>	<u>Fair Value</u>
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ①	\$ 5,137,957.35
Total	\$ 5,137,957.35

<u>Fiduciary Funds</u>	<u>Fair Value</u>
U.S. Government:	
U.S. Treasury Securities	3,225,367.96
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ①	273,059,672.85
Total	\$ 276,285,040.81

<u>Discreet Component Units</u>	<u>Fair Value</u>
U.S. Government:	
U.S. Treasury Securities	34,630,797.00
U.S. Treasury Securities Money Market Fund	23,131,346.00
U.S. Government Agency Obligations	65,674,288.00
Repurchase Agreement	160,617,881.00
Miscellaneous	6,400,000.00
Total	\$ 290,454,312.00

① – Repurchase Agreements with the Texas Treasury Safekeeping Trust Co. are recorded as Cash Equivalents – Miscellaneous in the Financial Statements and as Repurchase Agreements in the Notes, based on Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

Custodial credit risk for investments is that risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency's investment policy limits holding of securities by counterparties to those involved with securities lending.

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
15	4154	U.S. Treasury Securities	\$34,630,797.00	
15	4154	U.S. Gov't Obligations	\$ 49,677,988.00	
15	4154	Repurchase Agreements	\$ 160,617,881.00	
20	9999	US Government Securities	\$ 3,225,367.96	

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Texas Department of Insurance had investments in U.S. Treasury Securities Money Market Mutual Fund which are backed the U.S. government. The Surplus Lines investment policy allows U.S. government securities and negotiable certificates of deposits. The Texas Health Insurance Risk Pool held investments backed the U.S. government. TWIA held investments backed the US Treasury Money Market Funds program and other investments backed by the U.S. government. As of August 31, 2010 credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	NR
02	9999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co	\$ 5,137,957.35			
15	3159	Certificates of deposits				\$6,400,000.00
15	4152	US Treasury Securities Money Market Mutual Fund	\$ 23,131,346.00			
15	4152	U.S. Gov't Agency Obligations	\$ 15,996,300.00			
15	4154	U.S. Treasury Securities	\$ 34,630,797.00			
15	4154	U.S. Gov't Obligations	\$ 49,677,988.00			
15	4154	Repurchase Agreements	\$ 160,617,881.00			
20	2999	US Treasury Securities Money Market Mutual Fund	\$ 3,225,367.96			
20	2999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co	\$199,009,807.57			
20	3204	Repurchase Agreement-Texas Treasury Safekeeping Trust Co	\$ 74,049,865.28			

NOTE 4: SUMMARY OF SHORT-TERM DEBT

N/A

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2010, the following changes occurred in liabilities.

Governmental Activities	PRIMARY GOVERNMENT				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/09	Additions	Reductions	Balance 8/31/10		
Claims and Judgments	\$ 14,876,755.93	\$ 1,834,902.06	\$ 751,986.17	\$ 15,959,671.82	\$ 608,600.65	\$ 15,351,071.17
Compensable Leave	9,033,748.24	7,442,516.19	7,573,364.59	8,902,899.84	5,085,345.82	3,817,554.02
Total Governmental Activities	\$ 23,910,504.17	\$ 9,277,418.25	\$ 8,325,350.76	\$ 24,862,571.66	\$ 5,693,946.47	\$ 19,168,625.19

Proprietary Activities	DISCRETELY PRESENTED COMPONENT UNITS				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/09	Additions	Reductions	Balance 8/31/10		
Other Liabilities	\$ 0.00	\$ 825,224.00	\$ 0.00	\$ 825,224.00	\$ 83,243.00	\$ 741,981.00
Total Proprietary Activities	\$ 0.00	\$ 825,224.00	\$ 0.00	\$ 825,224.00	\$ 83,243.00	\$ 741,981.00

Claims and Judgments

Lifetime Income Benefits are paid until the death of an employee for total and permanent loss of a body part as provided in Section 408.161 of the Texas Labor Code. The amount of lifetime income benefits is equal to 75 percent of the employee's average weekly

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

wage and benefits being paid shall be increased at a rate of three percent a year subject to Section 408.061 of the Texas Labor Code.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Other Liabilities

Deferred pensions for the Texas Windstorm Insurance Association are classified as Other Liabilities by the Comptroller of Public Accounts.

NOTE 6: BONDED INDEBTEDNESS

N/A

NOTE 7: CAPITAL LEASES

N/A

NOTE 8: OPERATING LEASES

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

PRIMARY GOVERNMENT	
Year Ended August 31, 2010	
2011	\$ 3,102,216.69
2012	2,635,472.13
2013	2,154,576.85
2014	606,958.68
2015	233,413.56
2016-2020	448,294.48
Total Minimum Future Lease Rental Payments	<u>\$ 9,180,932.39</u>

DISCRETELY PRESENTED COMPONENT UNITS	
Calendar Year Ended August 31, 2009	
2010	\$ 1,015,104.00
2011	781,899.00
2012	462,400.00
2013 & After	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 2,259,403.00</u>

NOTE 9: RETIREMENT PLANS

The Employees' Retirement System administers and reports the activity for the plan.

NOTE 10: DEFERRED COMPENSATION PLANS

The Employee's Retirement System administers and reports the activity for the plan.

