

Texas Department of Insurance

Agency Strategic Plan

**For the
Fiscal Years 2011-2015 Period**



Handwritten signature of Mike Geeslin in black ink.

MIKE GEESLIN
Commissioner of Insurance

Handwritten signature of Rod Bordelon in black ink.

ROD BORDELON
Commissioner of Workers'
Compensation

July 2, 2010

Texas Department of Insurance

FY 2011-2015 Strategic Plan

Table of Contents

Texas Department of Insurance - FY 2011-2015 Strategic Plan Overview	1
Statewide Planning Elements.....	5
Agency Planning Elements	7
Challenge: Regulatory Framework	9
Challenge: Availability and Affordability	15
Challenge: Outreach and Education.....	25
Challenge: Enforcement.....	31
Challenge: Information Management and Technology	37
Challenge: Disaster Response and Readiness Overview	43
Challenge: Effective Delivery of Workers' Compensation Benefits.....	52
Challenge: Work Place Safety and Return to Work	58
Appendix A: Agency Budget Structure	A - 1
Appendix B: Technology Resource Planning.....	B - 1
Appendix C: Agency Planning Process	C - 1
Appendix D: Agency Organizational Chart.....	D - 1
Appendix E: Agency Overview	E - 1
Appendix F: Five-Year Projections for Outcomes	F - 1
Appendix G: Approved 2012-13 Measure Definitions.....	G - 2
Appendix H: TDI Agency Workforce Plan	H - 1
Appendix I: Survey of Employee Engagement	I - 1
Appendix J: Historically Underutilized Businesses.....	J - 1

This page intentionally left blank.

Texas Department of Insurance - FY 2011-2015 Strategic Plan Overview

Mission	To protect insurance consumers by: <ul style="list-style-type: none"> regulating the insurance industry fairly and diligently promoting a stable and competitive market providing information that makes a difference. 				Core Values	We have a passionate commitment to service in the public interest. We are: responsible stewards, professional, collaborative, resilient and creative, and balanced.		
Goals	Goal 1: Promote Consumer Access to Affordable Insurance Products Within a Fair Market Goal 2: Promote the Financial Strength of the Insurance Industry and Reduce Undue Loss Costs Goal 3: Reduce Loss of Life and Property Due to Fire Goal 4: Effectively Regulate the Texas Workers' Compensation System							
Challenges	Regulatory Framework	Availability and Affordability	Outreach and Education	Enforcement	Information Management	Disaster Readiness and Response	Workers' Compensation	
	<ul style="list-style-type: none"> emerging role helping consumers find coverage involvement in wc claims administration administering new insurance programs responsibilities and workload of federal health care reform budget shortfalls and competing priorities regulation of non risk bearing entities 	<ul style="list-style-type: none"> rising health insurance costs large immigrant population rate differentials from credit scoring/data mining tightening coastal property market TWIA expansion and oversight title marketplace inefficiencies premium/rate increases due to investment losses 	<ul style="list-style-type: none"> rapidly changing technology federal health care reform implementation maintaining service levels despite budget limitations managing web content educating consumers about new insurance products 	Communication: <ul style="list-style-type: none"> multiple non-integrated databases coordination across jurisdictions Case management: <ul style="list-style-type: none"> resource constraints resolution timeframes 	<ul style="list-style-type: none"> volume of data collection, management, security and exchange of information database integration two-way communication w/ stakeholders keeping pace with industry access to meaningful information staffing needs 	<ul style="list-style-type: none"> insurer, provider, consumer, and agency preparedness coordination with govt and industry TWIA claim volume workload/stress of staff insurer financial reserves timely response to customers budget constraints concurrent disasters mass relocations 	Effective Delivery of Benefits	Workplace Safety
Strategic Response	Re-Think Core Activities: <ul style="list-style-type: none"> clarify role of regulator explore principles-based regulation have wc participants manage own records review statutes and recommend changes strategize to operate w/ reduced resources Seek Creative Funding: <ul style="list-style-type: none"> explore regulatory response riders and self-directed funding develop staffing and funding plans seek cost-effective training solutions leverage resources through partnerships embrace a virtual office 							

This page intentionally left blank.

FY 2011-2015 Strategic Plan Overview

Introduction	<p>The Texas Department of Insurance (TDI) <i>FY 2011-2015 Agency Strategic Plan</i> is the first step of the State's Strategic Planning and Budgeting System and serves as the foundation for TDI's Fiscal Years (FY) 2012-2013 appropriations request and budget structure.</p> <p>As required by Government Code §2056.002, TDI prepared its strategic plan in accordance with the <i>FY 2011-2015 Instructions for Preparing and Submitting Agency Strategic Plans</i> developed by the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning and Policy (GOBPP). TDI's <i>FY 2011-2015 Agency Strategic Plan</i> includes all required elements set forth by the instructions, including the state and agency planning elements, the internal and external factors affecting the agency, the workforce plan, and other statewide and agency strategic planning elements.</p>
Plan Format	<p>TDI begins its <i>FY 2011-2015 Agency Strategic Plan</i> with this introduction and overview of the agency mission, goals, core values and key challenges impacting the agency. Next, TDI presents the statewide and agency planning elements, followed by the challenges identified during the agency's internal and external assessment. Finally, TDI provides other required elements and supplemental information as appendices to the plan.</p>
Key Challenges	<p>TDI provides an overview and narrative for each of the challenges impacting the agency. TDI evaluated the possible effects of these challenges on the agency's ability to effectively and efficiently regulate the insurance industry and workers' compensation system. Each narrative addresses current activities, trends, and challenges faced by the agency as well as how the agency will respond to these challenges. This planning cycle, TDI chose to include a challenge on the agency's regulatory framework to look at the agency's roles and statutory responsibilities in light of the economic climate, public perceptions on regulation, and federal health care reform. Additionally, TDI continued to include challenges from the prior planning cycle that still significantly impact the agency. The eight challenges are:</p> <ul style="list-style-type: none">• Regulatory Framework• Availability and Affordability• Outreach and Education• Enforcement• Information Management• Disaster Response and Readiness• Effective Delivery of Workers' Compensation Benefits• Workplace Safety and Return to Work.

This page intentionally left blank.

Statewide Planning Elements

Statewide Vision, Mission, Philosophy

The statewide planning elements, developed by the LBB and GOBPP, include a statewide vision, mission and philosophy that provide an inspiring view of the future of Texas, a statement of the purpose and role of Texas government, and a statement of values underlying Texas state government service. It also includes statewide priority goals and benchmarks.

Statewide Vision

The Texas Statewide Vision is as follows:

- assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings
 - creating and retaining job opportunities and building a stronger economy to secure Texas' global competitiveness, leading our people and a stable source of funding for core priorities
 - protecting and preserving the health, safety, and well-being of our citizens by ensuring health care is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend to harm us
 - providing disciplined principled government that invests public funds wisely and efficiently.
-

Statewide Mission

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim High...We are not here to accomplish inconsequential things!

Statewide Philosophy

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
-

Continued on next page

Statewide Planning Elements, Continued

Statewide Philosophy, continued

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
 - Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
 - Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
 - Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
 - State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
 - Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.
-

Relevant Statewide Goals and Benchmarks

The following priority goals and benchmarks from *Strengthening Our Prosperity* link TDI's strategic plan and goals to the statewide mission.

Priority Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by implementing clear standards, ensuring compliance; establishing market-based solutions; and reducing the regulatory burden on people and business.

Benchmarks

- Average annual homeowners and automobile insurance premiums as a percent of the national average.
 - Number of utilization reviews conducted for treatment of occupational injuries.
 - Percent of new and renewed professional licenses issued via Internet.
-

Agency Planning Elements

**Agency Vision,
Mission,
Regulatory
Approach, and
Core Values**

The agency planning elements include the vision, mission, regulatory approach and core values. Agency goals, objectives, strategies and performance measures are presented in Attachment B: Agency Budget Structure of this report. Action plans are another part of the Strategic Planning and Budgeting System that TDI develops internally through its business planning process.

In fiscal year 2007, the Commissioners of Insurance and Workers' Compensation convened a cross-agency team to articulate TDI's mission, core values, and long range goals with the forethought that the mission and core values preserve the agency purpose, while long range goals stimulate progress. The results of the team's work sessions generated a new agency mission and core values, as reflected below. The long range goals are connected to the agency's mission and core values and appear in TDI's strategic response to the challenges impacting the agency.

Agency Vision

The Texas Department of Insurance envisions a financially stable and fair marketplace and an effective and efficient workers' compensation system.

Agency Mission

The Texas Department of Insurance mission is to protect insurance consumers by:

- regulating the insurance industry fairly and diligently
 - promoting a stable and competitive market
 - providing information that makes a difference.
-

**Agency
Regulatory
Approach**

The Texas Department of Insurance will exemplify friendly, courteous, ethical, and professional behavior in all areas of performance by:

- providing the best value in services to the people of Texas
 - applying the law and the agency policy fairly and consistently throughout the state
 - communicating openly and providing timely and accurate information to the public we serve, and to all our fellow employees
 - communicating internally and externally, we evaluate and adjust the course of the agency in response to changes in conditions.
-

Continued on next page

Agency Planning Elements, Continued

Core Values

The Texas Department of Insurance has a passionate commitment to service in the public interest. We are:

- Responsible Stewards
 - accountable, efficient, effective
 - “Using resources wisely”

 - Professional
 - knowledgeable and fair
 - “Adhering to the highest ethical standards”

 - Collaborative
 - cooperative, inclusive, diverse
 - “Respecting others’ opinions and expertise”

 - Resilient and Creative
 - open-minded and proactive
 - “Learning from the past to enhance our future”

 - Balanced
 - fulfilled and well-rounded
 - “Celebrating personal and professional successes”
-

Challenge: Regulatory Framework Overview

Issue	Clarify TDI's regulatory direction in light of expanded statutory authority, federal health care reform legislation, finite resources and customer expectations.			
Strategic Response	Seek clarification from the Legislature regarding role of regulator; educate customers about processes and timeframes for service delivery; re-examine core activities to eliminate outdated and inefficient functions; and seek creative solutions to fund essential operations.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • implementing Healthy Texas • participating in innovative insurance initiatives for health care coverage • establishing additional websites • responding to disasters • expanding TPA licensure for wc • resolving appeals in medical disputes • certifying and inspecting fire-standard compliant cigarettes • conducting mandated studies • certifying and regulating discount health care plans • regulating PPO adequacy 	<ul style="list-style-type: none"> • more regulatory interventions and receiverships • emphasis on solvency surveillance • state budget deficits • budget not proportionate to service expansion • more complex litigation • greater oversight and involvement in addressing uninsureded • federal government's greater role in regulation • polarized public opinion of regulation • consumers want immediate online access • globalized market • changing Texas demographics 	<ul style="list-style-type: none"> • increased solvency-related workload • federal health care reform • state health insurance initiatives • additional statutory responsibilities • employee workload and stress • coordination with other entities • stakeholder expectations of implementation time frames • professional development for solvency monitoring • government skepticism • DWC records and claims management • SFMO shift from service provider to advisor • re-engineer processes to regulate with fewer resources 	<ul style="list-style-type: none"> • re-think core activities: <ul style="list-style-type: none"> – clarify role of regulator – explore principles-based regulation – eliminate outdated functions – shift records management to system participants – formulate approach to operate with reduced resources – prioritize needs and assess risks • seek creative funding solutions: <ul style="list-style-type: none"> – explore alternative funding (riders, self-directed funding, etc.) – develop staffing and funding plans – seek cost-effective training solutions – leverage resources through partnerships – embrace virtual workplace alternatives – explore social networking as low cost solution for engaging citizens

This page intentionally left blank.

Challenge: Regulatory Framework

At a Glance

Issue: Clarify TDI's regulatory direction in light of expanded statutory authority, federal health care reform legislation, finite resources and customer expectations.

Strategic Response: Seek clarification from the Legislature regarding role of regulator; educate customers about processes and timeframes for service delivery; re-examine core activities to eliminate outdated and inefficient functions; and seek creative solutions to fund essential operations.

Current Activities

The Texas Department of Insurance (TDI) is the regulatory agency for the state's insurance market. The TDI mission is to protect consumers by regulating the industry fairly and diligently, promoting a stable and competitive market, and providing information that makes a difference.

The role of the regulator is evolving to be more than a disseminator of information and monitor of solvency and compliance. TDI's statutory duties now include development of innovative insurance solutions and more direct consumer assistance. The passage of federal health care reform will certainly change TDI's role, but in ways yet to be defined. In addition, TDI has been charged with regulatory responsibilities such as administering the Texas workers' compensation system and serving as the State Fire Marshal. Other recently acquired functions and/or statutory responsibilities include:

- implementing Healthy Texas to provide access to quality small employer health benefit plans at an affordable price
- participating in innovative insurance initiatives for health care coverage
- establishing new websites to educate consumers and help consumers find affordable coverage options
- responding to disasters by staffing state disaster recovery centers, handling increased call volume, monitoring the industry practices, facilitating claim resolution, and inspecting structures for wind and hail coverage
- expanding TPA licensure for workers' compensation
- resolving appeals of contested case hearing decisions for medical disputes
- certifying and inspecting fire standard compliant cigarettes
- conducting mandated studies for state decision makers
- certifying and regulating discount health care plans
- regulating PPO network adequacy.

Continued on next page

Challenge: Regulatory Framework, Continued

Trends

The following trends will impact TDI's role as a regulator.

- Elevated-levels of regulatory interventions and receiverships of financially troubled insurers are anticipated to continue until permanent improvements are achieved in the economy and real estate and investment markets.
- Increased emphasis on solvency surveillance through on-site examinations and financial analysis reviews will be required in the foreseeable future.
- State budgets are not expected to return to 2008 levels until at least 2013.
- Agency budget has not increased proportionally to service expansion.
- Litigation is more complex and the industry more aggressive in challenging regulation.
- There is an expectation that TDI will provide increased oversight, consumer protections and rate regulation of insurers and non-risk bearing entities (e.g., TPAs, PPOs).
- Federal government has a greater role in insurance provision and regulation.
- The Legislature looks to TDI to help solve Texas' uninsured problem.
- Public opinion of regulation is increasingly polarized.
- Consumers expect immediate online access to information.
- Global market demands a coordinated, multi-state approach to regulation.
- Texas' changing demographic has unique consumer needs, which may influence the role of the regulator.

Challenges

As noted in Texas' *Strengthening Our Prosperity* report, much has changed in the national economic picture since TDI prepared its last strategic plan in March 2008. Given the state budget shortfalls, state leadership has asked agencies to critically reexamine their role in government. Agencies must identify the core programs and activities necessary for the long-term economic health of our state, so they can eliminate outdated and inefficient functions.

The role of the regulator becomes increasingly important during a recession. Insolvencies, fraud and consumer complaints increase, insurance availability declines, and the public expects governmental protection from market misconduct.

Continued on next page

Challenge: Regulatory Framework, Continued

Challenges (continued)

During this planning cycle, TDI anticipates the following challenges:

- The current elevated number of regulatory interventions and receiverships of financially troubled insurers is anticipated for the next several years.
- More intensive analysis during routine financial exams coupled with lean staffing levels impedes TDI's ability to meet statutory exam timeframes.
- New responsibilities, workload and regulatory issues will emerge as a result of federal health care reform.
- Implementation of state and federal health insurance initiatives (e.g., Healthy Texas and Three Share) will require the development of policies, processes and infrastructure.
- New statutory responsibilities and mandated studies reflect a changing role for TDI but existing regulatory responsibilities continue; TDI must assume the additional responsibilities without compromising current service levels.
- Budget reductions and workload increases create employee stress, which may affect morale and productivity of an effective workforce.
- TDI shares regulatory responsibilities with other governmental and non-governmental entities, which requires information sharing and coordination for effective and efficient regulation.
- Stakeholders expect immediate execution of new programs but rulemaking, competition for resources, and state procurement processes necessarily delay implementation.
- The global marketplace and company investment practices have complicated solvency monitoring, and TDI must invest in professional development opportunities. In the past, TDI funded training through a grant but funding was not continued into this biennium.
- Skepticism of government's involvement in the marketplace affects TDI's public relations.
- Managing aspects of injured employees' claims resolution as well as managing employee records requires significant resources when these activities could be handled by system participants.
- Staff are trained to provide inspection and investigation services for underserved communities; SFMO envisions a shift from service provider to advisor.
- To regulate with fewer resources, TDI could explore re-engineering agency processes/functions. Such an endeavor would pose additional challenges such as committing resources to evaluate and prioritize functions, mitigating risks associated with not performing certain existing functions, and securing support for any changes from the Legislature, staff and customers.

Continued on next page

Challenge: Regulatory Framework, Continued

Strategic Response

In recent years, TDI has seen a shift in the regulatory landscape. Where possible, TDI proactively addresses issues and embraces opportunities to provide more direct consumer assistance as well as more effective regulatory guidance. TDI accepts its diverse and evolving responsibilities and strives to regulate responsibly. When funding has not kept pace with increased workloads, TDI has shifted resources to ensure functions are appropriately performed. TDI recognizes, however, that as new responsibilities are assumed, the risk of not meeting certain obligations increases. To mitigate this adverse impact, TDI recognizes the need to strategize and plan the framework and approach for regulation in the future.

TDI's approach for meeting this challenge is two-fold. TDI will re-examine core activities to eliminate outdated and inefficient functions. Conversely, TDI will seek creative solutions to fund essential operations. Specific strategies are as follows:

Re-Think Core Activities

- seek clarification from legislature regarding future role of regulator
- communicate fiscal and operational impact of proposed legislation
- review impact of federal health care reform requirements on state regulation and adjust resources to implement new federal programs
- explore principles-based regulation as an approach to focus on outcomes rather than compliance
- identify activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions
- shift workers' compensation claims and records management activities to system participants so DWC may focus on policies and dispute resolution
- educate customers about processes and timeframes
- develop agency approach for continuing critical operations with reduced resources; prioritize needs and assess risks.

Seek Creative Funding Solutions

- explore alternative funding solutions for essential functions, including grants, self-directed funding, partnerships, and regulatory response riders
 - identify triggers for workload surges and develop staffing and funding plans
 - seek creative solutions for meeting continuing education needs (e.g., web training, streaming videos, CDs/DVDs, and mentor/protégé programs)
 - leverage resources through partnerships (e.g. cross-state exams, joint regulation of workers' compensation quality of care, NAIC initiatives)
 - embrace telecommuting, teleconferencing, other technologies as cost-effective means to improve morale and perform essential functions
 - implement pilot project to explore social networking as a low-cost solution for engaging citizens in policy discussions and two-way communications.
-

Challenge: Availability and Affordability Overview

Issue	Reduce impediments to competition, improve insurance availability and ensure rates are not excessive, inadequate or unfairly discriminatory, while assuring companies are financially sound.			
Strategic Response	Pursue creative policy solutions that encourage voluntary market participation, enhance consumers' awareness of product and pricing options and increase TDI's flexibility in monitoring the marketplace.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • administering innovative health insurance programs (e.g., Healthy Texas, Three Share) • maintaining websites to aid consumers in obtaining coverage • reviewing filings for compliance • participating in rate hearings • monitoring wc carrier claims practices • overseeing wc self-insurance programs • adopting wc treatment and return to work (RTW) guidelines • developing tools to conduct market analysis • conducting solvency examinations 	<ul style="list-style-type: none"> • growing and aging state population • rising health care costs • greater utilization due to medical advances • increasingly sophisticated data mining practices • increasing coastal property development • continuing cycle of hurricane activity • lack of competition in the title market • downturn in real estate and lending markets • improved RTW outcomes, increased access to care and fewer fee disputes anticipated • weak U.S. economy impacts insurer profitability 	<ul style="list-style-type: none"> • rising health insurance costs • continuing large immigrant population • credit scoring and data mining resulting in severe rate differentials • tightening coastal property market • TWIA expansion and oversight • title marketplace inefficiencies • possible premium and rate increases to compensate for insurer investment losses • access to care for certain specialties and geographic regions 	<ul style="list-style-type: none"> • implement federal health care reform • increase employer incentives to provide health insurance • establish alternate funding for TWIA and FAIR Plan • identify opportunities to simplify insurance processes and reduce administrative complexity and costs • monitor impact of economy on credit scores • review title rates • encourage wc network participation through report cards • continue elevated solvency monitoring • expand statutory authority for monitoring insurer underwriting practices

This page intentionally left blank.

Challenge: Availability and Affordability

At a Glance

Issue: Reduce impediments to competition, improve insurance availability and ensure rates are not excessive, inadequate or unfairly discriminatory, while assuring companies are financially sound.

Strategic Response: Pursue creative policy solutions that encourage voluntary market participation, enhance consumers' awareness of product and pricing options and maintain TDI's flexibility to monitor and enforce regulation in the marketplace.

Current Activities

The affordability and availability of insurance is a key challenge facing TDI. Several regulatory activities throughout the agency promote the availability and affordability of insurance products, which include:

- reviewing filings for compliance
- analyzing rates and calculation methodologies
- participating in rate hearings
- reviewing insurers' use of credit to determine insurance premium rates
- processing insurance company license applications to facilitate new entrants into the Texas market
- conducting financial and market conduct examinations and performing financial analysis reviews to ensure carrier solvency
- monitoring employer participation in the Texas workers' compensation system and the impact of 2005 legislative reforms
- developing workers' compensation rate relativities and publishing an online workers' compensation rate guide
- overseeing and administering the Workers' Compensation Certified Self-Insurance Program and the Group Self Insurance Program for Texas Employers
- administering TexasHealthOptions.com to improve awareness of health insurance opportunities, and
- assisting the market through legislative initiatives, such as health cooperatives and consumer choice plans.

Additionally, TDI has launched several new initiatives to promote availability and affordability in the marketplace, which include:

- implementing the Healthy Texas Program
- administering grants for the three-share premium subsidy program
- efficiently licensing insurance agents and adjusters to enhance availability of insurance (e.g., Electronic Resident Application Project in FY 2009)
- monitoring agent and adjuster continuing education electronically so they may better inform consumers of product and pricing options
- implementing legislation (SB 79, 81st Legislature) allowing agents to obtain small employer health benefit plan specialty certifications

Continued on next page

Challenge: Availability and Affordability, Continued

Current Activities (continued)

- expanding Helpinsure.com to implement a Market Connection feature to connect consumers seeking homeowners, personal automobile and various commercial lines of insurance coverage with agents and companies
 - requiring insurers withdrawing from the market to provide policyholders with information about potential coverage options, such as helpinsure.com
 - monitoring workers' compensation carrier claims practices through complaints, administrative data submissions, Medical Quality Review Panel reviews, biennial Performance Based Oversight reviews, and data calls
 - implementing workers' compensation medical fee treatment and return-to-work guidelines as well as developing a closed pharmacy formulary for workers' compensation claims
 - establishing e-billing standards and expectations for health care providers and insurance carriers within the workers' compensation system, and
 - developing new procedures and tools to analyze market trends, identify financially troubled companies and initiate corrective actions.
-

Trends

The following external factors and trends are likely to impact the availability and affordability of insurance coverage.

- The current U.S. economy and weaknesses in housing and commercial real estate markets impact industry investment earnings and overall profitability, which may put upward pressure on certain insurance rates.
- A weak U.S. economy affects consumers' credit information.
- Health care costs and insurance premiums continue to rise, with 2009 health care spending projected at over \$2.5 trillion, or \$8,160 per resident.¹
- New treatment options resulting from medical advances drive up utilization and costs of health care services.
- Texas population is growing and aging.
- Agent/adjuster workforce is increasing to meet Texas' growing population.
- The cycle of very active Atlantic hurricanes may continue for several years.
- Coastal property development continues despite a tightening coastal property insurance marketplace.
- Sophisticated data mining and pattern recognition tools allow industry to more precisely predict differences in the expected losses of insureds.
- Downturns in the real estate and lending markets negatively impact the volume of real estate activity, and accordingly, title industry profitability.
- Workers' compensation system reforms are anticipated to reduce hospital fee disputes, lower medical costs, improve return-to work outcomes and improve access to and delivery of health care.
- Large insurers continue to consolidate business, and market concentration of a small number of health plans continues to grow.

¹ Trends in Health Care Costs and Spending. The Henry J. Kaiser Family Foundation. March 2009.

Continued on next page

Challenge: Availability and Affordability, Continued

Challenges

Factors such as the growing aging population, the dramatic increase in TWIA exposures and the economic recession compound the insurance availability and affordability challenge and require TDI to explore innovative solutions to the problem.

Health

Rising health insurance costs and a large immigrant population continue to impact Texas' growing uninsured population. For health insurance, the challenge is to increase the availability and transparency of health care and health insurance information while promoting cost and quality competition among insurers and providers. While passage of the federal Patient Protection and Affordable Care Act aims to expand health care coverage, the magnitude of implementation will pose significant challenges to TDI.

Credit Scoring

A weak U.S. economy impacts the ability for consumers to purchase insurance products; the use of credit information may negatively impact consumers as their insurance premium may be higher if they have a lower credit rating.

Property

Approximately 30 percent of Texas' population resides in coastal and adjacent counties. Ensuring available and affordable coverage to this population is particularly challenging in light of recent and expected hurricane losses. A number of major insurers have filed for rate increases, restricted wind coverage, and/or indicated that they will not offer coverage along the coast.

The tightening coastal property insurance market and continued coastal development have contributed to the rapid growth of TWIA. TWIA provides windstorm insurance for property owners who are unable to obtain it from the voluntary market in designated catastrophe areas. TWIA losses are funded by premiums, investment income, available amounts in the Catastrophe Reserve Trust Fund, and up to \$2.5 billion in public securities. The public securities are paid by TWIA premiums, non-refundable premium surcharges to coastal property and casualty policyholders and insurer member assessments. Reinsurance is another source available, if purchased by TWIA. At the end of 2009, TWIA's exposure reached \$70.5 billion.

Data Mining

The use of data mining and pattern recognition tools may encourage niche marketing for previously underserved markets. But the potential for exponential increases in the number of risk tiers could result in severe rate differentials among insureds at the ends of the pricing spectrum, effectively making insurance unavailable to many.

Continued on next page

Challenge: Availability and Affordability, Continued

Challenges (continued)

Title

In contrast to other insurance lines, title insurance rates in Texas are promulgated. Consumers do not have the ability to shop for coverage on the basis of cost and the limited competition results in marketplace inefficiencies. Moreover, title rates are set at biennial rate and rule hearings, and rates may not be indicative of the current market once the final rate and rule are adopted.

Workers' Compensation

While system-wide access to care has seen measurable improvement in recent years (e.g., fewer claims filed, better return-to-work rates, stabilized medical costs), challenges remain in terms of improving access to medical care for certain specialties and in certain geographic areas in Texas.

Delayed access to medical care is a contributing factor to increased cost and prolonged lost time. Other challenges facing the workers' compensation system include: an increase in the utilization and relative cost share of pharmaceuticals in Texas; the aging workforce; the continuing trend of large employers deciding not to provide workers' compensation coverage to employees; and the concentration of workers' compensation market share among a relatively small number of insurance carriers.

Solvency

The current U.S. economy, including high-levels of unemployment and weaknesses in housing and commercial real estate markets, impacts insurer cash flow and overall profitability. TDI has implemented an elevated level of regulatory interventions involving financially troubled companies. A continued elevated level of interventions is possible even after permanent improvements are achieved in the nation's economy and real estate and investment markets. Insurers may increase premiums and rates to compensate for losses in cash flows and investment revenue.

Continued on next page

Challenge: Availability and Affordability, Continued

Strategic Response

To address the availability and affordability problems in Texas, it is crucial that the agency think strategically and creatively. TDI's strategic response considers initiatives and possible legislative recommendations as follows.

Health

- Collaborate with key state and federal agencies and multiple stakeholders to implement extensive requirements of the Patient Protection and Affordable Care Act (H.R. 3590); implementation will have significant impact on the activities of TDI for the next several years.
- Continue to improve on agent and adjuster licensing processes including making available and encouraging electronic processing.
- Increase employer incentives to provide health insurance.
- Collaborate with health insurance market, business owners and consumers to identify ways to expand affordable health insurance coverage for Texans.
- Increase competition in the marketplace, promulgate rules regarding health claim costs, insurer report cards, network adequacy, and reimbursement transparency and use the information collected to disseminate useful comparison information to consumers.
- Identify new opportunities to simplify insurance processes and reduce administrative complexity and costs.

Credit Scoring

- Monitor impact of worsening economic climate on credit scores.

Property

- Allow TDI greater flexibility when designating catastrophe areas for coverage written through TWIA.
- Seek legislation to require municipalities and counties in coastal regions to adopt, inspect and enforce windstorm building codes.
- Promote voluntary entry into the market through creative policies, such as allowing rate flexibility following a storm.
- Establish alternative funding mechanisms for TWIA and FAIR Plan to allow for growth in areas subject to catastrophic loss.

Data Mining

- Expand TDI's statutory authority for requiring disclosure and monitoring of insurers rating, underwriting, and actuarial practices.
- Conduct a review of insurance industry practices regarding the use of data mining and pattern recognition practices and technologies that are used to predict the difference in expected losses of covered persons or applicants and the manner in which insurers use these technologies in underwriting and setting rates.