NOTE 11: POST-EMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS

N/A

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 12: INTERFUND ACTIVITY and TRANSACTIONS

As explained in Note 1 on Interfund Activities and Balances there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

Interfund Receivables or Interfund Payables

Interfund payable and receivable balances at August 31, 2010 to reflect outstanding expenditure transfer items between General Revenue Fund (0001) and the Texas Department of Insurance General Revenue Dedicated Fund (0036):

	Current Interfund Receivable	Current Interfund Payable
GENERAL REVENUE Appropriated Fund 0001 (Agency 454)	\$ 395,000.00	\$ 0.00
GENERAL REVENUE DEDICATED Appropriated Fund 0036 (Agency 454)	\$ 0.00	\$ 395,000.00
Total Interfund Receivable/Payable	\$ 395,000.00	\$ 395,000.00

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under SB2, 81st Legislature, 1st called session, Sec 1.06, Subsection (a), Section 31.004 of the Insurance Code was amended to read as follows: The Texas Department of Insurance is subject to Chapter 325, Government Code (Texas Sunset Act). The Agency will be abolished on September 1, 2011, unless continued in existence by the 82nd Legislature.

NOTE 14: ADJUSTMENTS TO FUND BALANCES and NET ASSETS

N/A

NOTE 15: CONTINGENT LIABILITIES

- Regulatory There are a number of pending actions to which TDI and DWC is a party in connection with regulatory duties. These generally do not seek monetary relief, other than attorneys' fees, but rather seek to reverse a regulatory action of the agency.

The Agency has received a federal grant for a specific purpose that is subject to review and audit by the grantor agency. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 16: SUBSEQUENT EVENTS

The Agency has the following subsequent events that may greatly affect the financial condition of the agency such as important contractual or grant arrangements, changes in material amounts of property, or other significant administrative or accounting activities:

- TDI, along with TxDot, DPS, and DIR have jointly contracted with HDI Solutions, Inc. as the vendor to develop, implement, operate, and maintain TexasSure, the motor vehicle financial responsibility verification program. TDI certifies deliverables as acceptable under the contract and TxDot authorizes and makes payment to the vendor.
- TDI is implementing Healthy Texas, a new statewide health insurance program designed for small business owners and their employees, which may include various contractual arrangements as part of the implementation of the program.
- TDI has applied for federal grant funds related to the Patient Protection and Affordable Care Act of 2010 (PPACA) and the Health Care and Education Reconciliation Act of 2010, which are collectively referred to as the Affordable Care Act. The federal grant funds will be used to implement health reform.

NOTE 17: RISK MANAGMENT

The Texas Department of Insurance is exposed to a variety of civil claims resulting from the performance of its duties. It is the agency's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

The Agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties. The only commercial insurance carried by the Agency is a Public Officers Liability Insurance policy, which is issued in accordance with terms and conditions from the State Office of Risk Management. The Texas Department of Insurance is not involved in any risk pools with other government entities.

The Agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the agency's claims liabilities during the fiscal 2009 and 2010 were as follows:

	Beginning of Fiscal		Current Year Claims and		Balance at Fiscal
	Year Liability		Changes in Estimates	Claims Payments	Year End
2009	\$ 0.00	\$	5,831.80	\$ 5,831.80	\$ 0.00
2010	\$ 0.00	\$	64,584.33	\$ 64,584.33	\$ 0.00

NOTE 18: MANAGEMENT DISCUSSION and ANALYSIS

N/A

NOTE 19: THE FINANCIAL REPORTING ENTITY

The Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present TDI (the primary government) and its component units. The component units discussed below are included in the agency's reporting entity because of the significance of their operational or financial relationships with the state.

Individual Component Unit Disclosures

Discretely Presented Component Units:

The Texas Department of Insurance is financially accountable for the following legally separate entities; however, they do not provide services entirely or almost entirely to the Texas Department of Insurance. They are reported in separate exhibits to emphasize that they are legally separate from the Texas Department of Insurance.

1. The *Surplus Lines Stamping Office of Texas* was created pursuant to Chapters 981.151 – 981.160 of the Texas Insurance Code to assist this Agency in the regulation of surplus lines insurance, encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of the Texas Department of Insurance. The stamping office performs its functions under a plan of operation approved by order of the Texas Department of Insurance. The State of Texas has the ability to impose its will upon the stamping office through the approval of the assessment rate that funds its operations.
2. The *Texas Health Reinsurance System* reinsures risks covered under the health benefit plans of small employers' insurance carriers. The Commissioner of Insurance appoints, supervises and controls the nine-member board. The State of Texas has the ability to impose its will through TDI Commissioner's approval of base reinsurance premium rates and the assessment rates against reinsured health benefit plan issuers.
3. The *Texas Health Insurance Risk Pool* provides access to quality health care at a minimum cost to the public for those unable to obtain traditional health care coverage. The Texas Department of Insurance approves all rates and rate schedules before they are used.
4. The *Texas Windstorm Insurance Association* is the state's insurer of last resort for wind and hail coverage in the fourteen coastal counties and parts of Harris County. Through the Commissioner of Insurance the primary government appoints all members of the Board of Directors. Additionally, the primary government can impose its will with the Commissioner of Insurance having the discretion to modify or approve fee changes impacting revenue and TWIA is subject to the Texas Sunset Act.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

Surplus Lines Stamping Office of Texas
P.O. Box 160170
Austin, Texas 78716-0170

Texas Health Reinsurance System
100 Great Meadow Road, Suite 704
Wethersfield, CT 06109

Texas Health Insurance Risk Pool
1701 Director's Blvd., Suite 120
Austin, TX 78744

Texas Windstorm Insurance Association
5700 S. Mopac, Bldg E, Suite 530
Austin, Texas 78749

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Related Organizations

1. The **Life, Accident, Health and Hospital Service Insurance Guaranty Association** was created pursuant to Chapter 463 of the Texas Insurance Code (TIC) for the protection of persons against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts because of the impairment or insolvency of the member insurer that issued the policies or contracts. The Commissioner shall appoint a board of directors of the association consisting of nine members.
2. The **Texas Title Insurance Guaranty Association** was created pursuant to Chapter 2602 of the TIC for the purpose of providing funds for the protection of holders of "covered claims". This shall apply to all title insurance written by title insurance companies authorized to do business in this state. The Commissioner shall appoint the nine-member board of directors.
3. The **Texas Self-Insurance Group Guaranty Association** was created pursuant to Chapter 407A of the Texas Labor Code for the purpose of providing payment of workers' compensation insurance benefits for injured employees covered by an insolvent workers' compensation self-insurance group. The Division of Workers' Compensation Commissioner shall appoint two members of the six member board and approve three other members selected by representatives of the certified workers' compensation self-insurance groups.

Administrative Offices:

Life, Accident, Health and Hospital
Service Insurance Guaranty Assoc.
6504 Bridge Point Parkway, Suite 450
Austin, TX 78730

Texas Title Insurance
Guaranty Association
106 East 6th Street, Suite 300
Austin, TX 78701-3661

Texas Self-Insurance Group
Guaranty Association
1115 San Jacinto Blvd, Suite 275
Austin, TX 78701

RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are 14 1/4 budgeted positions for Liquidation Oversight, 14 allocated FTEs and one-quarter appropriated FTE. Liquidation Oversight operations include legal, docketing, financial/auditing and records management.

NOTE 20: STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

N/A

NOTE 21: TOBACCO SETTLEMENT

N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

N/A

NOTE 23: EXTRAORDINARY and SPECIAL ITEMS

N/A

NOTE 24: DISAGGREGATION OF RECEIVABLE and PAYABLE BALANCES

N/A

NOTE 25: TERMINATION BENEFITS

N/A

NOTE 26: SEGMENT INFORMATION

N/A

UNAUDITED

Texas Department of Insurance (454)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

August 31, 2010

	General Revenue	Consolidated Accounts		Total (Ex I)
	General Revenue	GR Account -Tx Department of Insurance Operating	GR Account - Subsequent Injury Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
On Hand	\$ -	\$ 685.00	\$ -	\$ 685.00
In Bank		100,000.00		100,000.00
Legislative Appropriations	1,112,941.25			1,112,941.25
In State Treasury		114,988,365.81	60,250,318.98	175,238,684.79
Receivables from:				
Federal Receivable		253,434.07		253,434.07
Accounts Receivable		1,247,773.76	201,029.10	1,448,802.86
Interfund Receivable (Note 12)	395,000.00			395,000.00
Due From Other Agencies		269,472.65		269,472.65
Consumable Inventories		106,623.13		106,623.13
Total Current Assets	1,507,941.25	116,966,354.42	60,451,348.08	178,925,643.75
Total Assets	\$ 1,507,941.25	\$ 116,966,354.42	\$ 60,451,348.08	\$ 178,925,643.75
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 1,500,000.00	\$ 6,583,664.99	\$ 3,596.88	\$ 8,087,261.87
Payroll		8,602,134.88		8,602,134.88
Interfund Payable (Note 12)		395,000.00		395,000.00
Due To Other Agencies		3,512,758.12		3,512,758.12
Deferred Revenue		25,939.09		25,939.09
Total Current Liabilities	1,500,000.00	19,119,497.08	3,596.88	20,623,093.96
Total Liabilities	1,500,000.00	19,119,497.08	3,596.88	20,623,093.96
FUND FINANCIAL STATEMENT				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	\$ -	\$ 122,685.47	\$ -	\$ 122,685.47
Inventories		106,623.13		106,623.13
Imprest		100,685.00		100,685.00
Unreserved Designated for:				
Undesignated	7,941.25	97,516,863.74	60,447,751.20	157,972,556.19
Total Fund Balances	7,941.25	97,846,857.34	60,447,751.20	158,302,549.79
Total Liabilities and Fund Balances	\$ 1,507,941.25	\$ 116,966,354.42	\$ 60,451,348.08	\$ 178,925,643.75

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

Texas Department of Insurance (454)
Exhibit A-2 - Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2010

	General Revenue	Consolidated Accounts		Total (Ex II)
	General Revenue (0001)	GR Account -Tx Department of Insurance Operating (0036)	GR Account - Subsequent Injury Fund (5101)	
REVENUES				
Original Appropriations	\$ 224,406.00	\$ -	\$ -	\$ 224,406.00
Additional Appropriations	36,392.51			36,392.51
Taxes		1,408,570.36		1,408,570.36
Federal Revenue	250,811.30	3,395,923.36		3,646,734.66
Federal Pass-Through Revenue	19,459.86	2,122,707.78		2,142,167.64
State Grant Pass-Through Revenue		345.94		345.94
Licenses, Fees & Permits	1,506,444.00	36,463,030.91		37,969,474.91
Sales of Goods and Services		13,378.03		13,378.03
Other		2,189,879.37	4,826,576.80	7,016,456.17
Total Revenues	2,037,513.67	45,593,835.75	4,826,576.80	52,457,926.22
EXPENDITURES				
Salaries and Wages	172,592.72	76,921,928.67		77,094,521.39
Payroll Related Costs	35,367.61	23,134,936.56		23,170,304.17
Professional Fees and Services		5,279,861.99		5,279,861.99
Travel		1,884,856.43		1,884,856.43
Materials and Supplies		2,688,238.20		2,688,238.20
Communication and Utilities		1,643,512.39		1,643,512.39
Repairs and Maintenance		677,438.62		677,438.62
Rentals & Leases	52,703.87	3,816,538.70		3,869,242.57
Printing and Reproduction		578,417.51		578,417.51
Claims and Judgments (Note 17)		64,584.33	4,315,357.92	4,379,942.25
Intergovernmental Payments	1,500,000.00	395,000.00		1,895,000.00
Public Assistance Payments		10,000.00		10,000.00
Other Expenditures	6,578.31	5,357,982.69		5,364,561.00
Capital Outlay		575,180.34		575,180.34
Total Expenditures/Expenses	1,767,242.51	123,028,476.43	4,315,357.92	129,111,076.86
Excess (Deficiency) of Revenues Over Expenditures	270,271.16	(77,434,640.68)	511,218.88	(76,653,150.64)
OTHER FINANCING SOURCES (USES)				
Transfers In		131,502,805.62		131,502,805.62
Transfers Out	(294,094.91)	(37,314,199.29)		(37,608,294.20)
Sale of Capital Assets	31,765.00			31,765.00
Insurance Recovery		220.00		220.00
Legislative Transfers Out				-
Appropriations Lapsed				-
Total Other Financing Sources and Uses	(262,329.91)	94,188,826.33	-	93,926,496.42
Net Change in Fund Balances/Net Assets	7,941.25	16,754,185.65	511,218.88	17,273,345.78
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances--Beginning	-	81,092,671.69	59,936,532.32	141,029,204.01
Restatements				-
Fund Balances, September 1, 2009, as Restated	-	81,092,671.69	59,936,532.32	141,029,204.01
Fund Balances--August 31, 2010	\$ 7,941.25	\$ 97,846,857.34	\$ 60,447,751.20	\$ 158,302,549.79