Continued on next page

Challenge: Availability and Affordability, Continued

**Strategic
Response**
(continued)

Title

- Continue to review rates and any proposed rate changes to make sure they are supported by evidence at the rate hearing.
- Adopt forms and procedures to minimize expenses which may have an upward pressure on rates.
- Implement solvency legislation embodied in HB 4338, which provides minimum capitalization requirements.

Workers' Compensation

- Monitor impact of adopted Disability Management rules, Medical Fee Guideline rules and Closed Pharmacy Formulary rules on workers' compensation claim costs access to care.
- Encourage penetration of workers' compensation health care networks, and monitor effects of networks on claim costs through the annual workers' compensation network report card.
- Monitor the impact of shifting demographics on system outcomes (i.e. Medical and income benefit costs, utilization of medical care, and return-to-work outcomes).
- Develop improved monitoring and enforcement mechanisms to identify participants who abuse the system such as Performance Based Oversight (PBO) reviews, enhanced complaint monitoring systems and analysis of administrative data submitted to the agency.
- Encourage better monitoring of third party administrators and other agents by insurance carriers.
- Continue to educate employers on the financial benefits of improved safety and return-to-work programs.
- Streamline administrative dispute resolution processes and encourage system participants to resolve more claim disputes informally.

Solvency

- Continue elevated solvency monitoring activities and stand ready to implement regulatory interventions if needed.
 - Communicate to the public TDI's role in monitoring industry market conditions and solvency.
 - Evaluate need for legislation and provide an appropriate statutory framework to protect public interests in cases of carrier insolvencies.
-

Challenge: Outreach and Education Overview

Issue	Provide effective outreach and education programs that keep pace with insurance market changes, product innovations, consumer demographics and needs, and advances in technology.			
Strategic Response	Provide meaningful information in a variety of mediums and languages at a level appropriate for multiple audiences so consumers are empowered to make informed decisions and regulated entities can understand how to comply with the law.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • assisting consumers via toll-free Help Line • producing consumer educational materials and newsletters • presenting information to consumer, trade and industry groups • hosting compliance workshops/conferences • maintaining additional websites to assist consumers with obtaining coverage • participating in community events and trade shows • hosting wc field office educational brown bags • providing fire safety house demonstrations and prevention outreach • issuing bulletins and meet with industry workgroups 	<ul style="list-style-type: none"> • population growth is increasingly urban, diverse • more complex insurance products • evolution of social networking sites • budgetary constraints and public expectations compel agencies to do more with less • federal health care reform 	<ul style="list-style-type: none"> • rapidly changing technology • federal health care reform implementation • maintaining service levels despite budget limitations • managing web content • educating consumers about new insurance products 	<ul style="list-style-type: none"> • use demographic data to target outreach • solicit input to ensure information is meaningful • increase staff awareness of available outreach/communication tools • seek partnerships to educate consumers • establish social networking pilot project • involve stakeholders earlier when rulemaking • explore new media to reach wider audiences • expand have an exit strategy program

This page intentionally left blank.

Challenge: Outreach and Education

At a Glance

Issue: Provide effective outreach and education programs that keep pace with insurance market changes, product innovations, consumer demographics and needs, and advances in technology.

Strategic Response: Provide meaningful information in a variety of mediums and languages at a level appropriate for multiple audiences so consumers are empowered to make informed decisions and regulated entities can understand how to comply with the law.

Current Activities

TDI has a robust consumer outreach and education program that reaches every corner of the state through publication and information distribution, direct consumer assistance, speeches, exhibits, workshops, and other related activities. The agency strives to communicate with all of its stakeholders in a meaningful, informative, and efficient way. Regular activities illustrating the agency's various outreach efforts are to:

- inform and assist consumers via toll-free Consumer Help Line
- send speakers on request to present to consumer, trade, and industry groups
- produce publications and informational materials (e.g., posters, educational CDs, etc.) to educate consumers about insurance
- participate in community events, trade shows, etc.
- coordinate and conduct compliance, fraud, fire safety, and workers' compensation conferences for industry professionals and the public
- provide fire safety house demonstrations and other fire prevention education
- hold quarterly conference calls with providers and network applicants
- publish newsletters, including TDInsight, HWCN News, and WCNetNews
- issue commissioner bulletins to the public, industry, agents, and providers
- meet regularly with the Texas State Disaster Coalition, Technical Advisory Committee on Claims Processing, pharmacy, and chiropractor workgroups
- maintain three distinct websites (TDI's primary website, HelpInsure.com, and TexasHealthOptions.com) to provide information about the agency and help consumers shop for insurance
- issue press releases, place ads, and prepare public service announcements
- use consumer alerts and an electronic bulletin board for fire safety officials
- provide disaster field assistance following declared disasters
- conduct carrier compliance reviews
- hold workers' compensation field office brown bag educational sessions
- meet with stakeholders
- train staff and use tools for consistent and accurate public communications.

Continued on next page

Challenge: Outreach and Education, Continued

Trends

Texas is becoming more ethnically and culturally diverse. For many, English is no longer the primary language. In addition, Texas continues to grow rapidly in population. Over the next decade, the composition of the Texas population will shift. Higher birth rates and longer life expectancies for the postwar baby boomer generation mean that Texas will have a high number of residents with special insurance needs – children and the elderly. These changes will have a dramatic impact on the state and its ability to provide needed services. Other trends that will affect the way the agency communicates with its stakeholders include:

- State is becoming more populous, more urban.
 - Insurance products are becoming more complex.
 - Consumers are becoming more tech savvy and they want information quicker and in a format that is relevant for them.
 - The evolution of social networking sites such as Facebook, MySpace, Twitter, YouTube, etc. provide unique opportunities and issues.
 - Budgetary constraints and public expectations compel agencies to do more with less and may impact TDI's regulatory approach.
 - Federal health care reform and other legislation reflect a potential shift to decreased state regulation and more federal requirements.
-

Challenges

The challenge is to continue to provide effective outreach and education programs as insurance markets and products change, consumer expectations about how information will be delivered change, and Texas becomes more diverse. Over the next 10-15 years, the Texas population will become “end heavy,” with large numbers of children and seniors and a smaller percentage of people in between. This will create generational communication challenges since each group will likely require different strategies and methods of communication.

Other challenges facing TDI include:

- matching available resources to customer expectations
 - keeping up with the rapid shifts in technology and the way people use it
 - educating consumers and continuing to provide exceptional customer service as TDI's regulatory role evolves as a result of a potential increase in federal involvement in insurance regulation, health care reform, etc.
-

Continued on next page

Challenge: Outreach and Education, Continued

Challenges (continued)

- educating consumers as companies continue to introduce new and more complex insurance products
 - managing content of TDI's extensive websites to ensure it is accurate, current, relevant, and easily locatable
 - balancing process controls and compliance requirements with the need to get information to consumers timely (e.g., grant procedures, purchasing guidelines, and statutory requirements)
 - continuing to educate and assist customers at current or enhanced levels despite potential budget limitations.
-

Strategic Response

TDI will continue to devise innovative and cost effective solutions to meet the outreach and educational needs of Texas' increasingly diverse and growing population. TDI's strategic responses for these challenges will be to:

- use demographic data (income, age, ethnic groups, etc.) and insurance experience data (property losses, health claims, etc.) to target outreach
 - solicit customer input to ensure information is apt and meaningful
 - seek and expand partnerships to help educate and inform consumers
 - increase staff awareness of agency's current outreach/communication tools: TDI.nfo information database; TDI intranet pages and websites; Sharepoint
 - utilize translation tools to improve communication in languages other than English: Language Line for calls, contracts and in-house translation services for written communication, and WorldLingo for TDI web pages
 - explore new media and methods for maximizing outreach efforts such as newspaper advertising and technology to reach wider and diverse audiences
 - explore grant opportunities and authority to use alternative funding sources
 - establish social networking pilot project to address policy and operational challenges associated with changing methods of service delivery services
 - review website data to determine which web pages are most used and which web pages could potentially be archived
 - involve trade associations earlier in the rulemaking process; post all informal rules on the website
 - adopt rules to require the industry to distribute critical information to policyholders
 - include an interactive feature on TDI's website for fast answers to consumer questions; for example, TDI could have an "Ask the Commissioner" link
 - expand the "Have an Exit Strategy" program to educate Texas university students about fire safety, escape planning, and life saving.
-

This page intentionally left blank.

Challenge: Enforcement Overview

Issue	Restore balance to the marketplace, protect the public, and deter future non-compliance through effective and efficient enforcement activities.			
Strategic Response	Promote compliance through improved communication and case management.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • conducting annual compliance workshop • prioritizing wind/flood premium cases following hurricane • facilitating communication with stakeholders • coordinating with others to leverage resources • participating in antifraud task forces and national organizations • employing a special prosecutor attorney • automating investigation reporting process • identifying new insurance fraud trends • consolidated TDI and DWC enforcement activities 	<ul style="list-style-type: none"> • greater product complexity • use of Internet and other technologies • unauthorized health insurance • high referral volume • case resolution timeframes • continued non-compliance • more fraud in a weak economy 	<ul style="list-style-type: none"> • communication: <ul style="list-style-type: none"> – multiple non-integrated databases – coordination across jurisdictions • case management: <ul style="list-style-type: none"> – resource constraints – resolution timeframes 	<ul style="list-style-type: none"> • continue cross-divisional meetings • explore principles-based regulation • promote compliance through education • evaluate opportunities for efficiencies and speedier resolution • complete migration to integrated database • prioritize activities • consider graduated penalties • expand cooperative initiatives • adapt investigative processes • communicate compliance trends to stakeholders

This page intentionally left blank.

Challenge: Enforcement

At a Glance

Issue: Restore balance to the marketplace, protect the public, and deter future non-compliance through effective and efficient enforcement activities.

Strategic Response: Promote compliance through improved communication and case management.

Current Activities

TDI is responsible for ensuring compliance with and bringing disciplinary actions for violations of Texas insurance laws and related statutes and rules.

The enforcement function resides in multiple locations within the agency. TDI's Enforcement Program investigates allegations and takes civil disciplinary actions, which include cease and desist orders, license denials, revocations and suspensions, administrative penalties, and/or restitution. TDI's Fraud Unit investigates and refers cases involving allegations of criminal conduct to state and federal prosecutorial agencies. Upon request by local communities, TDI conducts fire and arson investigations under the direction of the State Fire Marshal.

To meet TDI's enforcement goals, the agency supports regular communication with internal staff and external stakeholders, coordinates with external entities to leverage knowledge and resources, and uses computer resources to streamline the investigation reporting process.

This past biennium, TDI faced additional enforcement challenges due to market pressures caused by Hurricane Ike and the solvency issues resulting from an economic downturn. Recent enforcement successes have been to:

- merge TDI's workers' compensation and insurance enforcement activities
- initiate Sircon project to migrate regulatory data to an integrated database
- conduct compliance workshops for industry and law enforcement personnel
- prosecute 206 fraud cases, including 28 through a partnership with the Dallas County District Attorney's Office
- prioritize wind/flood premium cases to recover otherwise uninsured losses
- prosecute appointed qualified windstorm inspectors
- prosecute a multimillion dollar refund case against State Farm Lloyds
- take action against scores of title agents and escrow officers and resolve dozens of financial solvency cases
- prosecute peer review cases that garnered industry attention
- investigate annuity companies and prosecuting unauthorized cases
- take enforcement action against several major insurers.

Continued on next page

Challenge: Enforcement, Continued

Trends

Recent trends in the marketplace that may require TDI to adjust its enforcement approach include the following:

- greater complexity in products
 - increased use of Internet and other technologies
 - insufficient remedies for consumers taken in by unauthorized health insurance plans
 - referral volume exceeds agency resources
 - lengthy case resolution timeframes
 - continued non-compliance in certain key areas.
-

Challenges

TDI regulates a diverse array of individuals, entities, products, services, and benefits. As Texas' population increases, the number of insurance transactions and the number of licensees will continue to increase. Also, the types of products and market players will continue to diversify, creating challenges for TDI's enforcement activities. Two primary challenges are communication and case management, which are discussed below.

Since TDI's enforcement function resides in multiple locations within the agency, diligent communication across program areas is required to ensure penalties are assessed fairly and consistently. Furthermore, as the Texas population increases and marketplaces become more complex, TDI must cultivate its external partnerships to better monitor the marketplace, identify and resolve noncompliance, and coordinate enforcement activities across jurisdictions. This coordination will also help to address the problem of insufficient remedies for consumers negatively impacted by the action of unauthorized health insurance plans.

Communication is further challenged by TDI's current information management technology. TDI maintains several non-integrated applications to capture information. TDI is currently migrating its data to an integrated insurance regulation database (Sircon). TDI anticipates full implementation of all modules by September 2011. The consolidated agency database should allow staff to easily research a company's history of regulatory actions prior to initiating communications or enforcement actions, thereby reducing the potential for inconsistent regulatory directions among programs.

Continued on next page

Challenge: Enforcement, Continued

Challenges (continued)

Resource constraints create a major challenge for case management. Currently, the volume of referrals exceeds agency resources and TDI must prioritize and focus its enforcement activities on areas of non-compliance that have the greatest adverse impact in the insurance market and the workers' compensation system.

Additionally, TDI is challenged to improve its case resolution timeframes. Litigation and procedural timeframes, coupled with multiple appeals in some cases contribute to delayed resolutions, which adversely harm consumers who lack the economic resources to wait on court decisions.

Strategic Response

TDI's strategic response will focus on improving internal and external communication and ensuring effective and efficient case management. Specifically, TDI will:

- continue cross-divisional meetings and monitoring of industry trends
 - explore opportunities for implementing principles-based regulation to promote voluntary compliance
 - promote compliance and fraud prevention through education
 - expand use of automation for more efficient case management and exchange of information
 - prioritize enforcement activities based on impact and likelihood of successful referral and prosecution
 - consider a graduated increase of penalties for continued non-compliance
 - develop recommendations for speedier resolution of enforcement actions (e.g., reducing number of venues and appeals available to regulated parties)
 - amend rules to better facilitate the current enforcement process
 - expand cooperative initiatives between TDI and law enforcement, local fire officials and the industry
 - adapt investigative processes to keep pace with changing market and newly evolving insurance fraud schemes
 - evaluate alternatives to improve efficiency and effectiveness of small-dollar compliance cases, such as fire-protection-system installation infractions
 - continue to inform workers' compensation carriers about complaints and compliance trends through monthly calls, periodic enforcement management conferences, and quarterly carrier compliance meetings
 - work with staff and stakeholders to refine methodologies and measures for performance-based oversight tiering.
-

This page intentionally left blank.

Challenge: Information Management and Technology Overview

Issue	TDI collects and maintains large volumes of information in paper and electronic media. Technology offers an opportunity to improve service to customers and regulatory effectiveness by automating the collection, management, security, and exchange of information.			
Strategic Response	Improve the agency's management of regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing the use of the Internet for two-way communication with stakeholders.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • implementing integrated regulatory application • migrating purchasing, budget and accounting data to integrated system • migrating DWC's legacy system to TxComp • scanning closed company licensing files for improved management • scanning advertising filings for electronic review/storage • revisiting DWC's records management requirements • expanding opportunities for submitting license applications and filings online 	<ul style="list-style-type: none"> • global market regulation • expectation to submit and access information electronically • increasing infrastructure needs • TDI outpaced by industry technology solutions • legislative move toward web-accessible data • regulators need timely access to information • employee retention through technology • popularity of social networking tools • integrated state-wide solutions • virtual information management (cloud computing) • challenges from Federal health care reform 	<ul style="list-style-type: none"> • managing large volumes of data • providing access to meaningful information • keeping pace with industry needs • facilitating and advancing the exchange of information and regulatory effectiveness • integration of regulatory and accounting systems • recruitment and retention of technology staff. • optimize two-way communications with stakeholders • balance of data security and transparency 	<ul style="list-style-type: none"> • standardize products for centralized document management • complete migration of data to Sircon • use secure technologies for outreach and communication • offer more e-filing and e-government solutions • improve process times and quality control • eliminate obsolete filing requirements • revisit retention schedules • commit resources for technology solutions • evaluate capital budget needs • work with DIR and TtT for improved connectivity and availability • automate web content management • recruit, develop and retain technology staff

This page intentionally left blank.

Challenge: Information Management and Technology

At a Glance

Issue: TDI collects and maintains large volumes of information in paper and electronic media. Technology offers an opportunity to improve service to customers and regulatory effectiveness by automating the collection, management, security, and exchange of information.

Strategic Response: Improve the agency's management of regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing the use of the Internet for two-way communication with stakeholders.

Current Activities

TDI collects and maintains large volumes of data, documents, and information. Statutory regulation relies on the collection of information through required/requested filings, examinations, subpoenas, and requests for information from licensed and unlicensed insurance entities (i.e. admitted carriers, surplus lines, and unauthorized entities). The Division of Workers' Compensation (DWC) also collects various claims information to support compliance, research, and system monitoring efforts.

Information collected and generated exists within various divisions throughout the agency. Data and documents are not centrally organized or managed, which complicates requests for records, disaster recovery efforts, data management, and efforts to share information. TDI programs recognize that technology offers an opportunity to improve regulatory effectiveness, and TDI is implementing three major integrated applications this biennium as well as several smaller projects to support a paperless work environment. In FY 2010, TDI is implementing projects to:

- implement Sircon as an integrated regulatory application for improved management and sharing of information across programs
- migrate purchasing, budget and accounting data to an integrated system
- migrate DWC's legacy system to its web-based TxComp system
- expand TeamMate software to all divisions within the Financial program to allow for seamless transfer of company records across divisions
- scan closed company licensing files for improved access and management of company records
- scan advertising filings for electronic review and storage
- expand electronic storage of complaints to include all complaints
- revisit DWC's records management requirements and practices to improve information management and reduce storage/maintenance costs
- expand opportunities for submitting license applications and filings online.

Continued on next page

Challenge: Information Management and Technology, Continued

Trends

Trends influencing the need for improved information management are as follows.

- Regulation in a global market requires coordination and information sharing with other entities.
 - Growth in company interventions equates to more records and assets to be managed.
 - Stakeholders expect to access and submit information electronically.
 - Industry technology solutions for information management outpace TDI.
 - Social networking tools for instant two-way communication are gaining popularity.
 - State legislators expect insurance regulators to collect, analyze and present data in an interactive format for improved consumer decision making.
 - The proliferation of information resulting from technological advancements necessitates better tools and policies for information management.
 - Technology is changing the way business is conducted.
 - Integrated statewide solutions being proposed for economies of scale, which results in less autonomy of agency processes.
 - Technology companies offering virtual management of information and systems (e.g., cloud computing, “seat management”).
 - Optimizing use of technology enhances retention of skilled employees.
 - Effective regulatory decision making requires timely access to and efficient flow of information.
 - Federal health care reform may create new data management challenges.
 - TDI reaches diverse populations and geographic regions through technology.
-

Challenges

With the advancement and proliferation of technology, stakeholders have become more technologically savvy and their expectations for government have evolved. Increasingly, customers expect government to use technology to improve customer service and operational efficiencies. TDI strives to address the marketplace trends and meet customer expectations for service delivery and performance. The information management challenge is to facilitate and advance information exchange and regulatory effectiveness. Specific challenges TDI faces will be to:

- manage large volumes of data on website, network drives and file cabinets to ensure accuracy of information and ease of navigation
 - provide meaningful information for improved consumer decision making and facilitate insurer compliance
 - implement the identified automation needs given finite resources and competing priorities
-

Continued on next page

Challenge: Information Management and Technology, Continued

Challenges, continued

- integrate the agency regulatory applications for improved information sharing and effective regulation
 - integrate regulatory systems with agency accounting systems to eliminate manual processes for reconciling payment of fees and fines
 - keep pace with industry's electronic filing needs, including system compatibility, paperless review processes and speed-to-market initiatives
 - recruit and retain staff with technology and document management skills
 - balance security requirements with customer demands for accessible, transparent information
 - optimize use of e-mail, web applications and social networking sites to provide two-way electronic communications with stakeholders.
-

Strategic Response

TDI's strategic response for the information management challenge will be to improve the agency's management of regulatory data, documents, and information by consolidating records management systems, integrating databases, and optimizing the use of the Internet for two-way communication with stakeholders. As TDI's strategic response the agency will:

- standardize and consolidate products and processes to achieve a centralized electronic document management environment
 - complete migration of regulatory data to Sircon for improved data integration and compatibility and expansion of online processes
 - use technology (e.g., social networking sites, video conferencing, online training) to efficiently manage outreach and communication while providing safeguards to protect confidential information
 - offer additional e-filing and e-government solutions to meet customer service expectations and reduce TDI staff data entry
 - identify, prioritize and implement automated solutions that improve processing times and maintain or improve quality control
 - propose changes to current rules to eliminate obsolete filing requirements by system participants
 - revisit and adhere to retention schedules for workers' compensation claims, company records, complaints, filings and records from liquidated assets, using automated record destruction tools where possible
 - commit resources to implement priority automated solutions and support management of electronic records/information
 - use appropriations process to evaluate and request capital budget needs
 - coordinate with the Department of Information Resources and the Team for Texas to improve connectivity and system availability
 - use automated tools to help organize information on website for improved navigation and access to meaningful information
 - address recruitment and retention of technical staff in workforce plan.
-

This page intentionally left blank.

Challenge: Disaster Response and Readiness Overview

Issue	Ensure that consumers, insurers, providers, and the agency are prepared for all disasters, including natural disasters, pandemics, man-made disasters or terrorist acts, and technological disasters.			
Strategic Response	Monitor insurers' ability to respond to and pay disaster claims, educate consumers about coverage and assist them with claims, and expand the industry's and TDI's business continuity planning efforts.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • updating disaster recovery plan with FEMA guidelines and pandemic plans • conducting annual disaster response briefings • assisting consumers at disaster recovery centers • implementing claim mediation pilot program • conducting windstorm inspections • monitoring disaster complaints and claims data • surveying insurers about business continuity and catastrophe plans • implementing emergency rules for adjusters/agent doing business in Texas after a disaster • participating in NAIC Disaster Reporting Working Group • using SFMO staff in coordination with TIFMAS • developing disaster resource pages on website • issuing bulletins regarding disaster-specific regulatory changes 	<ul style="list-style-type: none"> • geographically large state and growing population • cycle of active hurricanes • coastal property development • anticipation of concurrent Texas disasters • increased risk of man-made disasters and pandemics • emphasis on compliance with NIMS and federal guidelines • technology as tool for response and communication • state budget reductions • statutory windstorm coverage requirements 	<ul style="list-style-type: none"> • more immediate disaster response for customers • concern about TWIA's ability to handle claims volume • potential budget reductions • work-load and stress of staff during disaster • susceptibility to concurrent disasters • insurer financial resources and reserves • mass relocations to or from Texas • insurer, provider, consumer, and agency disaster preparedness • coordination of government and industry 	<ul style="list-style-type: none"> • emphasize disaster readiness for industry and consumers • enhance, test, and train staff on agency disaster recovery plans • develop creative solutions for remote consumer assistance • modify disaster response procedures based on customer feedback • work with industry on loss mitigation • monitor marketplace following a disaster • work with carriers, providers, and agents whose business has been disrupted • partner with Texas military forces • request disaster response rider to fund agency response efforts

This page intentionally left blank.

Challenge: Disaster Response and Readiness

At a Glance

Issue: Ensure that consumers, insurers, providers, and the agency are prepared for all disasters, including natural disasters, pandemics, man-made disasters or terrorist acts, and technological disasters.

Strategic Response: Monitor insurers' response to and payment of disaster claims, educate consumers about coverage and assist them with claims, and expand the industry's and TDI's business continuity planning efforts.

Current Activities

TDI provides a variety of activities to help the public, insurance industry, and agency effectively prepare for and respond to disasters. Activities include assisting consumers in the field following a disaster, surveying insurers about their catastrophe, business continuity, and pandemic response plans, monitoring company handling of disaster claims for compliance and solvency concerns, issuing emergency licenses to adjusters who come to Texas following a disaster, and maintaining and testing TDI's Disaster Recovery Plan.

TDI recognizes the need for coordination among governmental and non-governmental entities to effectively and efficiently respond to disasters. TDI leads the Texas State Disaster Coalition (TSDC), which consists of industry representatives, the Texas Division of Emergency Management (TDEM), Federal Emergency Management Agency (FEMA), and other agencies and organizations. Additionally, TDI's disaster response and recovery staff are certified in FEMA's National Incident Management System (NIMS), which provides a consistent nationwide approach for disaster response and recovery. Further, the State Fire Marshal's Office participates in the Texas Intrastate Fire Mutual Aid System (TIFMAS), which mobilizes, deploys, organizes, and manages Texas fire-related resources.

Additionally, recent disaster response and preparedness activities include:

- providing "Help us prevent fraud" alerts to consumers and industry, and educating consumers about coverages at the start of the disaster season
- developing TDI pandemic response policies and procedures, cross-training staff, and testing preparedness through table-top and phone tree exercises
- training disaster volunteers about critical incident management, procedures in the field, and insurance coverages
- surveying insurers about their plans for paying catastrophe claims and business continuity in the event of a health emergency
- reviewing carriers' catastrophe and business continuity plans during routine examinations
- assisting nearly 9,000 consumers at more than 40 disaster recovery centers
- implementing the Hurricane Ike Mediation Pilot Program to help consumers resolve disaster claim disputes

Continued on next page

Challenge: Disaster Response and Readiness, Continued

Current Activities, continued

- using technology (e.g., laptops with wireless network cards and cell phones) for improved consumer assistance in the field
 - developing Web resource pages for Hurricane Ike, H1N1 Flu and the American Insurance Group
 - issuing bulletins regarding key regulatory changes in response to disasters (e.g., copay waivers, extended response times for claims handling, prescription supplies, etc.)
 - monitoring adjuster availability for claim volume and implementing emergency rules for adjusters/agents doing business in Texas after a disaster
 - using real-time models to predict the potential impact of Gulf Coast hurricanes and identify companies that may become financially hazardous
 - participating in the National Association of Insurance Commissioners Disaster Reporting Working Group
 - sending SFMO staff to assist with post-hurricane building inspections in coordination with TIFMAS
 - completing approximately 12,000 windstorm inspections, so structures can be considered insurable for windstorm and hail insurance through the Texas Windstorm Insurance Association (TWIA)
 - conducting annual disaster response briefing to prepare volunteers for disaster field work and assistance
 - briefing TSDC members on disaster response procedures and protocol
 - conducting an exercise to test management's preparedness and increase awareness of agency disaster recovery and response plans.
-

Trends

Trends that underscore the importance of disaster planning and present new challenges for disaster response are described below.

- Texas is geographically large and its population continues to grow. Texans are diverse in terms of culture and demographics.
- The cycle of very active Atlantic hurricanes may continue as climactic changes continue to affect weather-related disasters.
- Development along the Texas coast and in other high-risk areas, such as flood plains, continues despite the risk of catastrophic loss. TWIA has experienced significant growth due to decreased availability.
- Texas is vulnerable to a wide array of disasters and experts anticipate the possibility of multiple concurrent Texas disasters.
- Technology presents an opportunity for rapid communication via the web and social media yet becomes a vulnerability when disrupted by a disaster.
- State budget reductions threaten agency resources, which impacts service delivery and state-supported health services for vulnerable populations.
- Statutory requirements regarding windstorm coverage changed recently to require flood insurance for certain properties. Additional state and federal insurance requirements are anticipated.

Continued on next page

Challenge: Disaster Response and Readiness, Continued

Challenges

Due to its climate and geography, Texas is susceptible to more natural disasters – wildfires, floods, hail storms, tornadoes, hurricanes, ice storms – than other states. Pandemics, terrorist acts, or technological disasters may also occur. As the risk of huge losses and multiple concurrent disasters increases, the challenge to mitigate losses becomes more complex. HMOs and providers affected by disasters may have difficulty meeting state prompt pay requirements. Large-scale losses may strain insurers' resources and financial reserves, and TDI may not have sufficient resources to provide on-site assistance to consumers across the state.

TDI has maintained disaster and business continuity plans since 1999, but internal and external factors (e.g., 9/11, the Texas Workers' Compensation Commission merger, the state data center consolidation, and Hurricanes Rita, Katrina, and Ike) have complicated agency planning efforts. TDI has since added the Division of Workers' Compensation (DWC) and Office of Injured Employee Counsel (OIEC) to its disaster plan. Additionally, TDI incorporated new planning elements to align with FEMA's Continuity of Operation guidelines. As the statewide data center (Team for Texas) assumed responsibility for storing and recovering electronic data, TDI's information systems disaster planning shifted from data recovery to focus on connectivity, accessibility, and human capital needs.

TDI recognizes there is always an opportunity to further improve disaster planning for any type of disruptive event that could affect operations and service delivery. Overall TDI must ensure that insurers, consumers, providers, and the agency staff are prepared for all disasters, including natural or man-made disasters, health emergencies, terrorist acts and other disruptive events. Some specific challenges are described below:

- Customers expect an immediate response when disaster strikes. Preferences for format and frequency of communication vary widely from printed publications to e-mail blasts to web pages to "tweets" and YouTube videos.
- Consumer education about what insurance does and does not cover and consumers' responsibilities for being prepared before disaster strikes must remain a continuing focus.
- The number of policies written by TWIA has nearly tripled over the last decade and it is not certain that TWIA is prepared to respond to the influx of policyholders' questions and claims following a major disaster.

Continued on next page

Challenge: Disaster Response and Readiness, Continued

Challenges (continued)

- TWIA's policies do not cover damage from a storm surge, which exposes policy holders without flood coverage to catastrophic loss. Further, TDI has identified issues with TWIA complaint handling practices.
 - Coordination with FEMA, state agencies, and local jurisdictions must continue and coordination with international companies and insurance regulators is needed.
 - Potential budget reductions may hamper TDI's ability to assist consumers and adequately respond to a major disaster.
 - Disaster duty volunteers must balance work assignments in the office and in the field, and staff who remain at the office may assume additional work; this creates stress in the workplace.
 - Texas is vulnerable to a wide array of disasters ranging from weather-related to health-related to human-caused and must plan for diverse and potentially concurrent disasters.
 - Catastrophes in neighboring states may result in mass relocation of both consumers and agents to Texas, resulting in more inquiries, consumer complaints and agent license applications.
-

Strategic Response

Disaster readiness requires that consumers have home and personal disaster plans and understand the insurance coverage they have purchased; insurers have sufficient financial reserves, a catastrophe plan to pay large numbers of claims, and a business continuity plan to avoid service disruption; health care providers have business continuity plans to continue providing necessary medical care and the ability to bill for these services. TDI has developed and continues to refine a catastrophe plan that defines the agency's role and response during a disaster, as well as a business continuity plan to ensure continuation of critical functions following a wide range of business interruptions.

TDI's strategic responses to meet these needs will be to:

- continue to emphasize industry, consumer, and provider readiness
 - engage the industry in discussions about reducing losses and responding to disasters that result in mass casualties
 - encourage loss mitigation and discourage coastal growth through legislation, local building codes, and consumer education
 - target outreach efforts to educate consumers on how to reduce risk
 - improve TDI's and OIEC's business continuity planning for field offices
 - train staff on plan enhancements and test disaster recovery plans annually
 - cross train staff on critical functions and plan for potential staffing shortages
-

Continued on next page

Challenge: Disaster Response and Readiness, Continued

Strategic Response (continued)

- anticipate future disasters by monitoring cyber security prevention tips and National Weather Service, Department of Homeland Security, and Centers for Disease Control and Prevention communications
 - refine model used to identify companies with market practices or solvency concerns; include “real time” models when storms enter the Gulf of Mexico
 - develop creative solutions for assisting consumers in the field – purchase more laptops, utilize DWC field offices, encourage staff to telework, implement disaster “tool kits,” use social networking to reach consumers
 - partner with Texas Military Forces to help with outreach to disaster victims
 - monitor business continuity after a disaster is declared and work with carriers, providers, and agents whose business has been disrupted
 - monitor marketplace following a disaster by: surveying carriers on payment activities and disaster claims handling practices, analyzing disaster claims data to identify potentially hazardous companies, monitoring disaster complaints, and sharing information internally about issues and trends to ensure appropriate follow-up actions
 - solicit consumer feedback to assess effectiveness of disaster communication
 - request a disaster response rider with authority and funding that allows TDI to have contracts and procedures in place so services, accommodations, equipment and supplies can be accessed when disaster strikes
 - implement disaster planning and response improvements based on agency exercises and customer feedback.
-

This page intentionally left blank.

Challenge: Effective Delivery of Workers' Compensation Benefits Overview

Issue	Ensure that injured employees or their beneficiaries receive all income, death and medical benefits due under the Workers' Compensation Act and Division of Workers' Compensation (DWC) rules in a timely and appropriate manner and resolve any disputes regarding these benefits quickly and efficiently.			
Strategic Response	Support timely delivery of all income, death and medical benefits through the use of evidence-based medicine treatment and fee guidelines; improved dispute resolution processes; and increased stakeholder collaboration in procedural and technological solutions.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> adopting medical fee, treatment, and return-to-work (RTW) guidelines promoting compliance with laws relating to payment of benefits applying performance-based oversight facilitating electronic medical bill processing resolving disputes regarding income, death and medical benefits conducting quality reviews 	<ul style="list-style-type: none"> decline in non-fatal occupational injuries and illnesses improved return-to-work outcomes increased use of certified health care provider networks increased access to care lower average claim cost fewer medical fee disputes filed reduced backlog of legacy medical fee disputes provider reimbursement structure aligns with the federal Medicare system increased usage of adopted treatment and RTW guidelines technology advancements support electronic medical bill processing 	<ul style="list-style-type: none"> awareness of and compliance with delivery of benefits laws dispute resolution timeframes reimbursement for medical care application of treatment and return-to-work guidelines prompt access to high-quality, cost-effective, appropriate medical care 	<ul style="list-style-type: none"> educate system participants on laws address barriers to electronic medical bill implementation resolve rule and guideline gaps to limit future disputes collaborate with stakeholders during rulemaking process encourage informal dispute resolution evaluate system processes to reduce dispute time frames educate system participants on how to prepare for dispute resolution proceedings adopt and enforce guidelines to ensure the appropriateness of care conduct medical quality reviews set reimbursement at adequate rates implement performance-based oversight

This page intentionally left blank.

Challenge: Effective Delivery of Workers' Compensation Benefits

At a Glance

Issue: Ensure that injured employees or their beneficiaries receive all income, death and medical benefits due under the Workers' Compensation Act and Division of Workers' Compensation (DWC) rules in a timely and appropriate manner and resolve any disputes regarding these benefits quickly and efficiently.

Strategic Response: Support timely delivery of all income, death and medical benefits through the use of evidence-based medicine treatment and fee guidelines; improved dispute resolution processes; and increased stakeholder collaboration in procedural and technological solutions.

Current Activities

A primary function of DWC is to ensure that income, death and medical benefits for injured employees are provided timely and efficiently, and at a reasonable cost to participating Texas employers. Rule and guideline development, dispute resolution and monitoring system participant behavior are core components of this function. Activities that support the timely and efficient delivery of benefits include:

- adopting treatment and return-to-work guidelines for disability management and medical fee guidelines to promote access to cost-effective medical care
 - monitoring and enforcing system participant compliance with the statutory and regulatory requirements relating to the payment of benefits
 - applying performance-based oversight of insurance carriers and health care providers to showcase high performers and increase oversight of poor performers
 - facilitating insurance carriers' and health care providers' implementation of electronic medical bill processing
 - providing an administrative review process to resolve disputes among system participants regarding income, death and medical benefits, including:
 - compensability, eligibility, and amount of indemnity benefits
 - medical fees for non-network workers' compensation claims
 - medical necessity for non-network workers' compensation claims
 - conducting quality reviews of health care providers, insurance carriers, and independent review organizations to ensure health care is consistent with evidence-based medicine and provided in a timely manner that facilitates recovery and appropriate return to work
 - conducting medical quality reviews of designated doctors to monitor the quality of determinations of maximum medical improvement and the assignment of impairment ratings
 - implementing performance-based oversight of health care providers and insurance carriers.
-

Continued on next page

Challenge: Effective Delivery of Workers' Compensation Benefits, Continued

Trends

Trends that impact the efficient delivery of benefits are listed below.

- Rate of non-fatal occupational injuries and illnesses continues to decline, resulting in fewer claims filed and fewer disputes resolved.
 - Return-to-work outcomes have gradually improved each year since 2001, contributing to fewer of injured employees receiving supplemental income benefits and a lower temporary income benefits duration per claim.
 - Employers' use of certified health care provider networks has increased.
 - Access to care has increased as evidenced by a reduction in the number of workers' compensation claims treated per physician (22 in 1999; 17 in 2008).
 - The average cost per workers compensation claim has declined.
 - Fewer new medical fee disputes are filed due to improved low-level dispute resolution efforts and updated fee guideline rules.
 - DWC has reduced its backlog of legacy medical fee disputes.
 - DWC has implemented a reimbursement structure for health care providers and facilities that closely aligns with the federal Medicare system.
 - Providers have increased their usage of and adherence to evidence-based medicine and adopted treatment and return-to-work guidelines.
 - Advances in technology and automation, including electronic medical bill processing for providers, offer opportunities for efficient delivery of benefits.
-

Challenges

Challenges for DWC are to ensure that injured employees receive prompt and appropriate medical care that is cost-effective for the system as a whole; to offer system participants an efficient dispute resolution process; and to monitor system participants and verify timely, appropriate delivery of benefits. Specific challenges are:

- system participant awareness of and compliance with statutes and rules regarding appropriate and timely delivery of benefits
 - quicker dispute resolution timeframes through low level resolution, enhanced processes, improved communication, and mitigation of unnecessary disputes
 - establishing adequate reimbursement levels for medical care to attract sufficient numbers of providers while balancing the need for cost control
 - appropriate and consistent application of evidence-based medicine and adopted treatment and return-to-work guidelines
 - prompt access to high-quality, cost-effective, appropriate medical care.
-

Continued on next page

Challenge: Effective Delivery of Workers' Compensation Benefits, Continued

Strategic Response

DWC will develop unified strategies to ensure the effective delivery of benefits. DWC will seek to increase stakeholder collaboration when developing procedural and technological solutions; promote communication among stakeholders to support informal, timely dispute resolution; increase provider participation by setting reimbursement rates at adequate levels; and adopt and enforce guidelines to ensure the appropriateness of care.

Specifically, DWC will:

- educate system participants about statutes and rules regarding the appropriate and timely delivery of income, death and medical benefits
 - promptly respond to identified system issues and resolve obstacles to the appropriate and timely delivery of benefits
 - identify barriers that prevent electronic medical bill implementation
 - use data to identify cost drivers and frequently disputed issues and develop process solutions or rule changes accordingly
 - identify gaps in rules or guidelines that may cause unnecessary disputes
 - meet with stakeholders and solicit feedback on system processes or issues to increase stakeholder collaboration in DWC's rulemaking processes
 - promote communication among system participants and encourage system participants to resolve disputes informally
 - evaluate system processes to reduce dispute resolution time frames
 - educate system participants on the dispute processes available and assist them in being more prepared for dispute resolution proceedings
 - adopt evidence-based medicine treatment guidelines and medical fee guidelines that ensure quality medical care and effective cost control
 - inform health care providers about medical billing requirements and the existence of evidence-based treatment guidelines
 - administer the designated doctor process in a manner that ensures prompt and appropriate evaluations of injured employees
 - conduct medical quality reviews, identify potential outliers and recommend appropriate enforcement actions.
-

This page intentionally left blank.

Challenge: Work Place Safety and Return to Work Overview

Issue	Educate system participants on occupational safety and health and the importance of injured employees' early and medically appropriate return to work (RTW) while facilitating communication among system participants regarding these issues.			
Strategic Response	Identify industries and occupations with the highest rates of injury and illness in Texas and deliver means to prevent occupational injuries, illnesses, and fatalities. Provide effective education and outreach initiatives for multiple audiences to encourage all parties to effectively cooperate in returning the injured employee to work.			
TDI Internal/External Assessment	Current Activities	Trends	Challenges	Strategies
	<ul style="list-style-type: none"> • sharing Texas occupational injury data • partnering with OSHA • educating employers and employees • conducting carrier compliance audits and employer on-site visits • inspecting rejected risk accident prevention plan implementation • administering the Safety Violations Hotline • publishing system RTW trends • training staff and system participants on RTW • promoting the Employer RTW Reimbursement Program • referring injured employees to DARS earlier • ensuring access to RTW brochures through 2-1-1 	<ul style="list-style-type: none"> • Texas' rate of non-fatal injuries and illnesses is lower than national rate • number of work-related fatalities fluctuates • RTW outcomes have improved • TIBs employees return to work within six months with the same employer • Texas workforce is increasingly diverse and aging • shift from production of goods to service provision • new risks and opportunities with shift to virtual offices 	<ul style="list-style-type: none"> • promoting workplace safety for 400,000+ Texas employers • identifying cost-effective solutions for workplace safety and RTW training • educating system participants on role • promoting employer participation in system • collecting data for targeted outreach 	<ul style="list-style-type: none"> • develop best practices • partner to provide RTW and WPS information • use technology and combined outreach efforts for cost-effective training • maximize grant opportunities and explore new partnerships • provide consultations to local government employers • use data to target training • monitor providers' outcomes for releasing injured employees • oversee use of the Employer Reimbursement Program • analyze carriers' RTW documentation requirements • review DARS and TWC referral criteria

This page intentionally left blank.

Challenge: Workplace Safety and Return to Work

At a Glance

Issue: Educate system participants on occupational safety and health and the importance of injured employees' early and medically appropriate return to work (RTW) while facilitating communication among system participants regarding these issues.

Strategic Response: Identify industries and occupations with the highest rates of injury and illness in Texas and deliver training, education, consultations, and inspections that effectively prevent occupational injuries, illnesses, and fatalities in Texas. Provide effective return-to-work education and outreach initiatives through a variety of mediums and at a level appropriate for multiple audiences that encourage all parties to a workers' compensation claim to work toward returning the injured employee to a productive role in the workplace.

Current Activities

Preventing occupational injuries and illnesses and encouraging the timely and medically appropriate return of injured employees to productive roles in the Texas workforce are key goals in the Texas workers' compensation system. While employers, employees, health care providers, and insurance carriers all share responsibilities for these system goals, the Division of Workers' Compensation (DWC) utilizes several regulatory and outreach activities to promote occupational safety and health and facilitate return-to-work outcomes for Texas employees, including:

- partnering with the U.S. Department of Labor to collect Texas occupational injury data and provide it to the public in newsletters and press releases
 - partnering with the Occupational Safety and Health Administration to:
 - offer free compliance assistance to employers in high-hazard industries
 - review required written safety programs
 - provide worksite hazard assessments, informal training, and industrial hygiene services such as air sampling and noise monitoring, and
 - loan out safety training audiovisual materials
 - educating employers and employees through seminars, conferences, industry-focused training, and bi-lingual safety and health publications
 - conducting compliance audits of carriers and on-site visits of policyholders to ensure delivery of statutorily required accident prevention services
 - inspecting accident prevention plan implementation of policyholders in the Texas Mutual Insurance Company's START/Rejected Risk Program
 - administering the Safety Violations Hotline
 - collecting data and publishing system return-to-work trends using Texas Workforce Commission (TWC) wage information
-

Continued on next page

Challenge: Workplace Safety and Return to Work, Continued

Current Activities (continued)

- training DWC field operations and customer service staff, Department of Assistive and Rehabilitative Services (DARS) counselors, and system participants on the value of early and medically appropriate return to work
 - educating small employers about the Employer Return-to-Work Reimbursement Program, which reimburses up to \$5,000 for workplace modifications that enable injured employees to return to full or modified duty
 - initiating earlier referral of injured employees to DARS and TWC
 - ensuring that injured employees have access to DARS, TWC, and OIEC return-to-work brochures and information through the 2-1-1 Texas program.
-

Trends

The following trends and external factors are likely to impact workplace safety and return-to-work outcomes in Texas over the next few years:

- Texas' rate of non-fatal occupational injuries and illnesses has declined since 1990 and has been consistently lower than the national incidence rate.
 - The number of work-related fatalities fluctuates, with 457 deaths in 2008.
 - The leading type of non-fatal injuries is sprains/strains and the leading cause of fatal occupational injuries is transportation-related incidents.
 - Return-to-work outcomes have gradually improved each year since 2001.
 - Injured employees who receive temporary income benefits generally return to work within six months of injury and with the same employer.
 - Occupational injuries and illnesses further decline when layoffs target lower tenured employees, who are also the most likely to sustain injuries. When the economy recovers and businesses expand occupational risks increase.
 - Texas' workforce is increasingly multi-cultural, multi-lingual and aging.
 - Texas is experiencing a shift from production of goods to service provision.
 - An increasingly mobile workforce, expansions in telecommuting and emerging technologies create new occupational health and safety risks while providing opportunities to bring injured employees back to work.
-

Challenges

Given external factors, such as changing employee demographics, increases in telecommuting, and the economic recession, DWC will seek innovative methods for providing workplace safety and return-to-work training and outreach efforts. Additionally, DWC's challenges in these areas are compounded by the need to educate system participants about the value of investing in workplace safety and return-to-work programs and the importance of ensuring that all affected parties are involved in the development of these programs.

Continued on next page

Challenge: Workplace Safety and Return to Work, Continued

Challenges (continued)

Specific challenges include:

- leveraging agency resources to promote safe and healthy workplaces to 400,000+ Texas employers, including those not participating in the workers' compensation system or not subject to federal safety and health regulations
 - identifying innovative, cost-effective solutions for delivering health, safety and return-to-work information to augment face-to-face instructor-led efforts
 - educating system participants that return-to-work is a responsibility shared by employers, employees, health care providers and insurance carriers
 - convincing employers of the cost-effectiveness of preventing occupational injuries and illnesses and bringing injured employees back to work, rather than incurring the costs associated with hiring and training new employees
 - collecting sufficient data regarding injury rates and return-to-work outcomes for DWC to identify system participants needing additional outreach and/or regulatory intervention.
-

Strategic Response

To address the challenges related to workplace safety and return-to-work outreach in Texas, DWC will respond to system participants' needs in these areas as follows:

- evaluate and develop best practices from other states' accident prevention and return-to-work programs and services
 - partner with governmental agencies and system participant groups to provide information about safe work practices and effective return-to-work programs
 - utilize available technology to deliver cost-effective training, including webinar and other computer-based training technologies as appropriate
 - maximize existing grant opportunities and explore new opportunities with federal agencies and other national health and safety organizations
 - provide safety and health consultations to local government employers that are not subject to federal safety regulations or members of risk pools
 - identify administrative efficiencies in outreach efforts by combining workplace safety and return-to-work outreach messages to similar audiences
 - analyze available workers' compensation claim data, TWC employer data and non-subscriber injury and illness data to target training as appropriate
 - monitor health care providers' outcomes for releasing injured employees back to work as part of performance-based oversight biennial evaluations
 - monitor use of the Employer Reimbursement Program and ensure carriers provide employers with information regarding the existence of this program
 - analyze carriers' return-to-work coordination services for policyholders and determine if documentation requirements should be promulgated
 - continue to refer injured employees to DARS and TWC for return-to-work assistance and monitor whether referral criteria should be amended.
-

This page intentionally left blank.

Appendix A:
Agency Budget Structure

This page intentionally left blank.

Agency Budget Structure Overview

GOALS	OBJECTIVES	STRATEGIES			
1: Access to Affordable Insurance	1.1: Educate Consumers	1.1.1: Consumer Education and Outreach			
	1.2: Reduce Statute and Rule Violations	1.2.1: Resolve Complaints	1.2.2: Investigation and Enforcement	1.2.3: Insurer Fraud	
	1.3: Reduce Impediments	1.3.1: Process Rates, Forms & Licenses	1.3.2: Promote Underserved Coverage	1.3.3: Texas Online	1.3.4: Certify Self-Insurance
	1.4 Innovative Insurance Initiatives	1.4.1: Long-term Care	1.4.2: Three-Share Programs	1.4.3: Healthy Texas	
2: Promote Insurer Financial Strength	2.1: Industry Solvency	2.1.1 Insurers Financial Condition			
	2.2: Reduce Losses	2.2.1: Loss Control Programs	2.2.2: Provider and Consumer Fraud	2.2.3: Workers' Compensation Fraud	
3: Reduce Losses Due to Fire	3.1: Protect the Public	3.1.1: Fire Protection			
4: Regulate Workers' Comp System	4.1: Workers' Comp Benefits & Delivery	4.1.1: Oversight and Enforcement	4.1.2: Dispute Resolution	4.1.3: Subsequent Injury Fund Admin	
	4.2 Educate/Inform System Participants	4.2.1: Health and Safety Services		4.2.2: Customer Service & Records Admin	
5: Indirect Administration	5.1 Indirect Administration	5.1.1: Central Administration	5.1.2: Information Resources	5.1.3: Other Support Services	

This page intentionally left blank.

Agency Budget Structure

Overview

For the 2012-2013 biennium, the Texas Department of Insurance (TDI) and the Division of Workers' Compensation (DWC) requested to streamline the budget structure into fewer goals, move contingency strategies under a single objective and align goals with TDI's revised mission. This section presents TDI's FY 2012-2013 budget structure as approved by the Legislative Budget Board and Governor's Office of Budget, Planning and Policy.

For each budget element, agencies provide both a short name and a full name for inclusion in the Texas Automated Budget and Evaluation System of Texas (ABEST). The short name for TDI's directly budgeted goals, objectives and strategies are summarized on the prior chart. Each element's full name and associated measures are detailed in the pages that follow.

Directly Budgeted Goals, Objectives and Strategies

TDI's FY 2012-2013 budget structure is founded on four goals:

- Promote Consumer Access to Affordable Insurance Products Within a Fair Market
- Promote the Financial Strength of the Insurance Industry and Reduce Undue Loss Costs
- Reduce Loss of Life and Property Due to Fire
- Effectively Regulate the Texas Workers' Compensation System.

TDI objectives identify clear targets for specific actions the agency will pursue to achieve its goals. Likewise, TDI has selected outcome measures that quantitatively demonstrate the agency's progress toward achieving its objectives and ultimately, agency goals.

TDI strategies describe how the agency plans to meet its objectives and goals, while the output, efficiency and explanatory measures provide data that illustrates the agency's performance toward meeting its objectives and goals.

The agency's budget structure outlined below present each agency goal, followed by the associated objective and outcome measures, and ends with related strategies, output, efficiency, and explanatory measures.

Continued on next page

Agency Budget Structure, Continued

GOAL 1: **PROMOTE CONSUMER ACCESS TO AFFORDABLE INSURANCE PRODUCTS WITHIN A FAIR MARKET**

Objective 1.1 **Provide Insurance Consumers with Meaningful Information**

Strategy 1.1.1 **Educate consumers and the industry by providing outreach and information**

1.1.1 Output Measures

- OP 1 Number of inquiries answered
- OP 2 Number of consumer information publications distributed
- OP 3 Number of consumer information presentations made
- OP 4 Number of Texas Department of Insurance calls to insurance industry for data

1.1.1 Explanatory Measures

- EX 1 Percent of premiums expended on insurer overhead costs
 - EX 2 Percent of total registered passenger vehicles with personal or commercial automobile liability insurance
-

Objective 1.2: **Reduce Unfair and Illegal Insurer Practices**

1.2 Outcome Measures

- OC 1 Percent of enforcement cases concluded within 365 days
 - OC 2 Percent of insurer fraud referrals to state and federal prosecutors resulting in legal action
-

Strategy 1.2.1: **Respond promptly and act on complaints**

1.2.1 Output Measures

- OP 1 Number of complaints resolved
- OP 2 Number of insurance advertising filings reviewed
- OP 3 Dollar amount returned to consumers through complaint resolution
- OP 4 Number of complaints against HMOs resolved

1.2.1 Efficiency Measures

- EF 1 Average response time (in days) to complaints
 - EF 2 Average response time (in days) for HMO complaint resolution
-

Continued on next page

Agency Budget Structure, Continued

Strategy 1.2.2: Investigate trade practices and bring enforcement actions as needed

1.2.2 Output Measures

- OP 1 Number of enforcement cases concluded with action
- OP 2 Dollar amount of penalties assessed for violations of insurance and insurance-related statutes and rules
- OP 3 Dollar amount of restitution assessed for violations of insurance and insurance-related statutes and rules
- OP 4 Number of quality assurance examinations conducted

1.2.2 Efficiency Measures

- EF 1 Average cost per quality assurance examination conducted
-

Strategy 1.2.3: Investigate insurer fraud and refer violations for prosecution

1.2.3 Output Measures

- OP 1 Number of referrals of alleged insurer fraud to state and federal prosecutors
- OP 2 Dollar amount of court ordered restitution for insurer fraud cases referred

1.2.3 Efficiency Measures

- EF 1 Average number of days per insurer fraud case referred

1.2.3 Explanatory Measures

- EX 1 Estimated dollar amount (in millions) of insurer fraud referred
 - EX 2 Number of reports of insurer fraud received
-

Objective 1.3: Reduce Impediments to Competition and Improve Insurance Availability

1.3: Outcome Measures

- OC 1 Percent of company, third party administrator, and premium finance license applications completed within 60 days
 - OC 2 Percent of agent license filings completed within 15 days
 - OC 3 Percent of statutory rate and form filings completed within 90 days
 - OC 4 Percent of personal auto and residential property form filings completed in 60 days
 - OC 5 Percent of registered passenger vehicles in underserved markets with personal or commercial automobile liability insurance
 - OC 6 Percent of licensees who renew online
-

Continued on next page

Agency Budget Structure, Continued

Strategy 1.3.1: Process rates, forms & licenses promptly

1.3.1 Output Measures

- OP 1 Number of life/health insurance filings completed
- OP 2 Number of HMO form filings completed
- OP 3 Number of property and casualty rate and form filings completed

1.3.1 Explanatory Measures

- EX 1 Total number of licensed agents
 - EX 2 Number of regulated companies and other carriers
-

Strategy 1.3.2: Promote coverage in underserved markets

Strategy 1.3.3: Support Texas Online

Strategy 1.3.4: Regulate private employers that qualify to self-insure within the workers' compensation system

1.3.4 Efficiency Measures

- EF 1 Average cost per certified self-insured certificate holder

1.3.4 Explanatory Measures

- EX 1 Percent of market share of certified self-insurance to the total workers' compensation insurance market
-

Objective 1.4: Administer Innovative Insurance Initiatives

1.4 Outcome Measures

- OC 1 Percent of Texas small employers participating in innovative insurance initiatives
-

Strategy 1.4.1: Support the state's long-term care partnership initiatives

Strategy 1.4.2: Administer three-share grant program

Strategy 1.4.3: Promote Healthy Texas program

Continued on next page

Agency Budget Structure, Continued

GOAL 2: PROMOTE THE FINANCIAL STRENGTH OF THE INSURANCE INDUSTRY AND REDUCE UNDUE LOSS COSTS

Objective 2.1: Regulate Insurance Industry Solvency

2.1 Outcome Measures

- OC 1 Percent of statutorily mandated examinations completed within 18 months
 - OC 2 Percent of identified companies reviewed
 - OC 3 Percent of total dollars collected by Special Deputy Receivers expended on asset administration
 - OC 4 Average number of days from company “at risk” identification to the date of solvency-related regulatory action
 - OC 5 Percent of companies rehabilitated after Texas Department of Insurance solvency-related intervention
-

Strategy 2.1.1: Analyze the financial condition of insurers and take solvency action

2.1.1 Output Measures

- OP 1 Number of entities receiving Texas Department of Insurance solvency-related intervention
- OP 2 Number of on-site examinations conducted
- OP 3 Number of reviews of annual and interim financial statements completed

2.1.1 Efficiency Measures

- EF 1 Average cost per examination

2.1.1 Explanatory Measures

- EX 1 Dollar amount (in millions) of insurance company insolvencies
 - EX 2 Percent of insurers meeting statutory or risk-based capital and surplus requirements
-

Objective 2.2: Assure Loss Control Services, Windstorm Inspections and Fraud Referrals

2.2 Outcome Measures

- OC 1 Percent of insurers providing adequate loss control programs
 - OC 2 Percent of commercial property inspections that meet filed rating schedule requirements
 - OC 3 Percent of windstorm inspections that result in an “approved” status code
 - OC 4 Percent of consumer and provider fraud referrals to state and federal prosecutors resulting in legal action
 - OC 5 Percent of workers’ compensation insurance fraud referrals to state or federal prosecutors resulting in legal action
-

Continued on next page

Agency Budget Structure, Continued

Strategy 2.2.1: Inspect loss control programs and assure code and schedule compliance

2.2.1 Output Measures

- OP 1 Number of windstorm inspections completed
- OP 2 Number of inspections of insurer loss control programs completed
- OP 3 Number of commercial property oversight inspections completed

2.2.1 Efficiency Measures

- EF 1 Average cost per windstorm inspection
-

Strategy 2.2.2: Investigate provider/consumer fraud and refer violations for prosecution

2.2.2 Output Measures

- OP 1 Number of referrals of alleged consumer and provider fraud to state and federal prosecutors
- OP 2 Dollar amount of court ordered restitution for consumer and provider fraud cases referred

2.2.2 Efficiency Measures

- EF 1 Average number of days per consumer or provider fraud case referred

2.2.2 Explanatory Measures

- EX 1 Number of reports of consumer and provider fraud received
 - EX 2 Estimated dollar amount (in millions) of consumer and provider fraud referred
-

Strategy 2.2.3: Investigate workers' compensation fraud and refer violations for prosecution

2.2.3 Output Measures

- OP 1 Number of referrals of alleged fraud relating to workers' compensation insurance to state or federal prosecutors
- OP 2 Dollar amount of court ordered restitution for workers' compensation fraud cases referred

2.2.3 Efficiency Measures

- EF 1 Average number of days per workers' compensation insurance fraud case referred

2.2.3 Explanatory Measures

- EX 1 Number of reports of workers' compensation insurance fraud received
 - EX 2 Estimated dollar amount (in millions) of workers' compensation insurance fraud referred
-