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

**Texas Department of Insurance (454)
Exhibit I-1 - Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds**

August 31, 2010

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Totals (Ex VI)
ASSETS				
Cash and Cash Equivalents:				
Cash in Bank	\$ -	\$ -	\$ 355,256.12	\$ 355,256.12
Cash in State Treasury		619,551.89		619,551.89
Cash Equivalents	74,049,865.28		202,235,175.53	276,285,040.81
Accounts Receivable	452.53		1,216.17	1,668.70
Other Assets			80,949,849.88	80,949,849.88
Total Assets	<u>74,050,317.81</u>	<u>619,551.89</u>	<u>283,541,497.70</u>	<u>358,211,367.40</u>
LIABILITIES				
Accounts Payable				
Funds Held for Others			80,949,849.88	80,949,849.88
Total Liabilities	<u>-</u>	<u>-</u>	<u>80,949,849.88</u>	<u>80,949,849.88</u>
NET ASSETS				
Held in trust for:				
Individuals, Organizations, and Other Governments	74,050,317.81	619,551.89	202,591,647.82	277,261,517.52
Total Net Assets	<u>\$ 74,050,317.81</u>	<u>\$ 619,551.89</u>	<u>\$ 202,591,647.82</u>	<u>\$ 277,261,517.52</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

Texas Department of Insurance (454)
Exhibit I-2 - Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds

August 31, 2010

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Total (Ex VII)
ADDITIONS				
Investment Income				
From Investing Activities:				
Interest and Investment Income	\$ 16,171.81	\$ 8,191.18	\$ 287,633.39	\$ 311,996.38
Total Investing Income	16,171.81	8,191.18	287,633.39	311,996.38
Less Investing Activities Expense				-
Net Income from Investing Activities	16,171.81	8,191.18	287,633.39	311,996.38
Total Net Investment Income	16,171.81	8,191.18	287,633.39	311,996.38
Other Additions				
Other Revenue	74,034,146.00		64,272,838.55	138,306,984.55
Transfers In				-
Total Other Additions	74,034,146.00	-	64,272,838.55	138,306,984.55
Total Additions	74,050,317.81	8,191.18	64,560,471.94	138,618,980.93
DEDUCTIONS				
Claims & Judgments			63,711,777.16	63,711,777.16
Public Assistance				-
Other Expense		2,209.44	11,322,655.82	11,324,865.26
Transfers Out				-
Total Deductions	-	2,209.44	75,034,432.98	75,036,642.42
NET INCREASE (DECREASE)	74,050,317.81	5,981.74	(10,473,961.04)	63,582,338.51
Net Assets- September 1, 2009	-	613,570.15	213,065,608.86	213,679,179.01
Restatements				-
Net Assets, September 1, 2009, As Restated	-	613,570.15	213,065,608.86	213,679,179.01
Net Assets - August 31, 2010	\$ 74,050,317.81	\$ 619,551.89	\$ 202,591,647.82	\$ 277,261,517.52

UNAUDITED

Texas Department of Insurance (454)
 Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -
 Agency Funds