Continued on next page

Agency Budget Structure, Continued

GOAL 3: REDUCE LOSS OF LIFE AND PROPERTY DUE TO FIRE

Objective 3.1: Protect the Public From Loss of Life and Property Due to Fire

3.1 Outcome Measures

- OC 1 Percent of State Fire Marshal's Office criminal referrals resulting in enforcement/legal action
 - OC 2 Percent of registrations, licenses, and permits issued after receipt of a completed application, within 20 days to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals, and other regulated entities
-

Strategy 3.1.1: Provide fire prevention through education, enforcement and engineering

3.1.1 Output Measures

- OP 1 Number of individuals attending fire prevention and fire safety presentations coordinated by the State Fire Marshal's Office
- OP 2 Number of fire investigations completed
- OP 3 Number of samples analyzed in the arson lab
- OP 4 Number of State Fire Marshal's Office criminal referrals to prosecution
- OP 5 Number of registrations, licenses, and permits issued to fire alarm, fire extinguisher, fire sprinkler and fireworks firms, individuals and other regulated entities
- OP 6 Number of licensing investigations or inspections conducted
- OP 7 Number of buildings inspected or reinspected for fire safety hazards
- OP 8 Number of communities accepting a State Fire Marshal's Office fire prevention program

3.1.1 Efficiency Measures

- EF 1 Average cost per fire safety inspection
 - EF 2 Average time to complete fire investigations
-

Continued on next page

Agency Budget Structure, Continued

GOAL 4: EFFECTIVELY REGULATE THE TEXAS WORKERS' COMPENSATION SYSTEM

Objective 4.1: Ensure Appropriate Delivery of Workers' Compensation Benefits

4.1 Outcome Measures

- OC 1 Percent of workers' compensation enforcement cases concluded within 365 days
 - OC 2 Percent of medical bills processed timely
 - OC 3 Percent of medical fee disputes resolved by dispute resolution proceedings or upheld upon appeal
 - OC 4 Payments from the Subsequent Injury Fund
-

Strategy 4.1.1: Oversee activities of system participants and take enforcement action

4.1.1 Output Measures

- OP 1 Number of workers' compensation enforcement cases concluded with action
- OP 2 Dollar amount of penalties assessed for violations of workers' compensation statutes and rules
- OP 3 Dollar amount returned to workers' compensation system participants through complaint resolution
- OP 4 Number of quality of care reviews of health care providers, insurance carriers, utilization review agents and independent review organizations completed
- OP 5 Number of complaints closed involving workers' compensation system participants
- OP 6 Number of performance reviews completed

4.1.1 Efficiency Measures

- EF 1 Average number of days to complete quality of care reviews of health care providers, insurance carriers, utilization review agents and independent review organizations
 - EF 2 Average number of days to close a complaint involving workers' compensation system participants
 - EF 3 Average number of days to complete a performance review
-

Continued on next page

Agency Budget Structure, Continued

Strategy 4.1.2: Resolve indemnity, medical fee and medical necessity disputes

4.1.2 Output Measures

- OP 1 Number of benefit review conferences held
- OP 2 Number of contested case hearings held
- OP 3 Number of appellate decisions issued

4.1.2 Efficiency Measures

- EF 1 Average number of days to resolve a medical fee dispute
- EF 2 Average number of days to resolve indemnity disputes through dispute resolution proceedings

4.1.2 Explanatory Measures

- EX 1 Number of initial benefit review conferences set
 - EX 2 Number of medical fee disputes received
-

Strategy 4.1.3: Administer subsequent injury fund

4.1.3 Output Measures

- OP 1 Number of injured workers receiving lifetime income benefit payments through the Subsequent Injury Fund

4.1.3 Efficiency Measures

- EF 1 Average number of days from receipt of a Subsequent Injury Fund request for reimbursement to payment of request
-

Objective 4.2: Ensure Workers' Compensation System Participants are Educated and Informed

4.2 Outcome Measures

- OC 1 Percent of temporary income benefit recipients returning to work within 90 days of injury
-

Continued on next page

Agency Budget Structure, Continued

Strategy 4.2.1: Provide educational services and workplace safety consultations to system participants

4.2.1 Output Measures

- OP 1 Number of workplace safety consultations and inspections provided to employers
- OP 2 Number of Division of Workers' Compensation presentations made
- OP 3 Number of hazards identified through workplace safety consultations, inspections, and the Safety Violations Hotline
- OP 4 Number of return-to-work, health care provider and workplace safety educational products and services provided to system participants
- OP 5 Number of workers' compensation income benefit recipients referred to the Department of Assistive and Rehabilitative Services

4.2.1 Efficiency Measures

- EF 1 Average cost per workplace safety consultation and inspection

4.2.1 Explanatory Measures

- EX 1 Statewide incidence rate of injuries and illnesses per 100 full-time employees in the private sector
-

Strategy 4.2.2: Provide customer assistance and records administration services for system participants

4.2.2 Output Measures

- OP 1 Number of injury records in which indemnity benefits are initiated

4.2.2 Explanatory Measures

- EX 1 Number of documents received electronically by the Division of Workers' Compensation
-

GOAL 5: INDIRECT ADMINISTRATION

Objective 5.1: Indirect Administration

Strategy 5.1.1: Central administration

Strategy 5.1.2: Information resources

Strategy 5.1.3: Other support services

Appendix B:
Technology Resource Planning

This page intentionally left blank.

Part 1: Technology Assessment Summary

Planned Technology Solutions

Provide a brief description of the planned technology solutions that respond to the key factors that will affect the agency. Consider how those solutions align with the statewide technology goals reflected in the State Strategic Plan for Information Resources (Advancing Texas Technology).

TDI's technology solutions include:

- participation in the evolving federal health care reforms and associated industry regulation
- participation in the State Data Center consolidation effort
- participation in Enterprise Resource Planning (ERP) through adoption of a CPA application for accounting and purchasing systems
- revision, consolidation, and expansion of TDI's multiple legacy workers' compensation tracking system applications
- implementation of additional modules of Sircon in support of enterprise-wide, web-based insurance regulation
- expansion and consolidation of imaging and workflow applications
- expansion of TexasOnline initiatives.

TDI's strategic plan identifies eight key challenges affecting the agency:

- Regulatory Framework
- Availability and Affordability
- Outreach and Education
- Enforcement Overview
- Information Management and Technology
- Disaster Response and Readiness
- Workers' Compensation Workplace Safety and Return-To-Work
- Effective Delivery of Workers' Compensation Benefits.

TDI's planned technology solutions for these challenges are described below.

Regulatory Framework

The Texas Department of Insurance (TDI) is working to clarify TDI's regulatory direction in light of expanded statutory authority, federal health care reform legislation, finite resources, and growing customer expectations.

TDI will seek clarification from the Legislature on TDI's role as regulator; will develop enhanced strategies for managing industry and consumer expectations of service delivery and timeframes; and will continue to enhance its agency-wide plan for continuing critical operations with reduced resources. TDI's initiatives align with Statewide Technology Goals 1, 2, 3, and 4.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Planned Technology Solutions (continued)

Availability and Affordability

TDI is working to reduce impediments to competition and to improve insurance availability while also assuring that companies are financially sound. TDI is developing a procedural framework that will encourage voluntary market participation, enhance consumers' awareness of product and pricing options, and maintain TDI's flexibility to monitor and enforce regulation in the marketplace. TDI's ability to collect, monitor, and analyze data will improve the overall availability of insurance in Texas. TDI's initiatives align with Statewide Technology Goals 3 and 4.

Outreach and Education Challenge

TDI needs to provide effective outreach and education programs that keep pace with insurance market changes, product innovations, consumer demographics and needs, and advances in technology.

TDI will expand its ability to provide information by giving audiences a variety of access options – from telephone to Internet – so that TDI's wide range of customers are able to make informed decisions and so that regulated entities can understand how to comply with the law. TDI is working to provide interactive online applications so stakeholders have immediate access to information and data queries. TDI's initiatives align with Statewide Technology Goals 1, 3, and 4.

Enforcement

TDI is seeking to restore balance to the insurance marketplace, protect the public, and deter future non-compliance through effective and efficient enforcement activities.

TDI's strategic response is to promote compliance through improved communication and case management. TDI's initiatives align with Statewide Technology Goals 3 and 4.

Information Management and Technology

TDI collects and maintains large volumes of information in paper and electronic media. Technology offers TDI an opportunity to improve service to customers and regulatory effectiveness by automating the collection, management, security, and exchange of information. TDI has multiple initiatives in place to improve the agency's management of documents and information by consolidating records management systems; integrating databases; enhancing imaging and workflow processes, including the expansion of electronic archiving and retrieval capabilities; and optimizing the use of the Internet for two-way communication with stakeholders. These changes also will reduce TDI's costs for data management. TDI's initiatives align with Statewide Technology Goals 1, 2, 3, and 4.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Planned Technology Solutions (continued)

Disaster Response and Readiness

TDI is working to ensure that insurers, consumers, providers, and the agency are prepared for all disasters, including natural disasters, pandemics, man-made disasters or terrorist acts, and technological disasters. TDI's efforts enable the agency to expand business continuity planning efforts by TDI and its stakeholders; to educate consumers about coverage and assist them with claims; and to monitor insurers' responses to and payment of disaster claims. TDI's initiatives align with Statewide Technology Goals 2 and 3.

Effective Delivery of Workers' Compensation Benefits

TDI's Division of Workers' Compensation (DWC) oversees the entire Texas workers' compensation system, from the approval and issuance of insurance policies to the delivery of health care and validation of provider billing practices. TDI is seeking to enhance cooperative practices among claims participants. TDI's technology initiatives make information more easily available to the participants in a claim and reduce frustration based on a lack of information. TDI's initiatives align with Statewide Technology Goals 3 and 4.

Workers' Compensation Workplace Safety and Return-To-Work

TDI is working to optimize technology for delivery of training to a diverse population of stakeholders. TDI's initiatives include delivery of webinars to provide better stakeholder access to live presentations and also include the creation of Internet-based training modules. These initiatives facilitate both internal and external training on these complex subjects. TDI's initiatives align with Statewide Technology Goals 1, 3, and 4.

Statewide Technology Goals

Provide agency descriptions related to each statewide technology goal listed below. The criteria for these descriptions appear after each goal and are labeled 1.a, 1.b, 2.a, and so forth.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Goal 1: Strengthen and Expand the Use of Enterprise Services and Infrastructure

1.1 Enhance Capabilities of the Shared Infrastructure

- Data Center Infrastructure
- Communications Technology Infrastructure
- Statewide Portal Infrastructure

1.2 Leverage Shared Applications

- Enterprise Resource Planning (ERP)
- Email Messaging

1.3 Leverage the State's Purchasing Power

- Product and Services Portfolio Expansion
-

Shared Infrastructure

1.a Describe agency plans to strengthen and/or expand its capabilities through the initiatives described in Statewide Technology Goal 1.

TDI's technology planning is based on business requirements identified in agency and program business plans and includes infrastructure maintenance, planned obsolescence, scheduled upgrades, agency projects, and ITS feasibility studies. Information technology planning is documented in TDI's Information Resources Strategic Plan, Information Technology Detail, Technical Infrastructure Roadmap, and Technology Architecture Overview.

Data Center Services (DCS) Infrastructure: TDI is involved in the transformation of its technology environment to the state data centers. In an early stage of the data center contract, Team for Texas, assumed responsibility for processing of TDI's bulk printing and mailing, including the mailouts from DWC claim operations. Working with Team for Texas and the Department of Information Resources (DIR), TDI will continue to consolidate and enhance its data center operations.

Communications Technology Services Infrastructure

TDI will utilize DIR's request for offers (RFOs) and participate in the DIR communications contracts as DIR continues to work on refining requirements and capabilities essential to next-generation communications technology services. TDI currently utilizes several services: webinar, Interactive Voice Response (IVR), and Voice over Internet Protocol (VoIP) services. Utilization of VoIP resulted in a reduction of long distance costs.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Shared Infrastructure (continued)

Statewide Portal Infrastructure

DIR will oversee the delivery of next-generation services under the www.texas.gov portal, previously called TexasOnline. TDI utilizes TexasOnline/texas.gov to host both insurance agent license renewals and the web-enabled attorney fee processing system (WAFPS). Agent license renewal services include license renewal and agent license search capabilities. WAFPS involves both registration of and payment to attorneys who work with workers' compensation claimants. TDI also anticipates leveraging TexasOnline to host a fireworks licensing application for the State Fire Marshal's Office (SFMO).

TDI helped promote the conduct of state business on the web by:

- working with agency program areas to add information to the website, including proposed rules, interactive insurance company profile information, interactive consumer complaint forms, a variety of pamphlets and publications, rate guides, lists of agents and companies, and insurance agency forms
- providing the capability for attorneys to register as representatives of workers' compensation claimants
- providing the capability to query workers' compensation coverage status for Texas employers
- providing contact information for the insurance carriers
- enabling the public to search for doctors and health care facilities that participate in the Texas workers' compensation system
- enabling injured employees to file workers' compensation injury reports online
- enabling users of the website to submit inquiries and fraud complaints electronically
- enabling online public comment on proposed agency rules.

TDI anticipates the possibility for an additional web presence to address requirements of the federal health care reform.

Leverage Shared Applications and Purchasing Power

1.b Describe agency plans to strengthen and/or expand its capabilities through other initiatives that leverage enterprise or multi-agency services and infrastructure, including managed services, shared applications, internal consolidation efforts, and procurement strategies.

ERP/Integrated Statewide Administrative System (ISAS)

In collaboration with Comptroller of Public Accounts (CPA), TDI is migrating the Graphical User Interface Fund Accounting System (GFAS) and TDI's current purchasing system (Gateway) to ISAS.

Continued on next page

Part 1: Technology Assessment Summary, Continued

**Leverage
Shared
Applications
and Purchasing
Power**
(continued)

E-mail Messaging

DIR has issued requests for proposals to establish an enterprise e-mail messaging architecture to facilitate hosted e-mail services that state agencies can acquire through the Cooperative Contracts Program. TDI hopes to use the DIR contract in order to outsource TDI's e-mail service.

Product and Services Portfolio Expansion

TDI benefits from the Cooperative Contracts Program both by a streamlined bidding process (saving staff time) and by improved response time for the agency to receive goods and services. TDI supports DIR's efforts in establishing approved vendor lists and in negotiating pricing levels. TDI has utilized the DIR contracts for TEX-AN and WAN services and for purchases of desktop PCs, laptops, software, and telephone services. TDI is investigating the feasibility of utilizing managed services for enterprise messaging, spam control, web monitoring, and document imaging and storage.

Sircon

TDI capitalizes on existing data center infrastructure and insurance regulation that is used by other state insurance regulators. Enhancements are made on a regular basis to support national and state regulatory needs.

Goal 2:

Secure and Safeguard Technology Assets and Information

2.1 Align the State's Approach to Enterprise Security with other State and National Strategies

- State Enterprise Security Plan
- Vulnerability to Cyber Attacks
- Response and Recovery Capabilities

2.2 Integrate Identity Management, Credentialing, and Access Privileges

- Identity Management Services
-

Continued on next page

Part 1: Technology Assessment Summary, Continued

Enterprise Security

2.a Provide an update on the agency's progress in implementing strategies to align with the State Enterprise Security Plan.

TDI's security program includes several initiatives that align with the State Enterprise Security Plan. TDI's information security program includes security awareness training for new employees and biennial refresher training for current employees. TDI's Information Technology Services division maintains an online Computer Security Manual that is available to all agency staff. TDI's Information Resources Manager and Information Security Officer participate in DIR-sponsored training and maintain appropriate continuing education certifications.

TDI recognizes the importance of disaster recovery planning and implemented its disaster recovery process in 1999. In addition to the technology disaster recovery plan, TDI's program areas create disaster recovery plans to ensure the efficient and effective recovery of agency operations in the event of a disaster, including provisions for pandemic preparedness. The plans define critical functions and identify alternate ways to perform those functions, such as providing for essential functions to be performed from alternate agency work locations or employees' homes. Agency-wide and program area disaster recovery tests are conducted in alternating years to assess the effectiveness of the plans.

TDI approaches security from several levels, such as utilizing several network tools that cover every point of entry and exit to the agency: from desktop to server to network devices. The Information Security Officer regularly updates the DIR incident reporting system and participates in DIR-sponsored training and security events, and TDI actively participates in annual controlled penetration testing provided by DIR.

TDI has numerous applications and databases that contain confidential information. For each, TDI has implemented defined levels of security access. TDI has a statement of responsibility and accountability that every user of the TDI network systems must sign, even temporary staff and contractors. TDI also emphasizes awareness of the security of non-electronic data, and utilizes shredders to protect privacy and confidentiality of TDI customers. TDI continues to investigate methods to ensure data privacy and prevent data loss, and maintains policies relating to data confidentiality in both the TDI Open Records Manual and the TDI Operations Manual.

TDI is adding services and functionality as the agency replaces older technologies and selects and deploys improved, automated security tools. TDI will continue in this endeavor until features or levels of security are available at a statewide level, at which time TDI will invest in areas that remain at the agency level.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Identity Management

2.b *Describe the agency's identity management strategies in place or planned.*

Identity Management Services

TDI utilizes the ITS Help Desk for creation of new user IDs and assignment of access permissions. The Customer Service Request process, coordinated among Human Resources, ITS, and program areas, assures that all requests for access changes are approved through appropriate channels. This approval process includes new staff, terminating staff, staff who change duties or program areas, contractors, and various types of external participants in the TDI network (such as permitted staff from other state agencies).

ITS has password restrictions that permit only “strong” passwords, and has procedures that address both password resets and permitted access to personal e-mail and LAN files. ITS recently implemented a new software application that blocks e-mails and websites that deal with categories of subjects that TDI has determined are not appropriate and helps prevent cyber attacks.

Additionally, TDI has implemented password synchronization software which further strengthens users’ passwords by subjecting multiple passwords to a single security policy. This software is currently configured to synchronize network and email passwords; ITS has plans to extend the usage of this software in the future.

Goal 3:

Serve Citizens Anytime, Anywhere

3.1 Expand and Enhance Access to Agency Services

- Multi-Channel Access
- Rural Broadband Expansion

3.2 Facilitate Open and Transparent Government

- Best Practices for Information Assets
-

Access to TDI Services

3.a *Describe the agency’s plans to expand or enhance access to its services and promote citizen engagement through online services and emerging technologies.*

TDI provides customers options to access the extensive content on the website by providing rich site summary (RSS) news feeds for major website updates, including news releases, bulletins and calendars. TDI sends e-mail, electronic faxes, and web newsletters to subscribers to convey information about additions to web content.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Access to TDI Services (continued)

Website visitors can access “what’s new” listings; an agency-wide public calendar system that includes links to additional information on upcoming events; and automatically updated site maps, created by the agency’s content management system, to major sections of the website.

TDI has moved nearly all public forms to the website, with several search and listing options, and has added an automated translation option for much of the website content. To improve searchability, TDI modified the website to provide more targeted searches by topic and has created Google and Yahoo search/site map “keys” to provide more precise and efficient search engine harvesting of our websites.

TDI’s long-term plans for website enhancements include providing access to information under the federal health care reform initiatives; exploring additional ways to improve website searches; providing enhanced access to webinars and web conferencing; rewriting website content so users can find key information more easily; and working to make all website content accessible for website visitors with a range of impairments.

Transparency and Access

TDI, in conjunction with legislative initiatives and guidance, is a leader in the use of data transparency to provide information to insurance consumers that makes a difference. Examples include:

- www.helpinsure.com – helping Texans with auto, commercial, and residential property insurance
- www.texashealthoptions.com – helping Texans with health insurance and to compare health care costs and quality
- www.texassure.com – helping Texans with information to reduce the number of uninsured vehicles
- www.tdi.state.tx.us/health/healthytxas.html – helping Texans with a new statewide health insurance program designed for small business owners and their employees
- www.tdi.state.tx.us/wc/txcomp.html – helping Texans with workers’ compensation employer and health care provider system information
- www.haveanexitstrategy.com – helping Texans with fire safety rules to ensure that all properties have clearly marked and freely accessible exits.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Data Transparency

3.b Describe initiatives planned or in process that will facilitate access to agency information and public data.

Technology has increased TDI's ability to efficiently meet its objectives. Through technology, TDI has streamlined internal and external processes, facilitated public access to non-confidential information, equipped staff with innovative tools to perform job duties, and enabled more efficient use of agency resources.

TDI supports public access to insurance information. Throughout the agency, public workstations have been established to facilitate access to information in lieu of submitting open records requests. Additionally, non-confidential industry information is posted to the agency's Internet website as well as educational information. Technology allows TDI to give the public the power to learn about insurance options, understand how insurance affects their lives, and use the knowledge on TDI's website to manage their insurance needs. An advantage of maintaining insurance information on the website is 24-hour access. Moreover, TDI has resource e-mail addresses for customers to contact if additional assistance is required. Multiple employees manage e-mail resource addresses, which enables prompt response to customers during TDI's regular work week.

TDI uses its website to inform the public about internal activities. The agency's strategic plans, biennial reports to the Legislature, and annual reports are posted to the Internet. Monthly enforcement reports, rule updates, Commissioner bulletins and orders, and media releases are posted to the website as well.

Innovations in technology have also allowed TDI to use resources more effectively. For example, web applications that collect data reduce staff time spent on data entry. Currently, the quarterly and annual SB 418 data, the annual utilization review data, and independent review organization requests are collected via web applications. Other examples of resource efficiencies achieved through technological advancements include electronic storage solutions and paperless processes including complaints, National Association of Insurance Commissioners' (NAIC) System for Electronic Rate and Form Filing (SERFF) and interstate compact review I-files, and desktop faxing capabilities.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Data Transparency (continued)

TDI has policies that address records management of agency data and information, including records retention and discovery of electronically stored information (e-discovery). TDI publishes its records management policies and instructions on its Intranet for staff use, and TDI uses its Internet site to publish its open records procedures to the public.

TDI's recently-acquired telephone system provides the capability of conducting telephone surveys and sending the responses to TDI's e-mail system as a voice mail attachment. This capability will enable TDI's customer service areas to respond more completely to issues raised and complaints delivered.

TDI participates in NAIC's SERFF initiative, which provides a cost-effective method for handling insurance policy rate and form filings between regulators and insurance companies. TDI continuously modifies its internal processes and systems to enable TDI to fully participate in SERFF's speed-to-market market initiatives. This improves the speed by which new policy offerings are approved by TDI and made available to insurance customers.

To foster data exchanges with other agencies, TDI has implemented database standards, including naming standards, security standards, data definition language, standards for database restoration and refresh, and standards for common database utilities.

TDI also has developed utilities using Perl and JAVA that could be used by any agency that needed a similar function. TDI exchanges data with many other agencies, such as the Office of the Attorney General (OAG), the Texas Workforce Commission, the Texas Windstorm Insurance Association, and CPA. TDI recently implemented SFTP methodology and offered this technology to other agencies with which TDI exchanges data.

DWC maintains a variety of complex data exchange processes. It accepts workers' compensation claim data from insurance carriers, exchanges data with various governmental agencies, and maintains data exchange agreements with numerous other external partners in compliance with national industry standards.

TDI continues to collaborate with other large state insurance regulators on rate and form filings as well as NAIC on various insurance regulation initiatives. TDI also uses NOREX, a consortium of IT professionals (both government and private sector), to share best practices with other private and public organizations.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Goal 4

Pursue Excellence and Foster Innovation across the Enterprise

4.1 Link Technology Solutions to Workplace Innovations

- Workplace Productivity and Collaboration

4.2 Pursue Leading-Edge Strategies for Application Deployment

- Cloud Computing
- Specifications, Toolkits, and the Application Marketplace
- Legacy Systems Modernization

4.3 Optimize Information Asset Management

- Best Practices for Managing Digital Information

4.4 Promote the Use and Sharing of Information

- Health Information Exchange
 - Statewide Communications Interoperability
 - Justice Information System Integration
 - Enterprise Geospatial Services
-

Tools to Enhance Workplace Productivity

4.a Describe agency plans to implement or enhance workplace productivity and to leverage collaboration tools.

TDI has policies to address records management of agency data and information, including records retention and discovery of electronically stored information (e-discovery). TDI publishes its records management policies and instructions on its Intranet for staff use, and TDI uses its Internet site to publish its open records procedures to the public.

HB7 (79R) eliminated the requirement to keep workers' compensation claim information for 50 years; those retention guidelines now follow standard retention and archiving rules as laid out in the Government Code. Scanning now can put claim data online rather than in paper format; this improves access and reduces storage space.

TDI offers a variety of methods for working from remote locations. These include telecommuters (work from home staff), as well as staff who work from more than one site without having a primary office location, including financial examiners and SFMO staff. Additionally, some TDI windstorm inspectors work primarily out of their homes, visiting TDI offices infrequently for meetings or for technology upgrades. The staff access TDI's network using Citrix or VPN. Telecommuting and mobile staff constitute 15-20 percent of all TDI staff.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Tools to Enhance Workplace Productivity (continued)

TDI is piloting the use of Microsoft Sharepoint software to explore collaboration and document management functionalities. Additionally, TDI plans to replace the agency's web content management tool and conduct analysis to determine the feasibility of consolidating and/or replacing its two imaging/workflow systems: VisiFlow and Datacap.

Application Deployment

4.b Describe agency strategies to develop and deploy applications more efficiently (i.e., through Cloud Computing, Software as a Service, Application Toolkits, Legacy System Modernization).

TDI is transitioning from a coding-based to pattern-based approach to application development standards. TDI believes that focusing on application structure reduces long-term maintenance costs and will allow TDI to extend its experience into new development more easily.

For TDI applications, this approach involves distinguishing patterns best implemented in the data layer from those best implemented in the middle tier or the client tier, documenting and enforcing use of a standard technique for implementing Oracle's single-sign-on security mechanism, making effective use of the data-binding components build into JDeveloper (which comply with J2EE standards), deploying reusable custom-built components as JAR files on the application server, and focusing on designs that separate business logic from presentation of the user interface.

DWC applications share the last of these goals (which grows from the model-view-controller pattern), but generally tend to locate all business and application logic in the middle tier, using messaging queues, JMS, and Java packages to handle almost all decision-making.

TDI is currently evaluating ways to bring TDI's more extensive experience with RDMS technology to bear on DWC business processes and to incorporate DWC's more extensive Java knowledge into TDI's applications.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Asset Management

4.c Describe agency strategies to enhance information asset management practices.

TDI is planning to implement the use of MagicWand software for inventory management. The software will be integrated with asset management data contained within the agency's Service Desk Express asset management module. This will facilitate regular inventory monitoring and will speed receiving and distribution of new hardware and software and significantly reduce paper processing. Through the use of optical barcode tags, the system will allow staff to identify the exact location of inventory items.

Information Sharing and Use

4.d Describe agency practices or plans to enhance the use and sharing of information with agency business partners.

For the next legislative session, TDI plans to utilize a legislative tracking system created by the Texas Health and Human Services Commission (HHSC). HHSC shared the application code with TDI, and TDI is working to make modifications to allow it to function in TDI's environment.

TDI will continue to partner with the Texas Department of Transportation, the Department of Motor Vehicles, and DIR to operate the Motor Vehicle Financial Responsibility Verification System, as outlined in SB 1670. The vendor contract for this system is in its final year, and the agency is in the process of preparing a RFO to solicit bids.

TDI continues to collaborate with other state insurance regulators on rate and form filings and to work with NAIC on various insurance regulation initiatives. TDI receives medical license information from six Texas licensing entities for health care providers.

TDI is a member of NOREX and is able to share best practices with other private and public organizations.

TDI continuously updates its technology to meet interoperability requirements that allow it to exchange data with NAIC, Office of the Attorney General-Child Support, the insurance industry, and numerous trade groups and consumer advocacy groups.

Continued on next page

Part 1: Technology Assessment Summary, Continued

Information Sharing and Use (continued)

DWC maintains a variety of complex data exchange processes that require both advanced hardware and software in the agency and require significant training and support for outside participants in addition to compatible hardware and software. In verifying the work status of workers' compensation claimants, DWC also maintains agreements with other external partners (such as the Texas Workforce Commission and the Social Security Administration) to exchange data for the purposes of cross-matching workers' compensation information with relevant employment data.

TXCOMP, which is DWC's enterprise-wide technology solution for the management of workers' compensation claim data, relies on uploads of information from insurance carriers and various governmental agencies. As TXCOMP evolves, TDI's aim is to make private claims data available online to claim participants, and security will be a significant factor in making data available.

Among DWC's data exchange processes are Electronic Data Interchange (EDI) programs with various trading partners.

- The International Association of Industrial Accident Boards and Commissions First Report of Injury (148/A49) processes have been in use in Texas since 1998.
- The Texas Medical EDI 837 processes became mandatory in Texas in 2007 for transmission to TDI of workers' compensation claim data from insurance carriers and other trading partners.
- The electronic billing (ebills) processes (ANSI X12 835) has been implemented to enable medical provider submission of claims for services and to enable insurance carrier payments to providers.

All three processes require conformity with the Health Insurance Portability and Accountability Act's national standards for coding, data transmission and security. Additionally, TDI security upgrades moved some EDI processes from VAN lines to SFTP processes and SSL transmissions.

TDI's Workplace Safety Program exchanges data with various government agencies, such as the National Institutes for Occupational Safety and Health. Due to federal restrictions, the data must remain on federal computer equipment, which requires some TDI staff to have two PCs at their desks: one for federal purposes and one for TDI general state use.

This page intentionally left blank.

Part 2: Technology Initiative Alignment

Technology Initiative Alignment The table below depicts the format and mapping of the Texas Department of Insurance’s current and planned technology initiatives to the agency’s business objectives.

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE(S)	RELATED SSP STRATEGY/(IES)	CURRENT OR PLANNED	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
TECHNOLOGY INITIATIVE	REL'D AGENCY OBJ	REL'D SSP STRAT-EGIES	STATUS (Current, Planned)	ANTICIPATED BENEFITS	(Category): INNOVATION, BEST PRACTICE, BENCHMARKING
Federal Health Care Reform. Support TDI’s responsibilities related to regulation of insurance carriers and health care providers.	1, 2, 3	1.1, 1.2, 1.3, 2.2, 3.1, 3.2, 4.1, 4.2	Planned	Participation in evolving federal initiative; utilization of federal resources; integration with existing state and federal programs; implementation of new licensing provisions.	INNOVATION; BEST PRACTICE
SDC: Data Center Transformation. Transformation and consolidation of agency data center operations into the State Data Centers.	1, 2, 3, 4	1.1, 1.2, 1.3, 2.2, 3.1, 3.2, 4.2, 4.3	Current	Statewide management and support of affected hardware and software; enhanced disaster recovery capability; future cost savings; enhanced space utilization in agency buildings.	BEST PRACTICE
Integrated Statewide Administrative System (ISAS). Collaborate with CPA to migrate the Graphical User Interface Fund Accounting System (GFAS) and TDI’s current purchasing system, Gateway, to ISAS.	1	1.1, 1.2, 1.3, 2.2, 3.1, 3.2, 4.2, 4.4	Current	Statewide application management and support; fewer applications to support; better integration of data for sharing.	INNOVATION, BEST PRACTICE
Division of Workers’ Compensation (DWC) Rewrite Legacy Applications. Multiple components of the overall legacy application (COMPASS) rewrite effort for the workers' compensation tracking system applications.	1, 2, 3, 4	3.1, 3.2, 4.1, 4.2, 4.3, 4.4	Current	Modernization and integration of multiple workers' compensation applications; infrastructure enhancement; decreased maintenance and procedural roadblocks; improved access to data.	INNOVATION, BEST PRACTICE

Continued on next page

Part 2: Technology Initiative Alignment, Continued

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE(S)	RELATED SSP STRATEGY/(IES)	CURRENT OR PLANNED	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
TECHNOLOGY INITIATIVE	REL'D AGENCY OBJ	REL'D SSP STRAT-EGIES	STATUS (Current, Planned)	ANTICIPATED BENEFITS	(Category): INNOVATION, BEST PRACTICE, BENCHMARKING
Sircon Module Implementation. Implement multiple, additional, modular functions of <i>Sircon for States</i> to offer web-based application functionality for management, processing, and tracking to address insurance regulation needs.	1, 2, 3	1.2, 2.2, 3.1, 3.2, 4.1, 4.3, 4.4	Current	Utilization of existing applications; utilization of external support; enhanced options for exchanging information with other state regulatory agencies.	BEST PRACTICE
Electronic Imaging. Review and consolidation of applications used in agency. Implement a centralized document management environment to standardize imaging and workflow products/processes.	1, 2, 3, 4	1.1, 3.1, 4.1, 4.3, 4.4	Proposed	Reduction of the number of electronic applications supported; enhanced workflow; enhanced internal exchange of data. Reduced paper, paper storage needs	BEST PRACTICE, BENCHMARKING
Texas Online Initiatives. Support enhancements requested by program areas for the Insurance Licensing Search and Renewal and Web-Enabled Attorney Fee Processing System. Support program areas seeking a presence on TexasOnline, including State Fire Marshal's Office Fireworks Licensing, and Property and Casualty's Amusement Ride Certifications.	1, 2, 3	1.1, 1.2, 1.3, 3.1, 4.1, 4.2, 4.3, 4.4	Current	Innovation; enhanced accuracy, turnaround time, and data availability.	INNOVATION, BEST PRACTICE
Enhance HelpInsure Application. Create a single flexible registration/query system that can be used with any line of insurance, such as auto, homeowner, commercial property, and small employer health insurance.	1, 2, 3	3.1, 3.2, 4.2, 4.4	Current	Provision of database information to the public; enhanced accuracy and more rapid processing of registrations.	INNOVATION

Appendix C:
Agency Planning Process

This page intentionally left blank.

Agency Planning Process

Strategic Plan Preparation

The Texas Department of Insurance (TDI) develops its strategic plan with participation from the agency's Executive Management team and staff representing all agency programs. The Agency Planning Group (APG) is responsible for coordinating strategic planning activities and developing the agency's strategic plan.

TDI's strategic plan focuses on challenges that will affect the agency in the five-year planning cycle. The analysis of these issues describes how the agency will address trends and other factors attributable to each challenge. To identify the challenges and develop the agency's assessment of these issues, the APG reviews a variety of internal and external reports to create a list of potential topics impacting the agency. TDI's Executive Management team reviews the list and selects key challenges for inclusion in the report. APG shares the team's recommendations with TDI's Commissioner of Insurance and obtains approval to move forward. The Commissioner of Workers' compensation reviews and approves development of workers' compensation challenges.

Executive Management leads the analyses of the challenges impacting the agency. TDI holds brainstorming sessions and establishes teams to develop the initial challenge narratives. This collaborative approach promotes communication across divisions and ensures input from all program areas. For each challenge, the programs consider current activities, trends, specific challenges, and the agency's strategic response. APG works with each team to ensure that the final narratives clearly and succinctly summarize key challenges.

Final challenge documents are distributed to Executive Management and approved by both commissioners.

APTT Participation

To help the APG coordinate agency-wide information, TDI uses the Agency Planning and Technology Team (APTT), which is a working group comprised of representatives from each agency program. The APTT's primary functions are to plan and advise on agency-wide projects and processes. These decision makers work together on information technology resource issues, strategic and business planning, and other efforts that require collaboration.

Continued on next page

Agency Planning Process, Continued

Budget Structure Review and Development

Each biennium, TDI revisits its budget structure to ensure its goals and mission align with statutory responsibilities. Additionally, the agency reviews its performance measures for substantive and non-substantive changes. Program staff develop definitions for new measures and modify existing definitions accordingly.

Upon completion of the performance measure evaluations, APG compiles the proposed changes in accordance with the format required by the Legislative Budget Board (LBB) and the Governor's Office of Budget Planning and Policy (GOBPP). APG distributes the proposed changes to the programs for Executive Management's final comment and approval. TDI delivers the requested changes to the GOBPP and LBB on the requested due date.

This biennium, TDI requested a revised budget structure to streamline the 2012-13 budget structure into fewer goals, move contingency strategies under a single objective and align goals with TDI's recently revised mission. TDI proposed measure changes to focus on key processes; ensure measures are valid, responsive and relevant; and improve consistency in format and style across agency measures. The LBB and GOBPP approved TDI's revised budget structure and measure changes as presented in this *FY 2011-2015 Agency Strategic Plan*.

Performance Measure Projections and Targets

TDI must include five-year performance measure projections for outcome measures in the strategic plan. Additionally, TDI submits biennium targets for all measures in the Legislative Appropriations Request (LAR).

APG uses a spreadsheet to aid with performance measure target development. The spreadsheet contains a five-year history of the agency's performance measure targets which allows for a more focused review of proposed changes.

Program staff evaluate the measures, including requested definition changes, to project future performance. APG reviews and works with program staff to determine the final performance measure projections and LAR targets. Executive Management reviews and approves all changes.

The projected outcomes presented in this plan reflect current funding levels. TDI will adjust the targets as appropriate in the agency's FY 2012-2013 LAR to reflect the baseline five percent reduction and supplemental 10 percent reduction schedules.

Strategic Plan Approval

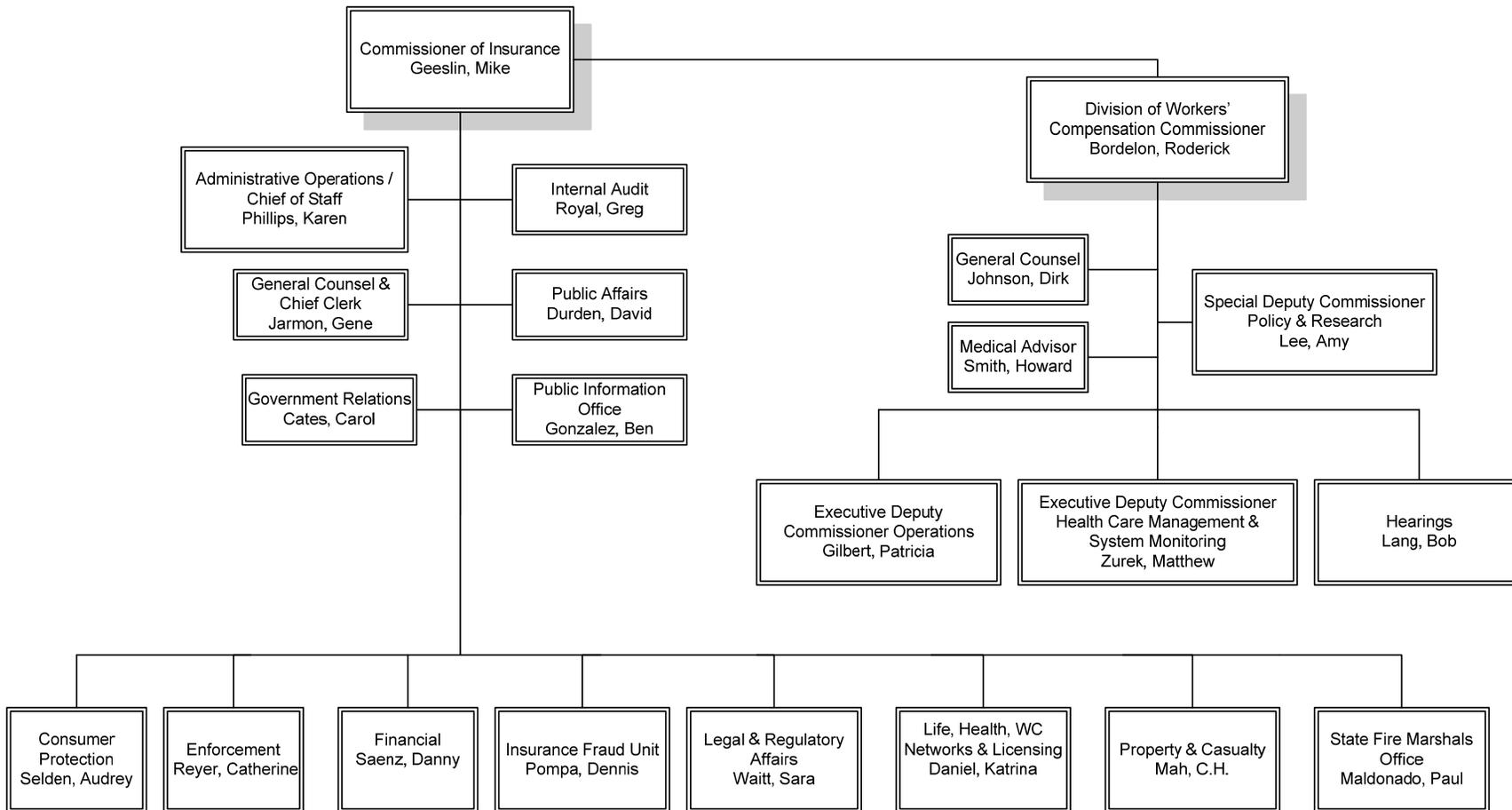
APG works with Executive Management and APTT to finalize the strategic plan. Executive Management approves the document for delivery to the LBB, GOBPP, and other interested parties.

Appendix D:
Agency Organizational Chart

This page intentionally left blank.

Appendix D: Agency Organizational Chart

**Texas Department of Insurance
Agency Organizational Chart
May 31, 2010**



This page intentionally left blank.

Appendix E:
Agency Overview

This page intentionally left blank.

Agency Structure and Functions

Overview

The Texas Department of Insurance (TDI) is headed by the Commissioner of Insurance and the Division of Workers' Compensation (DWC) is headed by the Commissioner of Workers' Compensation. The Governor appoints both Commissioners to a two-year term, subject to Senate confirmation. TDI regulates the business of insurance in Texas (Texas Insurance Code, Chapter 31) and oversees the Texas workers' compensation system (Texas Labor Code, Chapter 402).

TDI's regulatory and administrative responsibilities are grouped into nine core functions:

- licensing, certification, and registration
 - form, rate and advertising review
 - examination, monitoring, and solvency intervention
 - research and analysis
 - education, outreach, and customer assistance
 - complaint and dispute resolution
 - enforcement, fraud, and investigations
 - inspections and consultations
 - support services.
-

Agency Structure and Programs

TDI is organized into nine regulatory programs, in addition to the Commissioner's Administration and Administrative Operations programs. Each program area is led by a Senior Associate Commissioner or Associate Commissioner, or the State Fire Marshal, who report directly to the Commissioner of Insurance. Additionally, the Commissioner of Workers' Compensation administers and exercises rule-making authority for DWC in close coordination with the Commissioner of Insurance. TDI's programs are shown in Appendix D: Functional Organization Chart and include:

- Commissioner's Administration
 - Consumer Protection
 - Division of Workers' Compensation
 - Enforcement
 - Fraud Unit
 - Financial
 - Legal and Regulatory Affairs
 - Life, Health and Licensing
 - Property and Casualty
 - State Fire Marshal's Office
 - Administrative Operations.
-

Continued on next page

Agency Structure and Functions, Continued

Service Locations

The majority of TDI employees work in Austin and within 32 field offices across the state. Field employees include DWC staff, financial examiners, title examiners, fire inspectors and investigators, windstorm inspectors and support staff. Figure 1 depicts locations of TDI's field offices and field staff.

The agency serves all geographic areas of Texas, although the services required in different regions may vary. Insurance consumers throughout the state purchase basics such as automobile or homeowners insurance. However, the Texas Gulf Coast region may require additional services on windstorm-related protection, while consumers in North Texas may require additional services due to tornados, hailstorms or wildfires.

DWC has 24 field offices strategically located across Texas. Field office locations are determined by claim activity and demand for services in the geographic area. Additionally, facilities must be located such that injured employees will have to travel no more than 75 miles from their residence to a benefit review conference or contested case hearing.

DWC field offices provide claims services, customer services, and dispute resolution services. Ombudsman services are also located in each field office and are provided by the Office of Injured Employee Counsel. Most field offices also employ staff to provide health and safety assistance.

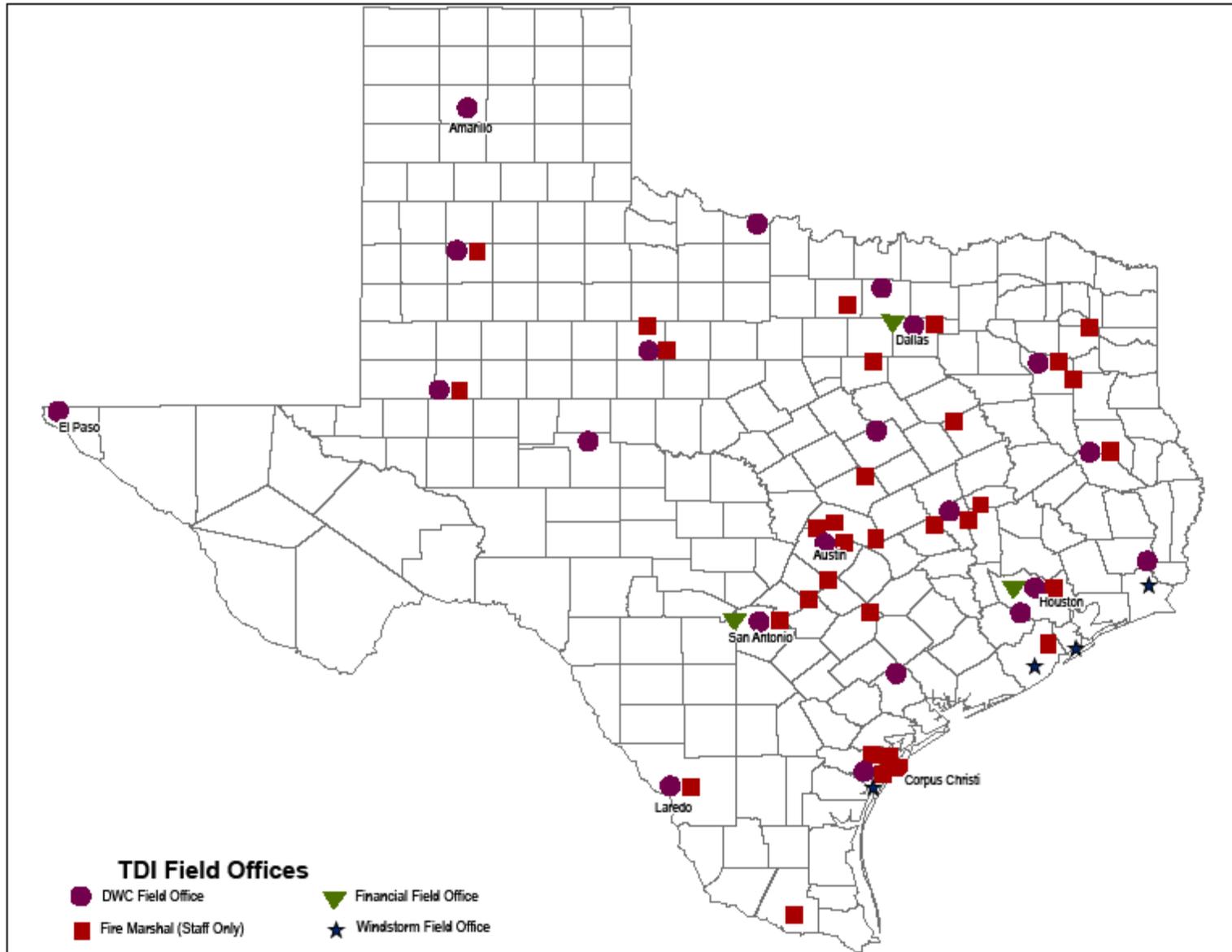
Windstorm inspection and engineering staff assist consumers in designated coastal regions by inspecting and certifying construction in compliance with windstorm building codes, and by providing oversight of licensed engineers appointed as qualified windstorm inspectors.

SFMO field employees work throughout the state. Field staff are equipped to go to any areas that historically have demonstrated a need for services. The SFMO hires staff who live in, or are familiar with, the area where they work, with particular emphasis on recruiting bilingual staff in areas with sizable Spanish-speaking populations.

Fire industry licensing investigations staff ensure that fire alarm, sprinkler systems, extinguishers, and fireworks stands comply with adopted safety standards. Fire safety inspections staff are charged with inspecting public and private buildings. Fire and arson investigators, including canine teams, investigate fire scenes upon request from local law enforcement agencies.

Continued on next page

Figure 1: Field Office and Field Staff



Populations Served

Overview

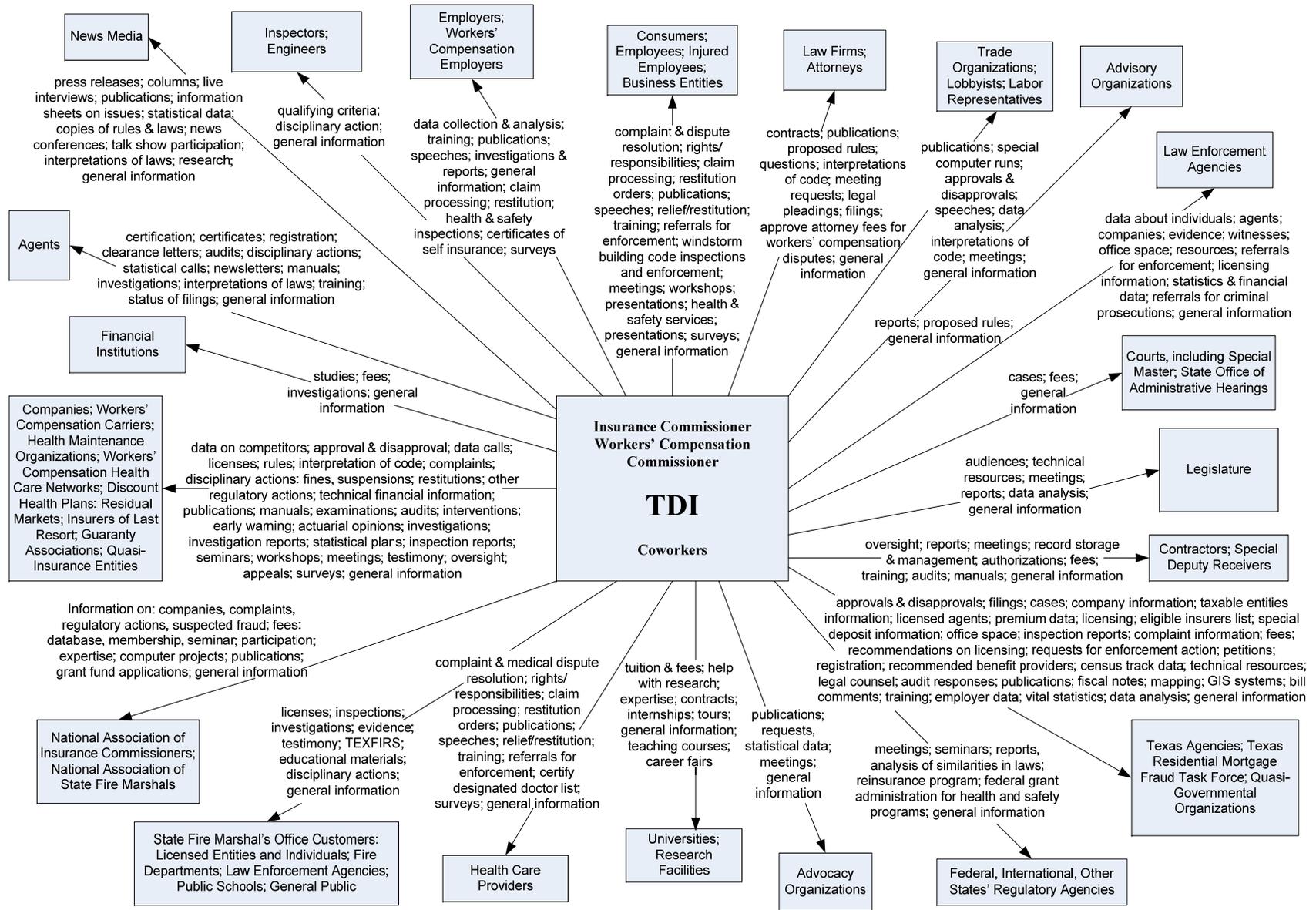
The Texas Department of Insurance (TDI) serves a large number of customers representing diverse populations and provides a wide array of services. As part of its service assessment process, TDI considered its customer populations and services provided to external customers, which resulted in identification of 21 customer groups for whom the agency provides a variety of services, as seen in Figure 2.

TDI's Compact with Texans outlines the primary services provided to TDI's diverse customer population, which include:

- assisting and educating consumers and the public
- assuring fair and efficient regulation
- certifying utilization review agents (URAs), independent review organizations (IROs), workers' compensation networks and assigning requests to IROs
- combating insurance fraud
- conducting windstorm inspections
- enforcing insurance laws
- financial monitoring and intervention
- fire prevention, fire safety, and fire industry regulation
- licensing insurance agents/agencies and adjusters
- licensing insurance companies and HMOs
- registering viatical and life settlement entities
- regulating and administering the Texas workers' compensation system
- resolving insurance-related complaints.

Continued on next page

Figure 2: Populations Served



Fiscal Resources and Management

Overview The Texas Department of Insurance's (TDI) adjusted appropriations for the 2010–2011 biennium total approximately \$206 million, with 1,693 adjusted appropriated FTEs. The following information details TDI's operating fund Account 36, Subsequent Injury Fund Account 5101, and the agency's capital budget rider.

General Revenue Dedicated – TDI Operating Fund Account Number 36 The agency is primarily funded from GR Dedicated – TDI Operating Fund Account 36. This account receives revenue from two primary sources: 1) the Comptroller of Public Accounts, which collects and deposits insurance company maintenance taxes and fees into the account; and 2) TDI, which collects and deposits self-insurer maintenance taxes, examination fees and other fees into the account.

In FY 2009, the Comptroller deposited \$108.2 million and TDI deposited \$40.6 million, for a total of \$148.8 million of revenue into Account 36. The following chart reflects FY 2009 deposits into Account 36.

Amounts Deposited to Account 36 in FY 2009

Motor Vehicle Maintenance Tax	\$9,419,357.79
Fire and Allied Lines Maintenance Tax	\$20,212,462.18
Workers' Compensation Maintenance Tax	\$3,012,607.17
Casualty Maintenance Tax	\$6,277,643.13
Title Maintenance Fee	\$1,394,374.31
Life/Accident and Health Maintenance Tax	\$11,692,163.11
Third Party Administrator Maintenance Tax	\$865,765.89
Health Maintenance Organization Maintenance Tax	\$3,213,564.60
Prepaid Legal Services Maintenance Tax	\$1,339.39
Annual Statement Filing Fees	\$235,248.44
Division of Workers' Compensation Maintenance Tax	\$51,490,558.49
Workers' Compensation Research & Evaluation Center Maintenance Tax	\$362,965.52
Account 36 Total Deposited by Comptroller:	\$108,178,050.02
Examination Fees – Collected by TDI	\$12,286,320.43
Other Fees and Revenue- Collected by TDI	\$28,320,084.44
Account 36 Total Deposited by TDI:	\$40,606,404.87
GRAND TOTAL	\$148,784,454.89

Continued on next page

Fiscal Resources and Management, Continued

General Revenue Dedicated – TDI Operating Fund Account Number 36
(continued)

The Legislature appropriates funds from Account 36 to several other state agencies in addition to TDI, including the Office of the Attorney General, the Comptroller of Public Accounts, the District Courts-Comptroller's Judiciary Section, Texas Commission on Fire Protection, the Texas Facilities Commission, the Texas Forest Service, the Department of State Health Services, Texas Water Development Board, and the Texas Department of Transportation.

Various revenues collected by the Division of Workers' Compensation (DWC), including maintenance taxes are deposited to Account 36. DWC Account 36 revenues totaled \$57.6 million in FY 2009.

In addition to funding from Account 36, the agency receives federal funds of which the majority relates to controlling and improving workplace safety and hazards. The agency also receives funding to pay lifetime benefits to injured workers. This fund, Subsequent Injury Fund 5101, is discussed below.

General Revenue Dedicated – Subsequent Injury Fund Account Number 5101

The agency receives funding for the Subsequent Injury Fund (SIF) through GR Dedicated – Subsequent Injury Fund Account No. 5101. This account receives revenue from compensable death benefits on claims in which there is no legal beneficiary. The primary purposes of the fund are:

- to pay lifetime income benefits (LIBs) to injured workers who become eligible for those benefits because of a subsequent compensable injury
- to reimburse insurance carriers for benefits paid based on a DWC decision or interlocutory order that is later reversed or modified by DWC or a court
- to reimburse insurance carriers for income benefits paid to injured workers based on employment held at the time of injury other than the employment during which compensable injury occurred
- to reimburse insurance carriers for payment of pharmaceutical benefits provided during the first seven days after an injury if the injury is determined not to be compensable.

The agency has appropriation authority which authorizes estimated SIF payments of \$4.42 million each year of the FY 2010-2011 biennium. In the event that actual liabilities exceed the estimated amounts, the Comptroller is authorized to issue a finding of fact in support of a contingent appropriation to provide the additional funding, if there are sufficient balances in the fund.

Continued on next page

Fiscal Resources and Management, Continued

Capital Budget The agency's Capital Budget rider listed in Article VIII of the General Appropriations Act, includes funding for the acquisition of information resource technologies and transportation items.

Information Resource Technologies

Information resource technology includes projects which reflect the agency's emphasis on partnering technology and business processes in order to achieve quality customer service. These information resource projects include:

- developing web-based processes to provide direct automated services to agency clients and the public via the Internet to fully participate in e-government initiatives
- implementing technological solutions to changes in state laws governing the regulation of the insurance industry
- increasing electronic document/records management technology to enhance the responsiveness of TDI's customer service
- participating in transformation and consolidation activities as one of the 27 state agencies migrating server and bulk print/mail operations to the Texas State Data Center
- implementing new technologies that would be more suitable for the rapidly changing business needs of Texas' workers' compensation environment.

Transportation Items

The State Fire Marshal's Office (SFMO) field employees use state-owned vehicles to perform investigations and inspections throughout the state. TDI believes state-owned vehicles represent the best solution to SFMO's transportation needs, given the nature of work performed by the field staff. Some staff must carry fire scene investigation equipment in the vehicles, which raises the possibility of contamination with hazardous chemicals. It would be inappropriate to expose employees' families to the potential health and safety risks associated with the use of privately-owned vehicles.