August 31, 2010

	Beginning Balance September 1, 2009	Additions	Deductions	Ending Balance August 31, 2010
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (1000) U/F (0003)				
ASSETS				
Cash in State Treasury	\$ -	\$ 9,740,084.93	\$ 9,740,084.93	\$ 0.00
Accounts Receivable, Net	1,301,820.19	252,013.76	1,301,820.19	252,013.76
Total Assets	1,301,820.19	9,992,098.69	11,041,905.12	252,013.76
LIABILITIES				
Accounts Payable	0.00	45,210.84	45,210.84	0.00
Due to other Agencies	1,301,820.19	252,013.76	1,301,820.19	252,013.76
Funds Held for Others	0.00	9,740,084.93	9,740,084.93	0.00
Total Liabilities	1,301,820.19	10,037,309.53	11,087,115.96	252,013.76
Child Support Employ Deduct (0807) U/F (0807)				
ASSETS				
Cash in State Treasury	9,276.04	136,334.64	132,216.61	13,394.07
Total Assets	9,276.04	136,334.64	132,216.61	13,394.07
LIABILITIES				
Accounts Payable	0.00	122,690.57	122,690.57	0.00
Funds Held for Others	9,276.04	136,334.64	132,216.61	13,394.07
Total Liabilities	9,276.04	259,025.21	254,907.18	13,394.07
City, Cty, Mta & Spd (0882) U/F (0882)				
ASSETS				
Cash in State Treasury	0.00	265.16	265.16	0.00
Total Assets	0.00	265.16	265.16	0.00
LIABILITIES				
Funds Held for Others	0.00	265.16	265.16	0.00
Total Liabilities	0.00	265.16	265.16	0.00
Tx Worker's Comp Self Insurance Fund (0893) U/F (0893)				
ASSETS				
Cash in State Treasury	9,550,000.00	11,797,727.66	10,207,727.66	11,140,000.00
Other Current Assets	506,863,484.72	28,102,206.59		534,965,691.31
Total Assets	516,413,484.72	39,899,934.25	10,207,727.66	546,105,691.31
LIABILITIES				
Accounts Payable	0.00	533,863.83	533,863.83	0.00
Funds Held for Others	516,413,484.72	30,349,934.25	657,727.66	546,105,691.31
Total Liabilities	516,413,484.72	30,883,798.08	1,191,591.49	546,105,691.31
Departmental Suspense (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	0.00	3,933,603.16	3,933,603.16	0.00
Total Assets	0.00	3,933,603.16	3,933,603.16	0.00
LIABILITIES				
Accounts Payable	0.00	28,323.77	28,323.77	0.00
Funds Held for Others	0.00	3,933,603.16	3,933,603.16	0.00
Total Liabilities	0.00	3,961,926.93	3,961,926.93	0.00

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

**Texas Department of Insurance (454)
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -
Agency Funds**

August 31, 2010

	Beginning Balance September 1, 2009	Additions	Deductions	Ending Balance August 31, 2010
<u>US Savings Bond Account (0901) U/F (0901)</u>				
ASSETS				
Cash in State Treasury	4,255.00	41,965.00	43,415.00	2,805.00
Total Assets	<u>4,255.00</u>	<u>41,965.00</u>	<u>43,415.00</u>	<u>2,805.00</u>
LIABILITIES				
Accounts Payable	0.00	34,350.00	34,350.00	0.00
Funds Held for Others	4,255.00	41,965.00	43,415.00	2,805.00
Total Liabilities	<u>4,255.00</u>	<u>76,315.00</u>	<u>77,765.00</u>	<u>2,805.00</u>
<u>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</u>				
ASSETS				
Cash in State Treasury	297,588.00	377,588.00	347,588.00	327,588.00
Other Assets	1,133,660,503.76	390,971,320.38	310,006,108.27	1,214,625,715.87
Total Assets	<u>1,133,958,091.76</u>	<u>391,348,908.38</u>	<u>310,353,696.27</u>	<u>1,214,953,303.87</u>
LIABILITIES				
Funds Held for Others	1,133,958,091.76	391,348,908.38	310,353,696.27	1,214,953,303.87
Total Liabilities	<u>1,133,958,091.76</u>	<u>391,348,908.38</u>	<u>310,353,696.27</u>	<u>1,214,953,303.87</u>
<u>TEXAS AVER HOLD-TRANSMIT 401K FUND (0942) U/F (0942)</u>				
ASSETS				
Cash in State Treasury	0.00	2,700,422.18	2,700,422.18	0.00
Accounts Receivable, Net	0.00	2,700,422.18	2,700,422.18	0.00
Total Assets	<u>0.00</u>	<u>5,400,844.36</u>	<u>5,400,844.36</u>	<u>0.00</u>
LIABILITIES				
Funds Held for Others	0.00	2,700,422.18	2,700,422.18	0.00
Total Liabilities	<u>0.00</u>	<u>2,700,422.18</u>	<u>2,700,422.18</u>	<u>0.00</u>
<u>Direct Deposit Correction Fund (0980) U/F (0980)</u>				
ASSETS				
Cash in State Treasury	0.00	2,371.84	2,371.84	0.00
Total Assets	<u>0.00</u>	<u>2,371.84</u>	<u>2,371.84</u>	<u>0.00</u>
LIABILITIES				
Funds Held for Others	0.00	2,371.84	2,371.84	0.00
Total Liabilities	<u>0.00</u>	<u>2,371.84</u>	<u>2,371.84</u>	<u>0.00</u>
Totals - All Agency Funds (Exhibit VI)				
ASSETS				
Cash in State Treasury	\$ 9,861,119.04	\$ 28,730,362.57	\$ 27,107,694.54	\$ 11,483,787.07
Accounts Receivable, Net	1,301,820.19	2,952,435.94	4,002,242.37	252,013.76
Other Assets	1,640,523,988.48	419,073,526.97	310,006,108.27	1,749,591,407.18
Total Assets	<u>\$ 1,651,686,927.71</u>	<u>\$ 450,756,325.48</u>	<u>\$ 341,116,045.18</u>	<u>\$ 1,761,327,208.01</u>
LIABILITIES				
Accounts Payable	0.00	\$ 764,439.01	\$ 764,439.01	0.00
Due to Other Agencies	1,301,820.19	252,013.76	1,301,820.19	252,013.76
Funds Held for Others	1,650,385,107.52	438,253,889.54	327,563,802.81	1,761,075,194.25
Total Liabilities	<u>\$ 1,651,686,927.71</u>	<u>\$ 439,270,342.31</u>	<u>\$ 329,630,062.01</u>	<u>\$ 1,761,327,208.01</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

Texas Department of Insurance (454)
Exhibit L-1 - Combining Statement of Net Assets
Discretely Presented Proprietary Component Units