SFMO has 45 fleet vehicles, which it must replace on a regular basis to ensure the safety of employees and its ability to perform mission critical activities. The Legislature has appropriated funding to replace approximately ten high-mileage vehicles per year from FY 2008 to 2011. Currently, 40 percent of the fleet has over 50,000 miles and ten percent has over 100,000 miles, with an average mileage per vehicle of 46,000 miles. Since SFMO has improved the overall mileage and age of the vehicles in service, SFMO will evaluate whether to reduce the annual purchase amount for the next biennium.

Sunset Review of the Texas Department of Insurance

Sunset Review Process Overview

The Texas Department of Insurance (TDI) is scheduled for Sunset review by the 82nd Texas Legislature (2011). The Sunset process determines whether a need for an agency continues to exist. The Sunset Advisory Commission (SAC) is charged with reviewing agencies subject to Sunset.

The basic steps of the review process are as follows:

- Agency self-evaluation report submission
 - SAC staff evaluation
 - SAC report publication
 - SAC public hearings
 - SAC recommendation to continue or abolish an agency
 - Legislature considers the bill recommending continuation of an agency.
-

Sunset Review of TDI

TDI submitted its self-evaluation report in August 2007. Sunset staff conducted a comprehensive review and published their recommendations in a formal report. The 81st Texas Legislature considered their recommendations but did not pass the Sunset bill. Instead, the Legislature continued the agency in separate legislation for two more years and focused the subsequent Sunset staff reviews on the appropriateness of the SAC adopted recommendations. Accordingly, both TDI and TDI's Division of Workers' Compensation (DWC) are scheduled for Sunset review in 2011. Sunset's re-examination of TDI insurance functions resulted in agency-specific recommendations and across-the-board recommendations. The following agency-specific recommendations pertain to TDI.

- Rate regulation for homeowners insurance lacks clarity, predictability, and transparency.
- The state's lack of regulation of preferred provider organizations does not correspond with changes in the Texas health care market.
- Without additional tools, TDI cannot effectively regulate title insurance.
- The statutory cap on the maintenance tax of one insurance line forces TDI to inequitably spread costs across other insurance lines.
- Most of TDI's advisory committees no longer need to be in law.
- To reduce the risk of fire hazard, the State Fire Marshal's Office needs direction to target its inspections of buildings.
- State Fire Marshal's Office lacks the ability to issue fines to ensure licensee compliance.
- TDI has not kept pace with available electronic transactions technologies.
- Qualifications for reduced rate filing requirements for certain insurers writing residential property insurance in underserved areas may need adjustment.
- Texas has a continuing need for the Texas Department of Insurance.

Continued on next page

Sunset Review of the Texas Department of Insurance, Continued

Sunset Review of TDI (continued)

Sunset's review of DWC resulted in the following specific recommendations:

- DWC's complicated dispute resolution process often fails to provide a quicker, more accessible alternative to the courts.
 - DWC's Medical Quality Review Process needs improvement to ensure thorough and fair oversight of workers' compensation medical care.
 - DWC cannot always take timely and efficient enforcement actions to protect workers' compensation system participants.
 - DWC's oversight of designated doctors does not effectively ensure meaningful use of expert medical opinions in dispute resolution.
 - DWC's responsibility for making some individual claims decisions conflicts with its oversight and dispute resolution duties.
 - Employers outside the workers' compensation system are failing to report information that the Legislature needs to evaluate the health of the system.
 - Texas has a continuing need for the Division of Workers' Compensation.
-

Public Hearings and Legislation

Following the published report, SAC held public hearings on May 25 and 26, 2010 to hear public testimony about the Texas Department of Insurance and Division of Workers' Compensation. The Sunset Advisory Commission will make its final recommendations regarding TDI following its July 6, 2010 hearing, and the 82nd Texas Legislature will consider the bill that is filed during the session.

For more information about the agency's sunset review, please visit TDI's [Sunset Resource Page](#) on the agency website.

Appendix F:
Five-Year Projections for Outcomes

This page intentionally left blank.

Five Year Outcome Projections

Outcomes

The table below projects the Texas Department of Insurance's five-year projections for objective outcome measures based on current funding levels.

Measure Code	Performance Measure Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1.2.2 oc 1	Percent of enforcement cases concluded within 365 days	46%	46%	46%	46%	46%
1.2.3 oc 2	Percent of insurer fraud referrals to state and federal prosecutors resulting in legal action	55%	60%	60%	60%	60%
1.3.1 oc 1	Percent of company, third party administrator, and premium finance company license applications completed within 60 days	98%	98%	98%	98%	98%
1.3.1 oc 2	Percent of agent license filings completed within fifteen (15) days	96%	96%	96%	96%	96%
1.3.1 oc 3	Percent of statutory rate and form filings completed within 90 days	87%	87%	87%	87%	87%
1.3.1 oc 4	Percent of personal auto and residential property form filings completed in 60 days	95%	95%	95%	95%	95%
1.3.2 oc 5	Percent of registered passenger vehicles in underserved markets with personal or commercial automobile liability insurance	75%	75%	75%	75%	75%
1.3.3 oc 6	Percent of licensees who renew on-line	84%	84%	84%	84%	84%
1.4.3 oc 1	Percent of Texas small employers participating in innovative insurance initiatives	At the time of publication, there was not sufficient historical data to project the five-year outcomes for this measure. TDI will update its five-year outcome projections as soon as data becomes available.				

Continued on next page

Five Year Outcome Projections, Continued

Measure Code	Performance Measure Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
2.1.1 oc 1	Percentage of statutorily mandated examinations completed within 18 months	90%	90%	91%	91%	92%
2.1.1 oc 2	Percent of identified companies reviewed	97%	97%	97%	97%	97%
2.1.1 oc 3	Percent of total dollars collected by Special Deputy Receivers expended on asset administration	15%	15%	15%	15%	15%
2.1.1 oc 4	Average number of days from company "at risk" identification to the date of solvency-related regulatory action	21	21	21	21	21
2.1.1 oc 5	Percent of companies rehabilitated after TDI solvency-related intervention	18%	18%	18%	18%	18%
2.2.1 oc 1	Percent of insurers providing adequate loss control programs	97%	97%	97%	97%	97%
2.2.1 oc 2	Percent of commercial property inspections that meet filed rating schedule requirements	85%	85%	85%	85%	85%
2.2.1 oc 3	Percent of windstorm inspections that result in an "approved" status code	35%	35%	35%	35%	35%
2.2.2 oc 4	Percent of consumer and provider fraud referrals to state or federal prosecutors resulting in legal action	60%	70%	70%	70%	70%

Continued on next page

Five Year Outcome Projections, Continued

Measure Code	Performance Measure Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
2.2.3 oc 5	Percent of WC insurance fraud referrals to state or federal prosecutors resulting in legal action	55%	65%	65%	65%	65%
3.1.1 oc 1	Percent of State Fire Marshal's Office criminal referrals resulting in enforcement/legal action	60%	60%	60%	60%	60%
3.1.1 oc 2	Percent of registrations, licenses, and permits issued, after receipt of a completed application, within 20 days to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals and other regulated entities	99%	99%	99%	99%	99%
4.1.1 oc 1	Percent of workers' compensation enforcement cases concluded within 365 days	55%	55%	55%	55%	55%
4.1.1 oc 2	Percentage of medical bills processed timely	95%	95%	95%	95%	95%
4.1.2 oc 3	Percent of medical fee disputes resolved by dispute resolution proceedings or upheld upon appeal	90%	90%	90%	90%	90%
4.1.3 oc 4	Payments from the Subsequent Injury Fund	\$5,360,650	\$ 6,234,220	\$6,962,804	\$7,809,721	\$9,006,473
4.2.1 oc 1	Percent of temporary income benefit recipients returning to work within 90 days of injury	54%	54%	54%	54%	54%

This page intentionally left blank.

Appendix G:
Approved 2012-13 Measure Definitions

This page intentionally left blank.

FY 2012-13 Performance Measure Definitions

1.1.1 op 1	Number of inquiries answered
<i>Short Definition</i>	The number of inquiries through telephone calls or written requests that are answered by Consumer Protection, and Internet hits that occur on the Texas Department of Insurance's (TDI) practice and complaints company inquiry (PCCI) "Search for a Company Profile" (pcci.search) web page. An inquiry is a request for insurance information received from an external customer during business hours. Customers include individual consumers, business consumers, regulated entities, state agencies, and legislators.
<i>Purpose / Importance</i>	To measure the number of inquiries answered, including telephone calls, written requests and PCCI Internet hits. TDI educates consumers through phone calls, correspondence and information on the TDI website, which fosters competition in the market.
<i>Source / Collection</i>	Telephone inquiries are taken by Consumer Protection call center staff. Telephone inquiries are tracked by reports generated by the agency's telephone system. Written inquiries are entered into an agency database and coded as an inquiry only. A written inquiry is closed when staff determine that they provided in writing the information deemed appropriate. PCCI hits are tracked using an internet web server statistics report.
<i>Method of Calculation</i>	The sum of: the total number of telephone inquiries answered; the total number of written inquiries closed in the agency database; and the total number of PCCI hits during the reporting period. Written inquiries are dynamic data: a question from a consumer may be counted as an inquiry in one quarter then become a complaint in the following quarter. As a result, the year-end total of written inquiries answered is a snapshot rather than the sum of the four quarterly figures.
<i>Data Limitations</i>	If the network server that captures call data goes down and a daily calls answered report is not available or incomplete, then that day's total calls answered will be estimated by averaging the previous and succeeding day's number of calls answered reports.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.1.1 op 2	Number of consumer information publications distributed
<i>Short Definition</i>	The number of consumer information publications (brochures, rate guides and consumer bulletins) distributed to customers.
<i>Purpose / Importance</i>	To measure the number of publications (brochures, rate guides and other informational materials) distributed to consumers, including publications distributed through the Texas Department of Insurance (TDI) website.
<i>Source / Collection</i>	A publication is distributed when it is: a) shipped from the TDI mail room and recorded as such in the Publications Tracking System; or b) counted as a "hit" on the TDI Internet site. The sources of the data are the monthly "Shipped" report from the Publications Tracking System and the TDI Webmaster's summary file.
<i>Method of Calculation</i>	The sum of the number of publications shipped from the TDI mail room and counted as a "hit" on the TDI Internet site for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.1.1 op 3	Number of consumer information presentations made
<i>Short Definition</i>	The sum of all presentations coordinated by the Texas Department of Insurance (TDI) Speakers Bureau that TDI staff make to consumers and other external customer groups.
<i>Purpose / Importance</i>	To measure the sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff make to educate and inform external customer groups. TDI educates consumers through presentations, which fosters competition in the market.
<i>Source / Collection</i>	The source of the data is the file for each presentation and the monthly Speakers Bureau report. A presentation is any event where TDI staff educates agency customers on insurance matters using one or more of the following methods of communication: speeches, training, exhibits, seminars, teleconferences, and/or TV, radio and print interviews. External customers include individual consumers, business consumers, regulated entities, state agencies, and legislators. A presentation counts as "one" though it may include more than one of the methods of communication listed above and regardless of the number of staff involved in a given event.
<i>Method of Calculation</i>	The sum of all presentations coordinated by the TDI Speakers Bureau that TDI staff makes to external customer groups during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.1.1 op 4	Number of Texas Department of Insurance calls to insurance industry for data
<i>Short Definition</i>	The number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace. A statistical call is defined as a request for data from multiple insurance entities and disseminated as a Texas Department of Insurance (TDI) Commissioner's Bulletin.
<i>Purpose / Importance</i>	The number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace. A statistical call is defined as a request for data from multiple insurance entities and disseminated as a TDI Commissioner's Bulletin.
<i>Source / Collection</i>	The Commissioner's authority to issue such bulletin requests is specified in various sections of the Insurance Code, by line of insurance. The cite for the specific authority for a particular bulletin request is given in each bulletin.
<i>Method of Calculation</i>	The number of statistical calls asking insurers or other entities for specific data used for setting rates or to monitor the marketplace for the reporting period.
<i>Data Limitations</i>	This measure does not include data calls issued by the Division of Workers' Compensation.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.1.1 ex 1	Percent of premiums expended on insurer overhead costs
<i>Short Definition</i>	Aggregate overhead costs as a percent of premiums paid by consumers for all lines of insurance.
<i>Purpose / Importance</i>	To measure the percentage of premiums attributable to overhead costs.
<i>Source / Collection</i>	Aggregate overhead costs are defined as the sum of general expenses plus the expenses set forth in the Property and Casualty Insurance Experience by Coverage and Carriers as “Commissions and Brokerage Expenses” and “Taxes, Licenses, and Fees.” Premiums paid are defined as calendar year direct premiums written. All data elements, with the exception of general expenses, is from the Summary of Texas Experience from the Annual Statement Texas - Page 14, which is part of the annual Property and Casualty Insurance Experience by Coverage and Carriers prepared by the Texas Department of Insurance from the National Association of Insurance Commissioners data. General expenses for Texas is calculated as the percent of direct premiums written (calculated) in the Country-wide Totals for All Property and Casualty Lines Combined, Insurance Expense Exhibit (IEE), Part III – Direct Business multiplied by Texas direct premiums written from the Annual Statement Texas - Page 14.
<i>Method of Calculation</i>	The sum of all operating expenses of the insurance industry divided by premiums paid to the insurance industry for the reporting period.
<i>Data Limitations</i>	Data is for stock, mutual, reciprocal, and Lloyds insurance carriers licensed to write coverage in the State of Texas that developed Texas business for the previous calendar year.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

1.1.1 ex 2	Percent of total registered passenger vehicles with personal or commercial automobile liability insurance
<i>Short Definition</i>	Number of insured registered passenger vehicles as a percent of total registered passenger vehicles.
<i>Purpose / Importance</i>	To measure the percentage of total registered passenger vehicles, which are covered by personal or commercial automobile liability insurance.
<i>Source / Collection</i>	The source of data for total registered passenger vehicles covered by personal or commercial automobile liability insurance is TexasSure Vehicle Insurance Verification, the Texas financial responsibility verification program. The source of data for registered passenger vehicles is the Texas Department of Motor Vehicles, as reported to the vendor for TexasSure Vehicle Insurance Verification.
<i>Method of Calculation</i>	The total number of registered passenger vehicles covered by personal or commercial automobile liability insurance divided by the total number of registered passenger vehicles at the end of the reporting period.
<i>Data Limitations</i>	Data for passenger vehicles covered by commercial automobile liability insurance is an optional reporting element of TexasSure Vehicle Insurance Verification.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.1 op 1	Number of complaints resolved
<i>Short Definition</i>	The number of written communications primarily expressing a grievance which have been resolved. This definition of complaint comes from Texas Insurance Code Section 542.005 (a).
<i>Purpose / Importance</i>	To measure the number of written communications primarily expressing a grievance which have been resolved. This measure does not include complaints against HMOs.
<i>Source / Collection</i>	Complaints are tracked in an agency database. The source of the data is quarterly and annual reports. Complaints that are referred to other entities having primary responsibility for the subject are not included in this measure. This measure does not include HMO complaints; these are reported in Number of complaints against HMOs resolved. The complaint is resolved when staff have closed the complaint in the database. To close a complaint, staff must exhaust all actions deemed appropriate to resolve the complaint and have sent the complainant a letter explaining the final disposition of the complaint. Anonymous complaints will have a memo to file instead of a letter to a complainant.
<i>Method of Calculation</i>	The sum of complaint records coded as a justified complaint or unjustified complaint for the reporting period that at the time of closing are not linked to a legal or fraud case.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.1 op 2	Number of insurance advertising filings reviewed
<i>Short Definition</i>	The number of reviews of insurance company and agent advertising and marketing materials (i.e., filings) to identify violations of insurance regulations in the areas of advertising requirements, unfair trade practices, and proper licensing.
<i>Purpose / Importance</i>	To measure the number of insurance advertising filings reviewed. TDI conducts reviews to promote compliant advertising, which fosters fair competition in the market and empowers consumers to make informed purchasing decisions.
<i>Source / Collection</i>	The source of the data is monthly reports from an agency database. Such reviews are initiated by insurance companies and agents, consumer complaints and inquiries, sources within TDI, and referrals from other governmental entities. Reviews result in a determination of compliance or non-compliance for each reviewed advertisement. Non-compliance results in notice of non-compliance, request for voluntary discontinuance of the advertisement, or request for disciplinary action by Enforcement.
<i>Method of Calculation</i>	The sum of the number of insurance-related advertising and marketing materials reviewed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.1 op 3	Dollar amount returned to consumers through complaint resolution
<i>Short Definition</i>	The total dollar amount of claim payments and premium refunds returned to the consumer through complaint resolution by the Texas Department of Insurance (TDI) Consumer Protection program.
<i>Purpose / Importance</i>	To measure the dollar amount returned to consumers through complaint resolution. TDI is directed by statute to facilitate the resolution of consumer complaints and assist consumers in recovering valid claims.
<i>Source / Collection</i>	The claim payments and amounts of premium refund obtained through staff intervention are tracked in an agency database. Claim payments amounts are the additional amount above what was originally offered to the consumer before TDI staff intervention. Premium refunds are amounts of premiums previously paid that are refunded as a result of TDI staff intervention.
<i>Method of Calculation</i>	The total dollar amount of claim payments and premium refunds returned to the consumer through complaint resolution by TDI Consumer Protection during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.1 op 4	Number of complaints against HMOs resolved
<i>Short Definition</i>	This measure monitors the total number of resolved complaints against HMOs upon which action has been taken or a determination is made that a violation did not occur. This measure includes complaints against HMOs, the Children's Health Insurance Plan (CHIP), and the Employee Retirement System (ERS), as well as agent-related complaints for Centers for Medicare and Medicaid Services (CMS) Medicare Advantage Plans.
<i>Purpose / Importance</i>	To measure the number of resolved complaints against HMOs to ensure the agency's efforts on behalf of Texas consumers.
<i>Source / Collection</i>	All verbal and written complaints are tracked in the agency complaint database. The source of the data is the quarterly and annual reports. To close a case, staff must exhaust all avenues to resolve the complaint, refer the case to Enforcement or Fraud for further action, or find no violation of statute. The case is closed when staff send a letter notifying the complainant of the disposition of the case.
<i>Method of Calculation</i>	The sum of the total number of resolved HMO complaints during the reporting period.
<i>Data Limitations</i>	Data does not reflect complaints linked to a legal or fraud case.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.1 ef 1	Average response time (in days) to complaints
<i>Short Definition</i>	The number of days from the date a complaint is received in writing at the Texas Department of Insurance (TDI) to the date complaint action is concluded, summed for all written complaints, divided by the number of complaint actions concluded. A complaint is a written communication primarily expressing a grievance. This definition of a complaint comes from Texas Insurance Code Section 542.005 (a).
<i>Purpose / Importance</i>	To measure the efficiency of TDI's complaints resolution process.
<i>Source / Collection</i>	The source of the data is a report from an agency database. The date a complaint is received is the earliest date stamped by TDI staff on the written complaint. The date action is concluded is the date staff closed the complaint in the agency database. The closed date will be after staff have determined that they have exhausted actions they deem appropriate to resolve the complaint and have sent the complainant a letter explaining the final disposition of the complaint. This measure excludes complaints coded as HMO; the average time of HMO complaints is reported in Average time (days) for HMO complaint resolution.
<i>Method of Calculation</i>	The sum of the total number of days to resolve complaints divided by the number of complaints resolved during the reporting period.
<i>Data Limitations</i>	Anonymous complaints will have a memo to file instead of a letter to the complainant. If a complaint is re-opened, the lapsed time between a closure date and a reopen date is not included in the calculation. If there is no date stamp, the date on the complainant's letter will be the starting date.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.1 ef 2	Average response time (in days) for HMO complaint resolution
<i>Short Definition</i>	The average number of calendar days from the time all HMO complaint investigation information is received until the complaint is closed in the agency complaint database. This measure includes complaints against HMOs, the Children's Health Insurance Plan (CHIP), and the Employee Retirement System (ERS), as well as agent-related complaints for Centers for Medicare and Medicaid Services (CMS) Medicare Advantage Plans.
<i>Purpose / Importance</i>	To measure the timeliness of HMO complaint resolution.
<i>Source / Collection</i>	All complaints are entered into the agency's complaint database when received. The complaint processing time begins on the date all documentation has been received. A complaint is closed when all avenues to resolve the complaint are exhausted, the case is referred to Enforcement for adjudication or no violation of statute is found. Data is then collected from quarterly and annual reports which reflect the number of complaints received, the date the complaint was received, and the date the complaint was closed or transferred for enforcement action. This data is then used to obtain the average number of days to respond to HMO related complaints.
<i>Method of Calculation</i>	The sum of the number of days to resolve all HMO complaints divided by the number of complaints resolved during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

1.2.2 oc 1	Percent of enforcement cases concluded within 365 days
<i>Short Definition</i>	The percent of enforcement cases concluded with action within 365 days. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing and warning letters.
<i>Purpose / Importance</i>	To measure timeliness of resolution of cases that merit action.
<i>Source / Collection</i>	The source of the data is an agency database. The enforcement case is concluded on the date the case is closed in the database.
<i>Method of Calculation</i>	The number of enforcement cases concluded with action within or equal to 365 days from the case pending date divided by the total number of enforcement cases concluded with action.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.2 op 1	Number of enforcement cases concluded with action
<i>Short Definition</i>	The number of enforcement cases concluded with action against persons and entities for violations of insurance and insurance-related statutes and rules. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing, and warning letters.
<i>Purpose / Importance</i>	This measure monitors the number of enforcement cases concluded by the agency against certain entities in order to demonstrate the agency's efforts toward reducing illegal practices.
<i>Source / Collection</i>	The source of the data is an agency database. The enforcement case is concluded on the date the case is closed in the database.
<i>Method of Calculation</i>	The sum of the number of cases concluded with action during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.2 op 2	Dollar amount of penalties assessed for violations of insurance and insurance-related statutes and rules
<i>Short Definition</i>	The total dollar amount of monetary penalties against persons and entities that have violated insurance and insurance-related statutes and rules.
<i>Purpose / Importance</i>	To show the dollar amount of penalties assessed through enforcement actions.
<i>Source / Collection</i>	The source of the data is an agency database. An order may assess an unknown amount that allows the subject to offset some or all of the penalty by paying restitution to those harmed by the violation. Regardless of any restitution offset allowance, the entire penalty assessed is included in this measure.
<i>Method of Calculation</i>	The sum of all penalties assessed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.2 op 3	Dollar amount of restitution assessed for violations of insurance and insurance-related statutes and rules
<i>Short Definition</i>	The total dollar amount assessed in restitution to persons and entities that have been harmed as a result of violations of insurance and insurance-related statutes and rules.
<i>Purpose / Importance</i>	To measure the dollar amount returned to persons and entities through enforcement actions.
<i>Source / Collection</i>	The source of the data is an agency database. The dollar amount of restitution assessed in an order is determined by Texas Department of Insurance (TDI) staff using case specific information or from outside sources that provide data reviewed by TDI staff. If an order assesses an unknown amount of restitution, the actual total returned to persons or entities is assessed in the month it is reported to TDI.
<i>Method of Calculation</i>	The sum of all restitution assessed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.2 op 4	Number of quality assurance examinations conducted
<i>Short Definition</i>	This measure monitors all completed quality assurance (QA) examinations conducted to determine if entities are in compliance with statutes and regulations. These exams include but are not limited to triennial; service area expansion; service area modification; complaint; restitution; certificate of authority; utilization reviews of HMOs; exclusive provider organizations; workers' compensation networks; independent review organizations; utilization review agents; and affiliate entities. Exams are performed by conducting on-site reviews and reviews of materials required to be submitted to the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the number of quality assurance examinations conducted by the HWCN division to ensure compliance with statutes and regulations to protect the citizens of Texas.
<i>Source / Collection</i>	The measure is calculated using work papers and data captured in the QA exam database. Examinations are conducted in one to three year increments. Some exams are mandated by statute and others are conducted on an as-needed basis. An examination is complete on the date TDI mails the exam report and enters the completion date into the QA exam database. Only completed exams are counted in this measure.
<i>Method of Calculation</i>	The sum of the number of completed quality assurance examinations conducted during the reporting period.
<i>Data Limitations</i>	This measure does not include QA examinations that are 100 percent outsourced. Some exams included in this measure may be conducted jointly with the Financial program and/or the Division of Workers' Compensation (DWC). However, the three programs have different scopes. Financial exams relate to solvency and market conduct. HWCN conducts QA exams to review health care services provided to enrollees and business practices to assure they are consistent with reasonable standards of quality of care consistent with prevailing professionally recognized standards of medical practice. DWC exams relate to workers' compensation compliance guidelines. Therefore, each program includes these joint exams in calculating the number of exams conducted.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.2 ef 1	Average cost per quality assurance examination conducted
<i>Short Definition</i>	This measure monitors the average cost of quality assurance (QA) examinations conducted by the HWCN division. These exams include but are not limited to, triennial; service area expansion; service area modification; complaint; restitution; certificate of authority; utilization reviews of HMOs; exclusive provider organizations; workers' compensation networks; independent review organizations; utilization review agents; and affiliate entities. Exams are performed by conducting on-site reviews and reviews of materials required to be submitted to the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the cost effectiveness of examinations conducted by the HWCN division.
<i>Source / Collection</i>	Costs are calculated using work papers and from data captured in the QA exam database. Examinations are conducted in one to three year increments. An examination is complete on the date TDI mails the exam report and enters the completion date into the QA exam database. Some examinations are mandated by statute and others are conducted on an as-needed basis. Only completed exams are counted in this measure.
<i>Method of Calculation</i>	The sum of all expenditures for QA examination activity divided by the number of QA examinations conducted during the reporting period.
<i>Data Limitations</i>	This measure does not include QA examinations that are 100 percent outsourced. Some exams included in this measure may be conducted jointly with the Financial program and/or the Division of Workers' Compensation (DWC). However, the three programs have different scopes. Financial exams relate to solvency and market conduct. HWCN QA exams review health care services provided to enrollees and business practices to assure they are consistent with reasonable standards of quality of care consistent with prevailing professionally recognized standards of medical practice. DWC exams relate to worker's compensation compliance guidelines. Therefore, each program includes these joint exams in calculating the number of exams conducted.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.3 oc2	Percent of insurer fraud referrals to state and federal prosecutors resulting in legal action
<i>Short Definition</i>	The percent of insurer fraud referrals to state and federal prosecutors such as district attorneys and United States attorneys resulting in legal action. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the quality of insurer fraud referrals to state and federal prosecutors.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. If a referral to a prosecutor results in multiple charging documents against one or more persons or entities, each legal action taken by the prosecutor is counted separately and included in the numerator.
<i>Method of Calculation</i>	The sum of the number of legal actions taken against persons or entities as a result of referrals divided by the number of referrals submitted to prosecutors by the Fraud Program during the fiscal year.
<i>Data Limitations</i>	A single fraud case in which more than one person or entity is investigated may result in more than one referral made to one or more prosecuting agencies on each person or entity. In many instances, legal action will not be filed or reported during the same fiscal year the case was referred. Variance in the number of referrals and/or legal actions may result in calculation of a percentage that reflects the agency's performance over multiple fiscal years.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.3 op 1	Number of referrals of alleged insurer fraud to state and federal prosecutors
<i>Short Definition</i>	Number of referrals of alleged insurer fraud to prosecutors, such as district attorneys or United States attorneys. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance. Referral is a Fraud Program investigation of a penal law violation, involving a person or entity, concluded and submitted to a prosecutor. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the success of insurer fraud investigations.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system.
<i>Method of Calculation</i>	The number of persons and/or entities associated with alleged insurer fraud cases that are referred to prosecutors for legal action during the reporting period.
<i>Data Limitations</i>	A case that may identify more than one person or entity will count each person or entity referred as a separate referral. Referrals made to multiple prosecuting agencies from the same case will be counted independently as additional referrals. Separate cases that involve the same party will be counted as separate referrals.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.3 op 2	Dollar amount of court ordered restitution for insurer fraud cases referred
<i>Short Definition</i>	The dollar amount of restitution ordered during final adjudication in insurer fraud cases. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To show the dollar amount returned to persons and entities that have been harmed in insurer fraud cases.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. Restitution in insurer fraud cases are assessed by any of the 254 counties in Texas or United States District Court and communicated back to the Fraud Program.
<i>Method of Calculation</i>	The sum of court ordered restitution assessed for insurer fraud cases during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.3 ef 1	Average number of days per insurer fraud case referred
<i>Short Definition</i>	The average number of days from the date the insurer fraud case is opened to its referral to a prosecutor, such as a district attorney or a United States attorney. Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure how efficiently insurer fraud cases are referred to prosecutors.
<i>Source / Collection</i>	An insurer fraud case begins on the date the case is opened. A case is concluded upon the date of the initial referral to a prosecutor. The average number of days to completion will be obtained from a query of the Fraud Program's case management system. A single fraud case, in which more than one person or entity are investigated, may result in more than one referral made to one or more prosecuting agencies on each person or entity. When multiple referrals are made, the query will only select the date the case is first referred and concluded. Cases closed and not referred are not counted in this measure.
<i>Method of Calculation</i>	The sum of the number of days from the date insurer fraud cases are opened to their initial referral divided by the number of insurer fraud cases referred during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.2.3 ex 1	Estimated dollar amount (in millions) of insurer fraud referred
<i>Short Definition</i>	The dollar amount of fraud identified within an insurer fraud referral report to a prosecutor, such as a district attorney or a United States attorney, by Texas Department of Insurance (TDI). Insurer fraud is a violation of a penal law and is committed or attempted while engaging in the business of insurance, or relating to an insurance transaction. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure the estimated dollar amount of money appropriated through insurer fraud schemes.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system, and documented in the referral report to a prosecutor. A single fraud case, in which more than one person or entity is investigated, may result in more than one referral made to one or more prosecuting agencies on each person or entity. When multiple referrals are made, only the first referral is included in this measure.
<i>Method of Calculation</i>	The sum of the dollar amount of insurer fraud identified in referral reports during the reporting period.
<i>Data Limitations</i>	The dollar amount of fraud referred is limited to the total amount of fraud committed in conjunction with a scheme or continuing course of conduct for all parties involved in a case.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.2.3 ex 2	Number of reports of insurer fraud received
<i>Short Definition</i>	Number of reports received by the Texas Department of Insurance (TDI) relating to persons or entities suspected of committing a fraudulent insurance act while engaged in the business of insurance.
<i>Purpose / Importance</i>	To measure the number of suspected insurer fraud activities in Texas.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. All reports of insurer fraud from any source will be entered into the Fraud Program's case management system and the total will be calculated by querying the system.
<i>Method of Calculation</i>	The sum of the number of suspected insurer fraud reports received by the Fraud Program during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.1 oc 1	Percent of company, third party administrator, and premium finance license applications completed within 60 days
<i>Short Definition</i>	The percent of company, third party administrator and premium finance license applications completed in 60 days or less.
<i>Purpose / Importance</i>	To ensure the timely processing of company, third party administrator, and premium finance license applications.
<i>Source / Collection</i>	The data source is maintained on Excel spreadsheet tracking systems. Applications are new, amended or cancelled licenses and miscellaneous amendments to charters. Entities counted in this measure are insurers, health maintenance organizations, third party administrators and premium finance companies. The processing time begins on the date that all documentation and required fees have been received. The processing time is completed for company applications on 1) the date of the letter to the applicant which includes the Certificate of Authority and/or Commissioner's Order, 2) the date on the Memo to File if no Certificate of Authority or Commissioner's Order is issued, or 3) the date a No Action Letter is issued. The processing time is completed for third party administrator applications on the date of the Commissioner's Order. The processing time is completed for premium finance applications on the effective date as indicated on the license.
<i>Method of Calculation</i>	The sum of the number of company, third party administrator and premium finance license applications completed in 60 days or less, divided by the total number of license applications completed for these entities.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.3.1 oc 2	Percent of agent license filings completed within 15 days
<i>Short Definition</i>	The percent of agent license filings completed within fifteen days of receipt
<i>Purpose / Importance</i>	To ensure the timely processing of agent license filings. An agent license filing is submitted for the issuance of a new license, renewal of an existing license, issuance or cancellation of an appointment, certification of a license or of records, issuance of a clearance letter, authorization of an address or name change of an agent or agency, Licensing Division Trade name Location (LDTL) processed, license cancellations by agents (due to, death, retirement, move to another state or other non-disciplinary cancellation), and continuing education provider applications, course submissions, exemptions, and extension requests.
<i>Source / Collection</i>	The starting date is the date a complete and correct filing is received by the Texas Department of Insurance (TDI). The "completed" date for filings is the process date assigned in the agent tracking system, the date the action pertaining to the record request is completed, or the date on the notification letter of approval or denial.
<i>Method of Calculation</i>	The sum of the number of agent license filings completed within fifteen days of receipt divided by the total number of agent license filings completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.1 oc 3	Percent of statutory rate and form filings completed within 90 days
<i>Short Definition</i>	This measure monitors the number of rate and form filings that are completed by the Texas Department of Insurance (TDI) within 90 days of receipt of the filing.
<i>Purpose / Importance</i>	To ensure the timely processing of rate and form filings. A filing is a submission of rates or rating factors, forms or other documents required by TDI for use by insurance carriers, viatical and life settlement entities and HMOs to define the terms of coverage, develop rates or to transact the business of insurance or maintain a certificate of authority.
<i>Source / Collection</i>	Filings are tracked in an agency electronic database. The timeframe for completing a filing is calculated from the date TDI receives the filing to the date TDI takes final action on the filing. A rate or form filing is completed on the date final agency action is taken on the filing. Final action is defined as approval, disapproval, rejection, withdrawal, acceptance, deemed approved date and verification that a form is exempt from review or filed for information only. A form filed as a substitution for a prior approval is counted as a separate filing. The source of the number of rate and form filings completed is data from three output measures: the number of life/health filings completed, the number of HMO form filings completed, and the number of property and casualty rate and form filings completed.
<i>Method of Calculation</i>	The total number of all rate and form filings completed by TDI within 90 days of receipt of the filing divided by the total number of rate and form filings completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.3.1 oc 4	Percent of personal auto and residential property form filings completed in 60 days
<i>Short Definition</i>	The percent of personal auto and residential property form filings completed by the Texas Department of Insurance (TDI) within 60 days of receipt.
<i>Purpose / Importance</i>	To ensure the timely processing of personal auto and residential property form filings.
<i>Source / Collection</i>	Filings completed are tracked in an agency electronic database and form filings are defined as both policy forms (code PF) and endorsements (code EN). Processing of a form filing is completed on the date final action is taken on the filing. Final action is defined as receiving a final status code (includes approval, disapproval, rejection or withdrawal) as listed in the TRACK database status code table as PCFINAL. A form filed as a substitution for a prior approval is counted as a separate filing. The completion period to be used in determining a completed filing begins on the date the filing is received by TDI and ends on the date of final agency action related to the filing.
<i>Method of Calculation</i>	The total number of personal automobile and residential property form filings completed by TDI within 60 days of receipt of the filing divided by the total number of personal automobile and residential property form filings completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.1 op 1	Number of life/health insurance filings completed
<i>Short Definition</i>	The number of life/health insurance rate and form filings completed by the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the volume of completed rate and form filings. A filing is a submission of rates, forms, or other documents required by TDI for use by insurance carriers and/or viatical and life settlement entities to define the terms of coverage or to transact the business of insurance or maintain a certificate of insurance.
<i>Source / Collection</i>	Filings are tracked in an agency electronic database. A rate or form filing is completed on the date final agency action is taken on the filing. Final action is defined as approval, disapproval, rejection, withdrawal and verification that a form is exempt from review or filed for information only. A form filed as a substitution for a prior approval is counted as a separate filing.
<i>Method of Calculation</i>	The sum of the number of life/health insurance rate and form filings completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.3.1 op 2	Number of HMO form filings completed
<i>Short Definition</i>	The number of health maintenance organizations (HMOs) and approved non-profit health corporations (ANHC) form filings completed by the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the number of completed HMO and ANHC form filings. A form filing is a submission of forms required by TDI for use by HMOs and ANHCs to conduct business in Texas.
<i>Source / Collection</i>	A form filing is completed on the date final agency action is taken. Final action is defined as approval, disapproval, withdrawal, rejection, or verification that a form is filed for information purposes only. Completed form filings are tracked in an agency database. HMO form filings include evidence of coverage (EOC), provider contracts, enrollment applications, EOC amendments.
<i>Method of Calculation</i>	The sum of the number of HMO and ANHC form filings completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.1 op 3	Number of property and casualty rate and form filings completed
<i>Short Definition</i>	The number of property and casualty insurance rate and form filings completed by the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the number of property and casualty insurance rate and form filings completed by TDI for the reporting period.
<i>Source / Collection</i>	Rate and form filings are tracked in an agency electronic database. A form filing consists of policy forms, endorsements and rules used by insurance carriers to define the terms and conditions for insurance coverage. A rate filing consists of rates, rating plans and rating manuals used by insurance carriers to determine the premium charged for insurance coverage. A form filing is completed on the date of final agency action related to the filing, including approval, disapproval, rejection, withdrawal, deemed approved date, and verification that a form is filed for information only. A rate filing is completed on the date of final agency action related to the filing including approval, acceptance, disapproval, withdrawal, or deemed approved date.
<i>Method of Calculation</i>	The total number of property and casualty insurance rate and form filings completed, excluding workers' compensation "CI" filings, for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