August 31, 2010

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Risk Pool (4152) U/F (0393)	Texas Windstorm Insurance Association (4154) U/F (0394)	Totals (Ex III)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in Bank	\$ 1,627,424.00	\$ 505,699.00	\$ 3,795,473.00	\$ 107,086,496.00	\$ 113,015,092.00
Cash Equivalents			23,131,346.00		23,131,346.00
Short Term Investments	6,400,000.00		15,996,300.00	244,926,666.00	267,322,966.00
Repurchase Agreements					-
Receivables from:					
Interest and Dividends					-
Accounts Receivable	220,442.00		38,952,588.00	401,294.00	39,574,324.00
Other	46,852.00			102,580,953.00	102,627,805.00
Deferred Acquisition Costs				35,394,046.00	35,394,046.00
Total Current Assets	8,294,718.00	505,699.00	81,875,707.00	490,389,455.00	581,065,579.00
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable:					
Furniture and Equipment	5,374,008.00		49,609.00	4,622,528.00	10,046,145.00
Less Accumulated Depreciation	(3,205,288.00)		(38,600.00)	(3,085,597.00)	(6,329,485.00)
Other Non-Current Assets	18,705.00		7,997.00		26,702.00
Total Non-Current Assets	2,187,425.00	-	19,006.00	1,536,931.00	3,743,362.00
Total Assets	10,482,143.00	505,699.00	81,894,713.00	491,926,386.00	584,808,941.00
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts	65,088.00	12,723.00	1,811,454.00	4,646,337.00	6,535,602.00
Deferred Revenue			39,590,569.00	192,477,744.00	232,068,313.00
Other Liabilities	146,477.00	492,976.00	40,492,690.00	181,282,789.00	222,414,932.00
Notes and Loans Payable					-
Total Current Liabilities	211,565.00	505,699.00	81,894,713.00	378,406,870.00	461,018,847.00
Non-Current Liabilities:					
Other Liabilities (Note 5)				825,224.00	825,224.00
Total Non-Current Liabilities	-	-	-	825,224.00	825,224.00
Total Liabilities	211,565.00	505,699.00	81,894,713.00	379,232,094.00	461,844,071.00
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,168,720.00			112,694,292.00	114,863,012.00
Unrestricted	8,101,858.00				8,101,858.00
Total Net Assets	\$ 10,270,578.00	\$ -	\$ -	\$ 112,694,292.00	\$ 122,964,870.00

Note A - These Component Units have a fiscal year end of December 31, 2009. Financial information is as of that date.

UNAUDITED

Texas Department of Insurance (454)
Exhibit L-2 - Combining Statement of Revenues, Expenses, and
Changes in Net Assets –
Discretely Presented Proprietary Component Units

For the Fiscal Year Ended August 31, 2010

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Risk Pool (4152) U/F (0393)	Texas Windstorm Insurance Association (4154) U/F (0394)	Totals (Ex IV)
OPERATING REVENUES:					
Federal Revenue			\$ 6,247,177.00		\$ 6,247,177.00
Sales of Goods and Services:					\$ -
Other Sales of Goods and Services	2,232,655.00				\$ 2,232,655.00
Premium Revenue		64,701.00	199,169,934.00	190,462,892.00	\$ 389,697,527.00
Interest and Investment Income	18,917.00	36,500.00	81,867.00	707,687.00	\$ 844,971.00
Other Operating Revenues			87,121,331.00	908,834.00	\$ 88,030,165.00
Total Operating Revenues	<u>2,251,572.00</u>	<u>101,201.00</u>	<u>292,620,309.00</u>	<u>192,079,413.00</u>	<u>487,052,495.00</u>
OPERATING EXPENSES:					
Salaries and Wages	1,210,961.00		298,623.00	17,377,559.00	18,887,143.00
Payroll Related Costs	392,742.00			2,896,124.00	3,288,866.00
Professional Fees and Services	341,411.00		12,399,657.00	785,655.00	13,526,723.00
Travel	6,495.00		3,106.00	13,852,949.00	13,862,550.00
Materials and Supplies	44,778.00		37,317.00	258,853.00	340,948.00
Communication and Utilities	35,105.00			284,591.00	319,696.00
Repairs and Maintenance	32,847.00			171,560.00	204,407.00
Rentals and Leases	221,324.00		66,072.00	1,443,344.00	1,730,740.00
Printing and Reproduction	2,394.00			161,462.00	163,856.00
Depreciation and Amortization	100,046.00		3,684.00	803,256.00	906,986.00
Other Operating Expenses	228,017.00	101,201.00	279,811,850.00	(129,140,501.00)	151,000,567.00
Total Operating Expenses	<u>2,616,120.00</u>	<u>101,201.00</u>	<u>292,620,309.00</u>	<u>(91,105,148.00)</u>	<u>204,232,482.00</u>
Operating Income (Loss)	<u>(364,548.00)</u>	<u>-</u>	<u>-</u>	<u>283,184,561.00</u>	<u>282,820,013.00</u>
Change in Net Assets	<u>(364,548.00)</u>	<u>-</u>	<u>-</u>	<u>283,184,561.00</u>	<u>282,820,013.00</u>
Total Net Assets, September 1, 2009	10,635,126.00			(170,490,269.00)	(159,855,143.00)
Restatements					-
Total Net Assets, September 1, 2009, as Restated	<u>10,635,126.00</u>	<u>-</u>	<u>-</u>	<u>(170,490,269.00)</u>	<u>(159,855,143.00)</u>
Total Net Assets, August 31, 2010	<u>\$ 10,270,578.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,694,292.00</u>	<u>\$ 122,964,870.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2009. Financial information is as of that date.

UNAUDITED

Texas Department of Insurance (454)
Schedule 1A - Schedule Of Expenditures Of Federal Awards

For the fiscal year ended August 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Pass-Through From			
		Identifying Number	Agy./ Univ. #	Agencies or Univ. Amount	Non-State Entities Amount
U.S. Department of Labor					
Direct Program:					
Compensation and Working Conditions	17.005			\$ -	\$ -
Consultation Agreements	17.504				
Total U.S. Department of Labor				<u>\$ -</u>	<u>\$ -</u>
U.S. Dept of Health and Human Svcs					
Pass-Through From:					
Health and Human Services Commission					
State Planning Grant for the Uninsured Department of Aging and Disability Services Centers for Medicare and Medicaid Services (CMS)	93.256		529	\$ 2,033,651.65	\$ -
Research, Demonstrations and Evaluations	93.779		539	108,515.99	
Total U.S. Dept. of Health and Human Svcs				<u>\$ 2,142,167.64</u>	<u>\$ -</u>
U.S. Dept of Homeland Security					
Direct Program:					
Assistance to Firefighters Grant	97.044			\$ -	\$ -
Total U.S. Dept of Homeland Security				<u>\$ -</u>	<u>\$ -</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 2,142,167.64</u>	<u>\$ -</u>

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Direct Program Amount	Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
		Agy./ Univ. #	State Agy. or Univ. Amount	Non-State Entities Amount		
\$ 286,074.62	\$ 286,074.62		\$ -	\$ -	\$ 286,074.62	\$ 286,074.62
2,942,400.54	2,942,400.54				2,942,400.54	2,942,400.54
<u>\$ 3,228,475.16</u>	<u>\$ 3,228,475.16</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,228,475.16</u>	<u>\$ 3,228,475.16</u>
\$ -	\$ 2,033,651.65		\$ -	\$ -	\$ 2,033,651.65	\$ 2,033,651.65
	108,515.99				108,515.99	108,515.99
<u>\$ -</u>	<u>\$ 2,142,167.64</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,142,167.64</u>	<u>\$ 2,142,167.64</u>
\$ 418,259.50	\$ 418,259.50		\$ -	\$ -	\$ 418,259.50	\$ 418,259.50
\$ 418,259.50	\$ 418,259.50		\$ -	\$ -	\$ 418,259.50	\$ 418,259.50
<u>\$ 3,646,734.66</u>	<u>\$ 5,788,902.30</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,788,902.30</u>	<u>\$ 5,788,902.30</u>

Note 2 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the schedule of Federal Financial Assistance to the total of federal revenues and federal pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities - Governmental Fund Types (Exh. II):

Federal Revenue	\$ 3,646,734.66
Federal Grant Pass-Through Revenue	<u>2,142,167.64</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$ 5,788,902.30</u>

Separate Disclosure:

Federal Revenue on Exhibit IV, but not considered to be Federal Revenue for the Schedule:

Discretely Presented Proprietary Component Unit - Texas Health Insurance Risk Pool (U/F 0393)	
Entity subject to own audit and not included on Federal Schedule.	\$ 6,247,177.00

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Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2010

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Total
COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE				
GENERAL FUNDS				
ORIGINAL APPROPRIATIONS				
Original Appropriations	\$ -	\$ 224,406.00	\$ -	\$ 224,406.00
TOTAL ORIGINAL APPROPRIATIONS	-	224,406.00		224,406.00
ADDITIONAL APPROPRIATIONS				
Additional Appropriations	\$ -	\$ 36,392.51	\$ -	\$ 36,392.51
TOTAL ADDITIONAL APPROPRIATIONS		36,392.51		36,392.51
TAXES				
Fund 0036 - Taxes - Certified Self-Insurers	\$ 1,408,570.36	\$ -		\$ 1,408,570.36
TOTAL TAXES	1,408,570.36			1,408,570.36
FEDERAL FUNDS				
U.S. Department of Labor	\$ 2,122,707.78	\$ 250,811.30	\$ -	\$ 2,373,519.08
U.S. Department of Health & Human Services	2,886,706.02	19,459.86		2,906,165.88
From Department of Homeland Security	345.94	-		345.94
SFMO GRANT NO MATCH 4411	509,217.34			509,217.34
TOTAL FEDERAL FUNDS	5,518,977.08	270,271.16		5,789,248.24
LICENSES, FEES AND PERMITS				
Catastrophic Pool Inspection Fees	\$ 8,320.00	\$ -	\$ -	\$ 8,320.00
License Fee - Title Insurance Companies	191,042.25			191,042.25
Filing Fees - Life	220,320.80			220,320.80
Filing Fees - Property and Casualty	265,825.75			265,825.75
Fees - Certified Self-Insurers	1,028,329.52			1,028,329.52
License Fees - Insurance Adjusters and Agents	15,776,500.42	1,506,444.00		17,282,944.42
Agents Certification and Clearance Letters	111,783.00			111,783.00
Filing Fees - Third Party Administrators	175,221.90			175,221.90
Examination Fees - Third Party Administrators	176.00			176.00
Filing Fees - Risk Retention & Purchasing Groups	13,200.00			13,200.00
Examination Fees - Salaries and Travel Expense	3,178,276.11			3,178,276.11
Examination Q of C Sal/Travel	57,775.60			57,775.60
Examination Fees - Overhead Assessment	10,678,370.27			10,678,370.27
Filing Fees - Policy Approval	422,450.00			422,450.00
Filing Fees - Health Maintenance Organizations	129,127.00			129,127.00
Filing Fees - Insurance Premium Finance	54,205.00			54,205.00
Examination and Assessment Fees - Insurance Premium Finance	223,058.04			223,058.04
Amusement Ride Safety Inspections	167,158.00			167,158.00
State Fire Marshal Fees	2,879,696.96			2,879,696.96
Workers' Compensation Penalties	418,980.13			418,980.13
Miscellaneous Certification Fees	9,161.90			9,161.90
Administrative Fees	376,327.74			376,327.74
Conservation Fees	77,724.52			77,724.52
TOTAL LICENSES, FEES, AND PERMITS	36,463,030.91	1,506,444.00		37,969,474.91