1.3.1 ex 1	Total number of licensed agents
<i>Short Definition</i>	The total number of individuals and entities licensed as agents as tracked in the agent tracking system.
<i>Purpose / Importance</i>	To measure the total number of individuals and entities licensed as agents.
<i>Source / Collection</i>	Obtained by querying the agent tracking system.
<i>Method of Calculation</i>	The sum of the total number of individuals and entities licensed for the reporting period. An individual or entity that holds more than one license authority is counted only once.
<i>Data Limitations</i>	This measure does not reflect the number of agents license authorities issued by the agency because many agents hold multiple license authorities.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.1 ex 2	Number of regulated companies and other carriers
<i>Short Definition</i>	The number of regulated insurance companies and other risk-bearing carriers. These companies hold a Certificate of Authority or Certificate of Approval and are authorized/licensed by the Texas Department of Insurance (TDI) to conduct business in Texas. The types of insurers and other risk-bearing carriers include both Texas and non-Texas property & casualty insurance companies, life & health insurance companies, health maintenance organizations, continuing care retirement communities, workers' compensation self insurance groups, and multiple employer welfare arrangements.
<i>Purpose / Importance</i>	This measure provides information about the number of risk-bearing carriers licensed in Texas and is a reflection on TDI's financial solvency workload. Changes in the reported number of regulated companies also reflect on the health of and trends in the insurance industry.
<i>Source / Collection</i>	Tracked on an agency database and obtained by querying the system.
<i>Method of Calculation</i>	The sum of the number of risk-bearing carriers licensed in Texas holding a Certificate of Authority or Certificate of Approval for the reporting period.
<i>Data Limitations</i>	This measure is driven by the industry needs in Texas.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.2 oc 5	Percent of registered passenger vehicles in underserved markets with personal or commercial automobile liability insurance
<i>Short Definition</i>	Number of insured registered passenger vehicles as a percent of total registered passenger vehicles in underserved markets.
<i>Purpose / Importance</i>	To measure the percentage of total registered passenger vehicles which are covered by personal or commercial automobile liability insurance in underserved markets.
<i>Source / Collection</i>	The source of data for total registered passenger vehicles covered by personal or commercial automobile liability insurance is TexasSure Vehicle Insurance Verification, the Texas financial responsibility verification program. The source of data for registered passenger vehicles is the Texas Department of Motor Vehicles, as reported to the vendor for TexasSure Vehicle Insurance Verification. Underserved markets are those ZIP codes designated by the Commissioner as underserved, as required by Article 21.81, Sec 3(e) of the Insurance Code, which provides that underserved geographic areas “shall be determined and designated by the Commissioner by rule.” Under Title 28 of the Texas Administrative Code, Section 5.206, the Commissioner is to categorize each ZIP code in the state into Category 0 through Category 4, to indicate the number of Texas Automobile Insurance Plan Association credits awarded an insurer for writing a vehicle in a given ZIP code.
<i>Method of Calculation</i>	The total number of registered passenger vehicles covered by personal or commercial automobile liability insurance in underserved markets divided by the total number of registered passenger vehicles in underserved markets at the end of the reporting period.
<i>Data Limitations</i>	The Commissioner may increase the category (and the attached credits) of a ZIP code at any time by rule, but may only decrease the category (and the attached credits) of a ZIP code three years after the initial designation, or at any time thereafter, with a minimum of one year’s notice. Data for passenger vehicles covered by commercial automobile liability insurance is an optional reporting element of TexasSure Vehicle Insurance Verification.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.3 oc 6	Percent of licensees who renew online
<i>Short Definition</i>	The percent of agent licenses renewed on-line.
<i>Purpose / Importance</i>	To track the percentage of agent licenses renewed on-line.
<i>Source / Collection</i>	An agent license is renewed when the license's renewal invoice is paid in the agent license database. Agent license includes the following license types: Adjuster; County Mutual; General Lines; Insurance Service Representative; Life; Life and Health Insurance Counselor; Life Insurance not to exceed \$25,000; Limited Lines; Managing General Agent; Personal Lines Property & Casualty; Pre-Need; Public Insurance Adjuster; Reinsurance Broker; Reinsurance Manager; Risk Manager; Surplus Lines; and Specialty. The agent license invoices renewed on-line are invoices for which the licensee or the licensee's representative submits payment electronically through a third-party system, including, but not limited to, TexasOnline, Sircon, and the National Insurance Producer Registry. The total number of agent license invoices renewed is invoices that are renewed on-line plus all renewals.
<i>Method of Calculation</i>	The sum of the number of agent licenses renewed on-line divided by the total number of agent licenses renewed during the reporting period.
<i>Data Limitations</i>	An agent may hold more than one license at the agency; therefore, for this measure, individual licenses are counted instead of the licensee to better reflect accurate activity at the agency.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.4 ef 1	Average cost per certified self-insured certificate holder
<i>Short Definition</i>	The average regulatory cost per active certified company holding a certificate of authority in the self-insurance program.
<i>Purpose / Importance</i>	The measure provides an average cost to regulate an active company in the program. In the self-insurance program, certificates of authority are issued at the parent level of the applicant's corporate structure in order to minimize unnecessary duplication of effort and to streamline the application and renewal process. Depending upon an applicant's corporate structure, a certificate of authority may cover one company or a parent with many subsidiaries. All costs for the self-insurance program are billed to and are paid by the companies that participate in the self-insurance program through the Self-Insurance Regulatory Fee.
<i>Source / Collection</i>	The costs included in the Regulatory Fee are based upon all direct and indirect costs associated with the program in order for the state to fully recover any costs expended on this program. Direct costs are the total cost of operating the program to perform its functions, including fringe benefits. Indirect costs include a proportionate program share of DWC administrative costs. For consistency purposes, the same methodology used to determine the Regulatory Fee is used to determine costs for reporting this average cost measure. Cost figures used in determining the average cost are based on agency accounting system reports. For each reporting period, the total year-to-date cost is annualized to include an estimate for the remaining part of the year.
<i>Method of Calculation</i>	The annualized cost associated with administering the self-insurance program for the reporting period divided by the number of certified self-insurer certificate holders at the conclusion of the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

1.3.4 ex 1	Percentage of market share of certified self-insurance to the total workers' compensation insurance market
<i>Short Definition</i>	This measure indicates certified self-insured employers' market share of the total workers' compensation insurance market.
<i>Purpose / Importance</i>	This measure serves as a reflection of changes in the workers' compensation insurance market. The portion of the market share represented by certified self-insured is related to the cost and availability of workers' compensation insurance in the commercial market. Self-insurance provides an alternative to purchasing commercial insurance for qualifying companies, and the program acts to moderate insurance rates in a competitive insurance market.
<i>Source / Collection</i>	Data on estimated manual premiums for certified self-insurers is maintained by the Division of Workers' Compensation (DWC) in spreadsheets. Data reflecting the total workers' compensation insurance market is maintained and reported by the Texas Department of Insurance (TDI) in its <i>Quarterly Legislative Report on Market Conditions</i> .
<i>Method of Calculation</i>	The numerator is the total amount of statutorily estimated manual premium as maintained by DWC for active certified self-insurers for the reporting period. The denominator is the direct written premiums for the voluntary workers' compensation market as published quarterly by TDI for the reporting period plus the total amount of statutorily estimated manual premium as maintained by DWC for active certified self-insurers for the reporting period.
<i>Data Limitations</i>	The measure excludes public self-insured entities from the amount used to represent the total workers' compensation insurance market. Data for those entities is not collected and maintained regarding the estimated premiums attributable to them.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

1.4.3 oc 1	Percent of Texas small employers participating in innovative insurance initiatives
<i>Short Definition</i>	The percent of Texas small employers participating in innovative insurance initiatives, including Healthy Texas (Chapter 1508, Texas Insurance Code and Chapter 26, Subchapter E, Title 28 of the Texas Administrative Code), regional and local health care ("Three-Share") programs described by the Health and Safety Code Chapter 75 and Consumer Choice Benefit Plans.
<i>Purpose / Importance</i>	To measure the percent of Texas small employers participating in innovative insurance initiatives.
<i>Source / Collection</i>	The data is maintained in agency databases. Data sources for this measure are: 1) data collected at the state and federal levels on small employers and their insurance coverage choices; 2) Healthy Texas enrollment information; 3) Three-Share enrollment data; 4) Consumer Choice Benefit Plan enrollment data.
<i>Method of Calculation</i>	The sum of the total number of small employers offering insurance through innovative insurance initiatives (Healthy Texas, Three-Share approach, Consumer Choice Benefit Plans) divided by the total number of small employers in Texas.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 oc 1	Percent of statutorily mandated examinations completed within 18 months
<i>Short Definition</i>	The percent of statutorily mandated examinations completed within 18 months of the start date of the examination calculated as of fiscal year end.
<i>Purpose / Importance</i>	To gauge whether the Texas Department of Insurance (TDI) is completing statutorily mandated examinations in a timely manner.
<i>Source / Collection</i>	Receipt of the examination report at TDI headquarters signifies the completion of the on-site examination. The received reports are logged and tracked in an agency database. On-site examinations are conducted at the location of a company's books and records.
<i>Method of Calculation</i>	The number of companies examined in a fiscal year is calculated by determining the total of all on-site comprehensive examination reports of entities subject to statutorily mandated examinations received in TDI headquarters during the fiscal year. The number of examinations completed during the fiscal year within 18 months of the "as of date" is divided by the total number of examinations completed during the fiscal year. The 18-month time period for exam completion is calculated by determining the time difference between the "as of date" (effective date of the examination, typically the annual statement date) and the "completion date" of the financial examination (date examination report is received at TDI headquarters).
<i>Data Limitations</i>	Factors outside the control of Financial could affect the completion of examinations, such as company cooperation and unexpected/unforeseen circumstances and issues that may develop on any given exam. The examination schedule is adjusted throughout the fiscal year to add newly incorporated companies; to remove or postpone companies that merged, dissolved, underwent significant restructuring or reorganization, or otherwise had alternative regulatory intervention strategies employed to address solvency concerns. A comprehensive examination reviews a company's overall financial condition as well as its conduct of business and its compliance with the laws of Texas, and is required to be conducted at intervals generally mandated by Chapter 401, Subchapter B of the Texas Insurance Code. This measure includes outsourced on-site comprehensive examinations.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 oc 2	Percent of identified companies reviewed
<i>Short Definition</i>	The percent of annual financial statement reviews completed on identified companies. Identified companies are composed of Texas domestic companies or foreign companies writing a certain level of Texas premium that may have potential solvency concerns.
<i>Purpose / Importance</i>	To ensure TDI reviews all identified companies for financial regulatory problems.
<i>Source / Collection</i>	The number of identified companies is established by June 1 of each fiscal year, based on TDI's priority system. The number of identified companies is evidenced by a report called "Texas and Foreign+ Priority Companies". Foreign+ is defined as foreign Life insurance companies writing more than an amount determined annually in Texas premium in the preceding calendar year and foreign Property/Casualty companies writing more than an amount determined annually in Texas premium in the preceding calendar year. The number of financial reviews is evidenced by a report entitled "Annual Reviews Completed on Priority Companies". This report is generated as of fiscal year-end from the Financial Tracking system. TDI completes its review of these annual statements between March 1 and August 31 each fiscal year.
<i>Method of Calculation</i>	The sum of the number of financial reviews completed on annual statements filed by identified companies divided by the total number of identified companies for the reporting period.
<i>Data Limitations</i>	Domestic insurance companies are Texas-based entities chartered in Texas holding a Certificate of Authority, as tracked in an agency database. Foreign companies are non-Texas-based entities chartered in other states or by a foreign government holding a Certificate of Authority, as tracked in an agency database. The number of domestic or foreign companies entering into or withdrawing from the market in any given fiscal year may vary.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 oc 3	Percent of total dollars collected by Special Deputy Receivers expended on asset administration
<i>Short Definition</i>	The percent of the total dollars collected by Special Deputy Receiver (SDRs) appointed by the Commissioner of the Texas Department of Insurance (TDI) that are used in converting receivership assets in liquidation proceedings.
<i>Purpose / Importance</i>	This measure tracks the cost effectiveness of asset recovery efforts in liquidation proceedings. The assets collected, net of recovery expenses, are used to fund the estates' obligations such as unpaid claims owed to consumers, insurance guaranty associations and general creditors.
<i>Source / Collection</i>	Receivership recovery expenses are the expenses incurred to collect the funds as reported by the SDRs. SDRs are appointed by the Commissioner of TDI as Receiver to recover and administer receivership assets in liquidation proceedings. The total dollars collected includes cash received by SDRs from: sales of receivership assets; collection of company receivables; recovery of statutory deposits; recovery resulting from officer and director liability litigation; and recovery from other lawsuits. The total dollars collected represent only those funds collected by SDRs and deposited by SDRs in approved receivership bank accounts or receivership depository accounts with the Texas Treasury. All data comes from receivership financial statements that the SDRs file with the court monthly or quarterly and submit to the Receiver. This measure is tracked on a personal computer-based spreadsheet.
<i>Method of Calculation</i>	The sum of the total dollar amount of receivership asset administration recovery expenses divided by the total dollars collected by SDRs during the reporting period.
<i>Data Limitations</i>	Fluctuations from high to low in the asset recovery expenses as a percent of the total dollars collected is representative of the common cyclical trend of incurring the bulk of the asset recovery expenses prior to the collection of the assets. In addition, it is important to note that given the maturity of the assets that remain toward the end of a receivership, the collection effort becomes more difficult, and in some cases, more expensive.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 oc 4	Average number of days from company “at risk” identification to the date of solvency-related regulatory action
<i>Short Definition</i>	The average number of days from the date a company is identified as “at risk” to the date of the earliest solvency-related regulatory action.
<i>Purpose / Importance</i>	The purpose of this measure is to reflect the agency’s efficiency in action taken to minimize company insolvencies.
<i>Source / Collection</i>	The data is tracked on the agency’s automated system for tracking case information. The “at risk” identification date is the date the Financial program refers a company for legal action. The solvency-related regulatory action date is the date the Texas Department of Insurance (TDI) initiates an administrative action or refers a case to the Attorney General. Solvency-related regulatory actions are defined as Section 404 orders, administrative oversight letters from TDI, Commissioner orders for supervision or conservatorship, and referrals to the Attorney General for receivership.
<i>Method of Calculation</i>	The sum of the total number of days from the date a company is identified as “at risk” to the date of the earliest solvency-related regulatory action for all companies divided by the number of solvency-related regulatory actions during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 oc 5	Percent of companies rehabilitated after Texas Department of Insurance solvency-related intervention
<i>Short Definition</i>	The percent of companies or agencies released from Texas Department of Insurance (TDI) solvency-related intervention, including ancillary supervisions or conservatorships. TDI solvency-related intervention is any administrative order such as supervision, conservatorship, Section 404 order, administrative oversight letter, or court-directed order, including court-directed rehabilitation. An entity is any licensed or domestic or unauthorized insurance company or agency as defined in the Texas Insurance Code.
<i>Purpose / Importance</i>	This measure represents TDI's success rate for early intervention to attempt rehabilitation of companies as mandated by the Texas Insurance Code.
<i>Source / Collection</i>	A release is defined as an official Commissioner's Order, an Administrative Oversight Letter, or a court order releasing the company or agency from solvency intervention under the following conditions: released to company or agency management; released for merger into another company or agency; released as a result of sale to another entity; released because the business was 100 percent assumptive reinsured by another company; or the business of an agency is taken over by the underwriting insurance company of another agency. A referral is defined as the issuance of an official Commissioner's Order or letter for TDI solvency-related intervention, including ancillary supervision or conservatorship, and includes the count of TDI solvency related intervention in effect at the beginning of the fiscal year plus companies or agencies referred during the fiscal year.
<i>Method of Calculation</i>	The number of companies or agencies released from TDI solvency-related intervention, including ancillary supervisions or conservatorships, divided by the number of companies or agencies referred to TDI solvency-related intervention for the reporting period.
<i>Data Limitations</i>	The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences. Section 404 orders against licensed or unauthorized entities that have no current policies in Texas and do not write in Texas are excluded from this measure.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 op 1	Number of entities receiving Texas Department of Insurance solvency-related intervention
<i>Short Definition</i>	The number of licensed or unauthorized insurance companies or agencies whose operations are placed under the Texas Department of Insurance (TDI) solvency-related intervention for financial rehabilitation. TDI solvency-related intervention is initiated by an administrative order. Administrative orders include: supervision, conservatorship, Texas Insurance Code Chapter 404 orders, administrative oversight letters, or court-directed orders, including court-directed rehabilitation. An entity is any licensed or unauthorized insurance company or agency as defined in the Texas Insurance Code.
<i>Purpose / Importance</i>	To measure the number of entities receiving TDI solvency-related intervention, which represents the TDI philosophy of early intervention to attempt rehabilitation of companies as mandated by the Texas Insurance Code (TIC).
<i>Source / Collection</i>	This measure uses the number of referrals as the source for calculating this measure. A referral is defined as the issuance of an official Commissioner's Order or letter for TDI solvency-related intervention, including ancillary supervision or conservatorship, and includes the count of TDI solvency related interventions in effect at the beginning of the fiscal year plus companies or agencies referred during the fiscal year. The number of referrals is tracked in an Excel spreadsheet.
<i>Method of Calculation</i>	The sum of the total number of new companies or agencies placed under TDI solvency-related intervention during the reporting period.
<i>Data Limitations</i>	The number of troubled companies referred for regulatory intervention is influenced by many economic and environmental influences. Orders issued under the authority of Texas Insurance Code, Chapter 404 against licensed or unauthorized entities that have no current policies in Texas and do not write in Texas are excluded from this measure.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

2.1.1 op 2	Number of on-site examinations conducted
<i>Short Definition</i>	The number of on-site financial and market conduct examinations of insurance entities regulated by the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	The Purpose / Importance of this measure is to reflect program efforts to monitor the financial health and business practices of insurance entities <i>including actuarial review of reserve adequacy</i> .
<i>Source / Collection</i>	On-site examinations are conducted at the location of a company's books and records. An examination is considered complete upon receipt of the examiner's report at TDI headquarters. The measure is tracked manually.
<i>Method of Calculation</i>	The sum of the number of on-site financial and market conduct examinations that are conducted by the department during the reporting period.
<i>Data Limitations</i>	The frequency of such examinations ranges from one to five years and is mandated by statute for certain of these entities; others are examined on an as-needed basis. The measure does not include out-sourced examinations in which TDI staff did not directly participate.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 op 3	Number of reviews of annual and interim financial statements completed
<i>Short Definition</i>	The number of analytical reviews completed by the Texas Department of Insurance (TDI) on annual and interim (i.e., quarterly and monthly) financial statements filed by licensed companies.
<i>Purpose / Importance</i>	To determine the financial condition of insurance companies, health maintenance organizations (HMOs) and other licensed insurance entities and initiate recommendations for regulatory actions as mandated by the Texas Insurance Code.
<i>Source / Collection</i>	The number of reviews is evidenced by a report entitled <i>Annual and Interim Reviews Completed</i> generated each month. The date completed on the form is evidenced by the "Date Review Completed" indicated on a "Statement Analysis Tracking Sheet" which is filled out by the analyst at the close of each review and from which information is input into an agency database. The <i>Annual and Interim Reviews Completed</i> report includes the total number of reviews of annual and interim financial statements completed.
<i>Method of Calculation</i>	The sum of the number of reviews of annual and interim financial statements completed during the reporting period.
<i>Data Limitations</i>	The number of Annual and Interim Financial statements is based on the number of companies licensed, which may vary, subject to the number of entities entering into or withdrawing from the market.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