UNAUDITED

Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2010

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Total
SALES OF GOODS AND SERVICES				
Sale of Lists, Bulletins, Rating Data, etc.	\$ 13,378.03	\$ -	\$ -	\$ 13,378.03
TOTAL SALES OF GOODS AND SERVICES	<u>13,378.03</u>			<u>13,378.03</u>
OTHER REVENUES				
Warrants Voided By Statute of Limitations	\$ 14,915.82	\$ -	\$ 62,701.78	\$ 77,617.60
Reimbursements - Third Party	2,174,963.55			2,174,963.55
Workers' Compensation Insurance Benefits to State			4,763,875.02	4,763,875.02
TOTAL OTHER REVENUES	<u>2,189,879.37</u>		<u>4,826,576.80</u>	<u>7,016,456.17</u>
TOTAL GENERAL FUNDS COLLECTIONS	<u>45,593,835.75</u>	<u>2,037,513.67</u>	<u>4,826,576.80</u>	<u>52,457,926.22</u>
AGENCY FUNDS COLLECTIONS				
State Sales Tax/Discounts	\$ -	\$ 848.06	\$ -	\$ 848.06
Viatical Settlement Registration Fees		52,825.00		52,825.00
Utilization Review Fees/ Independent Review Organization		104,869.25		104,869.25
Filing Fees - Continuing Care Facilities		39,334.00		39,334.00
Returned Check Fees		1,615.00		1,615.00
Retaliatory Fees		(1,906.46)		(1,906.46)
Interest on Local Deposits		2,000,217.36		2,000,217.36
Fund 0923 - Interest Earned Unclaimed Dividend Trust Account Fund		8,191.18		8,191.18
Judgments (Secured by Court Action)		13,460.31		13,460.31
Penalty In Lieu of Suspension/Cancellation		6,059,730.99		6,059,730.99
Other Miscellaneous Governmental Revenue		215.31		215.31
Fund 0882 - City/MTA Sales Tax Trust		263.80		263.80
SFMO-Fireworks, Educ Safety		60,087.50		60,087.50
License Fees - Insurance Adjusters and Agents		286,145.00		286,145.00
Continuing Education Provider Fees		181,222.50		181,222.50
TOTAL AGENCY FUNDS COLLECTIONS		<u>8,807,118.80</u>		<u>8,807,118.80</u>
TOTAL COLLECTIONS TEXAS DEPARTMENT OF INSURANCE	<u>\$ 45,593,835.75</u>	<u>\$ 10,844,632.47</u>	<u>\$ 4,826,576.80</u>	<u>\$ 61,265,045.02</u>

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Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2010

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Total
TRANSFERS IN				
From Comptroller of Public Accounts:				
Motor Vehicle Maintenance Tax	\$ 9,197,912.87	\$ -	\$ -	\$ 9,197,912.87
Fire and Allied Lines Maintenance Tax	28,821,909.35			28,821,909.35
Workers' Compensation Maintenance Tax	3,477,190.13			3,477,190.13
Casualty Maintenance Tax	6,364,651.82			6,364,651.82
Title Maintenance Fee	2,491,953.90			2,491,953.90
Life/Accident and Health Maintenance Tax	11,366,269.48			11,366,269.48
Third Party Administrator Maintenance Tax	784,546.83			784,546.83
Health Maintenance Organization Maintenance Tax	3,702,902.26			3,702,902.26
Prepaid Legal Services Maintenance Tax	4.40			4.40
Annual Statement Filing Fees	208,184.17			208,184.17
Division of Workers' Compensation Maintenance Tax	64,215,944.57			64,215,944.57
Workers' Compensation Research Maint Tax	667,752.66			667,752.66
TOTAL REVENUES TRANSFERRED FROM COMPTROLLER OF PUBLIC ACCOUNTS	131,299,222.44			131,299,222.44
From Other Sources:				
From Sale of Fixed Assets	\$ -	\$ 31,765.00	\$ -	\$ 31,765.00
From Commission on Fire Protection	203,583.18			203,583.18
Insurance Recoveries	220.00			220.00
TOTAL REVENUES FROM TRANSFERS IN	203,803.18	31,765.00		235,568.18
TOTAL TRANSFERS IN	131,503,025.62	31,765.00		131,534,790.62
TOTAL REVENUES/TRANSFERS IN	\$ 177,096,861.37	\$ 10,876,397.47	\$ 4,826,576.80	\$ 192,799,835.64

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Texas Department of Insurance (454)
Schedule 6A
Comparative Statement of Revenues

2001 - 2010

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES & FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
2001	45,486,357.00	32,350,259.00	4,280,123.00	82,116,739.00
2002	52,686,530.55	32,541,680.92	20,369,383.21	105,597,594.68
2003	55,759,840.69	34,507,376.73	4,056,802.81	94,324,020.23
2004	34,257,607.00	38,820,609.57	10,632,851.92	83,711,068.49
2005	31,636,242.79	35,193,189.82	7,307,232.49	74,136,665.10
2006	105,523,190.31	44,514,896.85	106,591,952.01	256,630,039.17
2007	106,235,978.67	41,481,113.57	15,873,188.81	163,590,281.05
2008	106,577,824.24	35,423,092.34	18,763,013.27	160,763,929.85
2009	109,224,360.62	35,524,442.14	17,474,155.77	162,222,958.53
2010	132,500,456.69	38,901,850.87	21,397,528.08	192,799,835.64

Note: Revenues collected by and/or transferred to the Texas Department of Insurance and deposited to the State Treasury are included on this schedule.



Texas Department of Insurance
333 Guadalupe Austin, Texas 78701