2.1.1 ef 1	Average cost per examination
<i>Short Definition</i>	The average cost for on-site financial and market conduct examinations completed.
<i>Purpose / Importance</i>	To measure the cost-effectiveness of examinations.
<i>Source / Collection</i>	An examination is considered complete upon receipt of the examiner's report at the Texas Department of Insurance (TDI) headquarters. The examination reports are on-site financial and market conduct examinations of insurance entities regulated by TDI. The frequency of such examinations ranges from one to five years and is mandated by statute for certain entities; others are examined on an as-needed basis. Examination costs are tracked in a database. The number of examinations is tracked in an Excel spreadsheet.
<i>Method of Calculation</i>	The sum of all expenditures and encumbrances for the examinations activity (numerator) divided by the number of on-site examinations completed (denominator) during the reporting period.
<i>Data Limitations</i>	Outsourced costs and reports are not included.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 ex 1	Dollar amount (in millions) of insurance company insolvencies
<i>Short Definition</i>	The dollar value of insolvencies of insurance companies and other risk bearing entities placed in receivership for liquidation. A risk bearing entity is an entity that assumes insurance risk and thus is liable for risk in a contractual arrangement (e.g. an insurance policy).
<i>Purpose / Importance</i>	The purpose of this measure is to capture dollar amounts of insolvencies that may impact the guaranty associations and to report the financial impact of insurance company or risk bearing entity receiverships for the purposes of liquidation. The insolvency amount is an indicator of the potential for guaranty association assessments levied on the insurance industry. Certain risk bearing entities accept insurance risk but are not <i>named</i> insurance companies (exchanges, HMOs, MEWAs, etc). The measure reflects the size of these liquidations in terms of the dollar amount of the insolvencies and an indication of the impact on policyholder claimants, general creditors and the public. There are various external factors; such as company marketing and new product development, mismanagement, inadequate underwriting and reserving and improper financial reporting that significantly impact this measure.
<i>Source / Collection</i>	The dollar amount of insolvencies is tracked in an agency database. The dollar value of insolvency for each insurance company or entity placed in receivership is extracted from the balance sheet or other source financial documents submitted by the Texas Department of Insurance to the Texas district court when obtaining a court order to initiate a liquidation proceeding.
<i>Method of Calculation</i>	The sum of the dollar value of insolvencies of insurance companies or other risk bearing entities placed in receivership for liquidation during the reporting period.
<i>Data Limitations</i>	Receiverships for non risk-bearing entities and for the purposes of rehabilitation are not included in this measure.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.1.1 ex 2	Percent of insurers meeting statutory or risk-based capital and surplus requirements
<i>Short Definition</i>	The percent of companies that meet risk based capital and surplus (RBC) requirements as set by the Commissioner in accordance with certain provisions of the Texas Insurance Code (TIC) and the Texas Administrative Code (TAC).
<i>Purpose / Importance</i>	To measure the percent of insurers meeting statutory or risk-based capital and surplus requirements and to report whether companies maintain minimum capital and surplus requirements relative to the risk the companies assume, as mandated by the TIC.
<i>Source / Collection</i>	These requirements are calculated once a year based on available National Association of Insurance Commissioners data by applying the risk-based capital and surplus formulas adopted in 28 TAC Section 7.402. An insurer meets the RBC requirement if its actual capital and surplus, including certain asset and interest reserves for life companies, is equal to or exceeds the required RBC as calculated applying the adopted formulas.
<i>Method of Calculation</i>	The sum or the number of companies that meet risk based capital and surplus requirements as set by the Commissioner divided by the total number of companies subject to RBC requirements for the reporting period.
<i>Data Limitations</i>	The number of companies meeting RBC requirements may vary from year to year because of reorganizations, changes in operations, changes in market conditions for business investments, social reform measures, etc.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

2.2.1 oc 1	Percent of insurers providing adequate loss control programs
<i>Short Definition</i>	The percent of companies receiving “adequate” ratings for loss control programs inspected by the Texas Department of Insurance (TDI).
<i>Purpose / Importance</i>	To measure the percent of insurers providing adequate loss control programs.
<i>Source / Collection</i>	An evaluation is completed on the date TDI gives the company an adequate or inadequate rating and notification of such. TDI loss control inspectors conduct evaluations on-site or through desk audits. TDI may evaluate companies with low premium volume by conducting a desk-top review of materials submitted by mail. Evaluations are conducted in accordance with the Texas Administrative Code sections 5.301 - 5.303; 5.311; 5.1701-5.1703, 5.1711-5.1713; 5.1721-5.1723 and 5.1731, loss control programs. A review consists of records and procedures by which the appropriate loss control service for a policyholder is determined, worksheets completed on selected policyholders, and other data. Evaluation results are tracked in an agency database.
<i>Method of Calculation</i>	The sum of the number of companies receiving “adequate” ratings for loss control programs divided by the total number of company evaluations completed for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.1 oc 2	Percent of commercial property inspections that meet filed rating schedule requirements
<i>Short Definition</i>	The percent of commercial property oversight inspections conducted on commercial buildings that meet industry filed rating schedules.
<i>Purpose / Importance</i>	To measure the percent of commercial property inspections that meet industry-filed fire rating schedules to assure that private entities are providing consistent and accurate commercial property rates and classifications.
<i>Source / Collection</i>	The measure is calculated manually using the monthly activity report. The Insurance Code requires insurers to file a manual of rules and rating schedules for commercial property risks. Inspections are re-inspections or oversight inspections by the Texas Department of Insurance (TDI) to determine if initial fire rating inspections by private entities are accurate or contain errors. A commercial building does not meet standards when TDI identifies an error in the loss costs analysis due to misapplication of filed rating schedules, inaccurate mathematical calculations, omission of pertinent rating information, or incorrect classification of occupancies. A commercial building meets standards when loss costs are properly developed and classified in accordance with company-filed commercial property rating schedules. TDI does not count an inspection as an error if it is within a tolerance of plus or minus five percent of the correct loss cost, due to the complexity and subjectivity of application of rating schedules.
<i>Method of Calculation</i>	The sum of the number of commercial property oversight inspections conducted that meet industry-filed fire rating schedules divided by the total number of commercial property oversight inspections completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.1 oc 3	Percent of windstorm inspections that result in an “approved” status code
<i>Short Definition</i>	The percent of physical windstorm inspections performed that received an “approved” status code.
<i>Purpose / Importance</i>	To ensure compliance with the building code by measuring the percent of windstorm inspections that result in an “approved” status code.
<i>Source / Collection</i>	The total number of physical windstorm inspections conducted is the sum of the number approved, disapproved and incomplete. A windstorm inspection is documented by an inspection form, WPI-7 and is considered performed on the date the inspector completes the WPI-7 and enters the status on the inspection log. Pursuant to Article 21.49, Texas Insurance Code, windstorm inspections are performed in the Texas areas which are serviced by the Texas Windstorm Insurance Association (TWIA) for wind and hail insurance. The areas are designated by the Commissioner of Insurance. Inspections determine if structural elements are in accordance with the Department of Insurance (TDI) windstorm construction guidelines as approved by administrative rule. The number of physical inspections performed is determined from a monthly report prepared by the windstorm activity from an automated system. The denominator for this measure is “Number of Windstorm Inspections Completed.”
<i>Method of Calculation</i>	The number of physical inspections performed receiving an “approved” (“A”) status code divided by the total number of physical windstorm inspections performed for the reporting period. Each physical inspection is coded as A = Approved, D = Disapproved or I = Incomplete. Inspections requested but not performed are coded as SC = Site Cancel and C = Cancel. Site Cancel and Cancel will not be used in the calculation of this measure. The denominator for this measure is “Number of Windstorm Inspections Completed.”
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.1 op 1	Number of windstorm inspections completed
<i>Short Definition</i>	The number of inspections conducted by the Texas Department of Insurance (TDI) of property for windstorm code compliance. A windstorm inspection is a physical inspection by a TDI windstorm inspector of a structure for compliance with Article 21.49, Texas Insurance Code, to determine if the structural elements are in accordance with the TDI Windstorm Construction Guidelines as approved by administrative rule.
<i>Purpose / Importance</i>	To measure the number of windstorm inspections completed.
<i>Source / Collection</i>	A windstorm inspection is completed when documented on a WPI-7 inspection form and the status is entered on the inspection log. An inspection is conducted at either (1) a new commercial or residential structure which include requested inspections of foundation, rough framing, final framing, and mechanical, if applicable or (2) an existing commercial or residential structure that must have re-roofing or remodeling work inspected to maintain eligibility. Inspections are completed in accordance with Article 21.49, Texas Insurance Code, in the Texas areas which are serviced by the Texas Windstorm Insurance Association (TWIA) for wind and hail insurance. The areas are designated by the Commissioner of Insurance. A scheduled inspection that is canceled prior to the physical inspection is not counted as an inspection performed. The windstorm inspections are entered into a database and the number of inspections is calculated monthly.
<i>Method of Calculation</i>	The sum of the number of windstorm inspections completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

2.2.1 op 2	Number of inspections of insurer loss control programs completed
<i>Short Definition</i>	The number of inspections conducted of the loss control programs required of insurance companies for their policyholders. Inspections may be conducted on-site by the Texas Department of Insurance (TDI) loss control inspectors or may be conducted at TDI with appropriate company program documentation submitted by the insurance company representatives.
<i>Purpose / Importance</i>	To measure the number of inspections of insurer loss control programs completed.
<i>Source / Collection</i>	Inspections (evaluations) are conducted in accordance with the Texas Administrative Code sections 5.301-5.303; 5.311; 5.1701-5.1703; 5.1711-5.1713; 5.1721-5.1723 and 5.1731, which includes loss control programs. Inspections results are tracked by a computer database which quantifies the total number of loss control programs inspected, the number of inspections with adequate ratings, and the number of inspections with inadequate ratings. An inspection is completed when TDI notifies the company in writing of an adequate or inadequate rating and the basis for that determination.
<i>Method of Calculation</i>	The number of inspections conducted of the loss control programs required of insurance companies for their policyholders during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.1 op 3	Number of commercial property oversight inspections completed
<i>Short Definition</i>	The number of commercial property oversight inspections completed by the Texas Department of Insurance (TDI) to determine the accuracy of commercial property rating inspections performed by private entities.
<i>Purpose / Importance</i>	To measure the number of commercial property oversight inspections completed to assure that accurate loss costs are developed and that structures are properly classified in accordance with industry filed building rating schedules.
<i>Source / Collection</i>	A commercial property oversight inspection is conducted by TDI after independent inspections by private entities to assure that accurate loss costs are developed and that structures are properly classified in accordance with industry filed building rating schedules. An oversight inspection is an inspection by a TDI Oversight Inspector of a commercial or a public building. The number of commercial property oversight inspections is based on a manual count of oversight inspections recorded in the inspection log maintained by the oversight inspection staff. The number of commercial property oversight inspections is counted manually.
<i>Method of Calculation</i>	The sum of the number of commercial property oversight inspections completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

2.2.1 ef 1	Average cost per windstorm inspection
<i>Short Definition</i>	Total inspection-related funds expended for the Windstorm Section divided by the number of windstorm physical inspections and requested inspections for the reporting period.
<i>Purpose / Importance</i>	To measure the cost-effectiveness of the Texas Department of Insurance (TDI) windstorm inspection activities.
<i>Source / Collection</i>	Expenditures are calculated by using the Financial Accounting System (General Ledger) Budget Status Detail Report and excel spreadsheets for travel voucher expenses not yet processed and overtime earned but not yet paid. A physical inspection is considered performed on the date the inspector completes the WPI-7 form and enters A=Approved, D=Disapproved or I=Incomplete status code on the inspection log. A requested inspection is considered performed on the date the inspector completes the WPI-7 form and enters an SC=Site Cancel or C=Cancel status code on the inspection log. TDI queries the windstorm database at the end of the reporting period and calculates the total number of inspections performed and requested.
<i>Method of Calculation</i>	The sum of the total inspection-related funds expended by the Windstorm Section divided by the number of windstorm physical inspections and requested inspections for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 oc 4	Percent of consumer and provider fraud referrals to state and federal prosecutors resulting in legal action
<i>Short Definition</i>	The percent of consumer/provider fraud referrals to state or federal prosecutors such as district attorneys or United States attorneys resulting in legal action. Consumer/provider fraud is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). Referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the quality of consumer/provider fraud referrals to state and federal prosecutors.
<i>Source / Collection</i>	The source of data is maintained in the Fraud Program's case management system. If a referral to a prosecutor results in multiple charging documents against one or more persons or entities, each legal action taken by the prosecutor is counted separately and included in the numerator.
<i>Method of Calculation</i>	The sum of the number of legal actions taken against persons or entities as a result of referrals divided by the total number of referrals submitted to prosecutors by the Fraud Program during the fiscal year.
<i>Data Limitations</i>	This measure does not include workers' compensation insurance fraud. A single fraud case, in which more than one person or entity are investigated, may result in more than one referral made to one or more prosecutors on each person or entity. In many instances legal action will not be filed during the same fiscal year the case was referred. Variance in the number of referrals and/or legal actions may result in calculation of a percentage that reflects the agency's performance over multiple fiscal years.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 op 1	Number of referrals of alleged consumer and provider fraud to state and federal prosecutors
<i>Short Definition</i>	The number of referrals of alleged consumer/provider fraud to prosecutors, such as district attorneys or United States attorneys. Consumer/provider fraud is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). Referral is a Fraud Program investigation of a penal law violation, by a person or entity, concluded and submitted to a prosecutor. A legal action includes the filing of a charge (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the success of consumer/provider fraud investigations.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system.
<i>Method of Calculation</i>	The sum of the number of persons and/or entities associated with alleged consumer and provider fraud cases that are referred to prosecutors for legal action during the reporting period.
<i>Data Limitations</i>	A case that may identify more than one person or entity will count each person or entity referred as a separate referral. Referrals made to multiple prosecuting agencies from the same case will be counted independently as additional referrals. Separate cases that involve the same party will be counted as separate referrals.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 op 2	Dollar amount of court ordered restitution for consumer and provider fraud cases referred
<i>Short Definition</i>	The dollar amount of restitution ordered during final adjudication in consumer and provider fraud cases. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Consumer/provider fraud is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To show the dollar amount returned to persons and entities that have been harmed in consumer and provider fraud cases.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. Restitution in insurer fraud cases are assessed by any of the 254 counties in Texas or United States District Court and communicated back to the Fraud Program.
<i>Method of Calculation</i>	The sum of court ordered restitution assessed for consumer and provider fraud cases during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 ef 1	Average number of days per consumer or provider fraud case referred
<i>Short Definition</i>	The average number of days from the date the consumer or provider fraud case is opened to its referral to a prosecutor, such as a district attorney or a United States attorney. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Consumer/provider fraud is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure how efficiently consumer or provider insurance fraud cases are referred to prosecutors.
<i>Source / Collection</i>	A consumer and provider fraud case begins on the date the case is opened. A case is concluded upon the date of the initial referral to a prosecutor. The average number of days to completion will be obtained from a query of the Fraud Program's case management system. A single fraud case, in which more than one person or entity are investigated, may result in more than one referral made to one or more prosecuting agencies on each person or entity. When multiple referrals are made, the query will only select the date the case is first referred and concluded. Cases closed and not referred are not counted in this measure.
<i>Method of Calculation</i>	The sum of the number of days from the date consumer or provider fraud cases are opened to referred divided by the number of consumer or provider fraud cases referred during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 ex 1	Number of reports of consumer and provider fraud received
<i>Short Definition</i>	The number of reports received at the Texas Department of Insurance (TDI) related to a suspected fraudulent claim or application for insurance, excluding workers' compensation insurance. A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance.
<i>Purpose / Importance</i>	To measure the number of suspected consumer and provider insurance fraud activities in Texas.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. All reports of consumer and provider fraud from any source will be entered into the Fraud Program's case management system and the total will be calculated by a query on that system.
<i>Method of Calculation</i>	The sum of the number of suspected consumer and provider insurance fraud reports received by the Fraud Program during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.2 ex 2	Estimated dollar amount (in millions) of consumer and provider fraud referred
<i>Short Definition</i>	The dollar amount of fraud identified within a consumer/provider fraud referral report to a prosecutor, such as a district attorney or a United States attorney, by the Texas Department of Insurance (TDI). A consumer (claimant) is an insured, beneficiary, third party, or representative who has filed a claim and has received or is expecting payment or reimbursement from a claim. A provider is a person or entity providing goods or services for which reimbursement is sought under a policy of insurance. Consumer or provider fraud is a violation of any penal law and: a) is committed or attempted as a part of or in support of an insurance transaction; or b) is part of an attempt to defraud an insurer. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure the estimated dollar amount of money appropriated through consumer and provider insurance fraud schemes.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system, and documented in the referral report to a prosecutor. A single fraud case, in which more than one person or entity is investigated, may result in more than one referral made to one or more prosecuting agencies on each person or entity. When multiple referrals are made, only the first referral is included in this measure.
<i>Method of Calculation</i>	The sum of the dollar amount of consumer or provider fraud identified in referral reports during the reporting period.
<i>Data Limitations</i>	The dollar amount of fraud referred is limited to the total amount of fraud committed in conjunction with a scheme or continuing course of conduct for all parties involved in a case. If the amount of fraud is not readily ascertainable, the amount of fraud for reporting purposes shall be no more than \$1,500.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.3 oc 5	Percent of workers' compensation insurance fraud referrals to state or federal prosecutors resulting in legal action
<i>Short Definition</i>	The percent of workers' compensation insurance fraud referrals to state or federal prosecutors such as district attorneys or United States attorneys resulting in legal action. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the quality of workers' compensation fraud referrals to state and federal prosecutors.
<i>Source / Collection</i>	The source of data is the Fraud Program's case management system. If a referral to a prosecutor results in multiple charging documents against one or more persons or entities, each legal action taken by the prosecutor is counted separately and included in the numerator.
<i>Method of Calculation</i>	The sum of the number of legal actions taken against persons or entities as a result of referrals divided by the total number of referrals submitted to prosecutors by the Fraud Program during the fiscal year.
<i>Data Limitations</i>	This measure relates to workers' compensation insurance fraud. A single fraud case, in which more than one person or entity are investigated, may result in more than one referral being made to one or more prosecutors on each person or entity. In many instances legal action will not be filed during the same fiscal year the case was referred. Variance in the number of referrals and/or legal actions may result in calculation of a percentage that reflects the agency's performance over multiple fiscal years.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.3 op 1	Number of referrals of alleged fraud relating to workers' compensation insurance to state or federal prosecutors
<i>Short Definition</i>	The number of referrals of alleged fraud relating to workers' compensation insurance to prosecutors, such as district attorneys or United States attorneys. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy, prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). A referral is a Fraud Program investigation of a penal law violation, by a person or entity, concluded and submitted to a prosecutor. Legal action includes the filing of a charging document (e.g., indictment, criminal complaint or information).
<i>Purpose / Importance</i>	To measure the success of workers' compensation insurance fraud investigations.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system.
<i>Method of Calculation</i>	The sum of the number of persons and/or entities associated with suspected workers' compensation insurance fraud cases that are referred to prosecutors for legal action during the reporting period.
<i>Data Limitations</i>	A case that may identify more than one person or entity will count each person or entity referred as a separate referral. Referrals made to multiple prosecuting agencies from the same case will be counted independently as additional referrals. Separate cases that involve the same party will be counted as separate referrals.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.3 op 2	Dollar amount of court ordered restitution for workers' compensation fraud cases referred
<i>Short Definition</i>	The dollar amount of restitution ordered during final adjudication in workers' compensation insurance fraud cases. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To show the dollar amount returned to persons and entities that have been harmed in workers' compensation insurance fraud cases.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. Restitution in insurer fraud cases are assessed by any of the 254 counties in Texas or United States District Court and communicated back to the Fraud Program.
<i>Method of Calculation</i>	The sum of court ordered restitution assessed for workers' compensation insurance cases during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.3 ef 1	Average number of days per workers' compensation insurance fraud case referred
<i>Short Definition</i>	The average number of days from the date the workers' compensation insurance fraud case is opened to its referral to a prosecutor, such as a district attorney or a United States attorney. Workers' compensation insurance fraud occurs when a person with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of the Texas Department of Insurance (TDI). A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure how efficiently workers' compensation insurance fraud cases are referred to prosecutors.
<i>Source / Collection</i>	A workers' compensation insurance fraud case begins on the date the case is opened. A case is concluded on the date of the initial referral to a prosecutor. The results of this measure are obtained from a query of the Fraud Program's case management system. A single fraud case, in which more than one person or entity are investigated, may result in more than one referral made to one or more prosecuting agencies on each person or entity. When multiple referrals are made, the query will only select the date the case is first referred and concluded. Cases closed and not referred are not counted in this measure.
<i>Method of Calculation</i>	The sum of the number of days from the date workers' compensation insurance fraud cases are opened to referred divided by the number of workers' compensation insurance fraud cases referred during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

2.2.3 ex 1	Number of reports of workers' compensation insurance fraud received
<i>Short Definition</i>	The number of reports received by the Texas Department of Insurance (TDI) relating to suspected insurance fraud within the workers' compensation system.
<i>Purpose / Importance</i>	To measure the number of suspected workers' compensation insurance fraud activities in Texas.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system. All reports of workers' compensation insurance fraud from any source will be entered into the Fraud Program's case management system and the total will be calculated by a query on that system.
<i>Method of Calculation</i>	The sum of the number of alleged workers' compensation insurance fraud reports received by the Fraud Program during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

2.2.3 ex 2	Estimated dollar amount (in millions) of workers' compensation insurance fraud referred
<i>Short Definition</i>	The dollar amount of fraud identified within the referral report to a prosecutor, such as a district attorney or a United States attorney, by the Texas Department of Insurance (TDI) in connection with suspected workers' compensation insurance fraud. Workers' compensation insurance fraud occurs when a person, with intent to defraud or deceive an insurer in support of a claim or application for an insurance policy prepares or causes to be prepared a statement that contains false or misleading material information and is presented to an insurer or presents or causes to be presented to an insurer, a statement that the person knows contains false or misleading material information. A case is an investigation performed by the Fraud Program of TDI. A referral is a Fraud Program investigation of a penal law violation by a person or entity, concluded and submitted to a prosecutor.
<i>Purpose / Importance</i>	To measure the estimated dollar amount of money appropriated through workers' compensation insurance fraud schemes.
<i>Source / Collection</i>	The source of the data is maintained in the Fraud Program's case management system and documented in the referral report to a prosecutor. A single fraud case, in which more than one person or entity is investigated, may result in more than one referral made to one or more prosecuting agencies on each individual or entity. When multiple referrals are made, only the first referral is included in this measure.
<i>Method of Calculation</i>	Sum the dollar amount of workers' compensation insurance fraud identified in referral reports during the reporting period.
<i>Data Limitations</i>	The dollar amount of fraud referred is limited to the total amount of fraud committed in conjunction with a scheme or continuing course of conduct for all parties involved in a case. If the amount of fraud is not readily ascertainable, the amount of fraud for reporting purposes shall be no more than \$1,500.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 oc 1	Percent of State Fire Marshal’s Office criminal referrals resulting in enforcement/legal action
<i>Short Definition</i>	The percent of criminal referrals, which are submitted as a result of fire investigations that lead to an enforcement or a legal action.
<i>Purpose / Importance</i>	To reflect agency efforts in criminal referrals for enforcement or legal action of fire-related investigations.
<i>Source / Collection</i>	The source of the data is collected in official fire investigation reports completed by field investigators. These reports are reviewed and verified through proper documentation by division supervisors, then entered and stored on the State Fire Marshal’s Office (SFMO) Fire Arson Investigation Services Case Management System. A “referral” indicates a single suspect, no matter how many potential offenses are recommended to the prosecutor. “Enforcement/legal action” includes the filing of a charging instrument to a grand jury or an adjudication rendered by the court system (federal, state, county, or municipal) or any action by juvenile authorities during the criminal process. For this measure, a SFMO criminal investigation is initiated when, during a fire investigation (known as a “case”), evidence of criminal activity has been discovered.
<i>Method of Calculation</i>	The sum of the total number of SFMO criminal referrals resulting in enforcement/legal action during the current fiscal year (numerator) divided by the total number of criminal referrals for prosecution plus the number of referrals in effect at the beginning of the fiscal year (denominator). At the end of each fiscal year, referred cases that have not resulted in legal action are carried over to the next fiscal year. Cases that have been closed due to lack of action by the prosecuting agency will be excluded.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 oc 2	Percent of registrations, licenses, and permits issued, after receipt of a completed application, within 20 days to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals, and other regulated entities
<i>Short Definition</i>	Percent of registrations, licenses, and permits issued, after receipt of a completed application, to fire alarm, fire extinguisher, fire sprinkler, and fireworks firms, individuals and other regulated entities.
<i>Purpose / Importance</i>	To track efficiencies in the issuance of registrations, licenses and permits.
<i>Source / Collection</i>	Both initial and renewal certificates of registration, licenses, and permits are issued to firms, individuals, and other entities, upon request, after the applicant provides all the requirements of the Texas Insurance Code, Chapters 6001, 6002, and 6003 and The Occupations Code, Title 13, Subtitle D, Chapter 2154. The receipt date of a completed application is determined by the date of the Texas Department of Insurance Division Cash Receipt Report for correspondence including fees or by the State Fire Marshal's office "received" date stamp on correspondence without fees. The date of issuance of the registration, license or permit is the date printed on the registration, license or permit, or the date fireworks permit booklets are picked up or mailed. The received and issuance dates are entered into a database located on the agency's computer network.
<i>Method of Calculation</i>	The sum of the number of registrations, licenses, and permits issued within 20 days or less divided by the total number of registrations, licenses, and permits issued within the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 op 1	Number of individuals attending fire prevention and fire safety presentations coordinated by the State Fire Marshal's Office
<i>Short Definition</i>	The sum of all individuals attending presentations coordinated by the State Fire Marshal's Office (SFMO).
<i>Purpose / Importance</i>	To track the number of individuals attending presentations coordinated by the SFMO.
<i>Source / Collection</i>	The source of the data comes from the public presentation report forms, logs and the public education booth exhibition log. Only individuals external to the SFMO will be counted. Individuals will be counted only once when attending presentations consisting of multiple sessions. A presentation is any event coordinated by the SFMO that educates and/or informs external customers on ways to protect their lives and property from fire and fire-related hazards using one or more of the following methods of communication: speeches, training, exhibits, seminars, teleconferences, and/or TV, radio and print interviews.
<i>Method of Calculation</i>	The sum of all individuals attending presentations coordinated by the SFMO during the reporting period. This number represents the total of all individuals listed on forms, logs and public education booth exhibitions with dates on or between the first and last day of the month.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 op 2	Number of fire investigations completed
<i>Short Definition</i>	This number represents the total number of fire investigations completed.
<i>Purpose / Importance</i>	To reflect the State Fire Marshal's Office's efforts in investigating fires.
<i>Source / Collection</i>	The source of the data is collected in official fire investigation reports and stored on the State Fire Marshal's Office Fire Arson Investigation Services Case Management System. A fire investigation includes all cases investigated whether the cause is incendiary, accidental or undetermined. A "Case" is initiated when a request for a fire investigation has been received and a "Case Number" has been assigned. A case is considered "completed" when closed or referred for prosecution. The date the supervisor approves the fire investigation report is considered the "completed date." The completed date is entered into the case management system. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, municipal) or juvenile authorities and document their activities in fire investigation reports.
<i>Method of Calculation</i>	The sum of the number of fire investigations completed during the reporting period. The total number of completed investigations will be obtained by conducting a query of the database.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

3.1.1 op 3	Number of samples analyzed in the arson lab
<i>Short Definition</i>	The total number of items (samples) analyzed as evidence by the Forensic Arson Laboratory.
<i>Purpose / Importance</i>	To track the number of samples submitted to the Arson Lab to be analyzed for the presence of accelerants.
<i>Source / Collection</i>	The data is stored in the laboratory database on the agency's network. The "final report" is generated after the analysis is complete and the final results of a case submission are entered into the database. Calculation of this sample total is based on the date of the final report. Each sample (item) from a submission is counted as a separate item. Evidence samples are received from the agency's fire and arson investigators, and from other fire service and law enforcement agencies throughout the state.
<i>Method of Calculation</i>	The sum of the total number of items (samples) analyzed as evidence by the Forensic Arson Laboratory during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 op 4	Number of State Fire Marshal's Office criminal referrals to prosecution
<i>Short Definition</i>	This number represents the total number of criminal referrals to a prosecuting agency (Federal, State, County or, Municipal) or juvenile authorities for legal action resulting from a State Fire Marshal's Office (SFMO) fire investigation.
<i>Purpose / Importance</i>	To reflect State Fire Marshal's Office's efforts toward referring fire-related criminal activities to a prosecuting agency (Federal, State, County or Municipal) or juvenile authorities for legal action.
<i>Source / Collection</i>	The source of the data is collected in official fire investigation reports completed by field investigators. For this measure, a SFMO criminal investigation is initiated when, during a fire investigation (known as a "case"), evidence of criminal activity is discovered. A "case" is initiated when a request for a fire investigation has been received and a "case number" has been assigned. A single case can result in the referral of multiple suspects. The total number of referrals will be obtained by querying the database.
<i>Method of Calculation</i>	The sum of the total number of criminal referrals to a prosecuting agency (Federal, State, County or Municipal) or juvenile authorities for legal action for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

3.1.1 op 5	Number of registrations, licenses, and permits issued to fire alarm, fire extinguisher, fire sprinkler and fireworks firms, individuals and other regulated entities
<i>Short Definition</i>	Number of registrations, licenses, and permits issued to fire alarm, fire extinguisher, fire sprinkler and fireworks firms, individuals and other regulated entities.
<i>Purpose / Importance</i>	To track the number of licenses issued to firms and individuals in the alarm, extinguisher, sprinkler and fireworks industries.
<i>Source / Collection</i>	Both initial and renewal certificates of registration, licenses, and permits are issued to firms, individuals, and other entities in accordance with the Texas Insurance Code, Chapters 6001, 6002, and 6003 and The Occupations Code, Title 13, Subtitle D, Chapter 2154. The date of issuance or renewal is the date printed on the registration, license or permit or the date fireworks permit booklets are picked up or mailed. The issuance/renewal date is recorded in a database located on the agency's computer network.
<i>Method of Calculation</i>	The sum of the number of each type of registration, license, and permit, issued or renewed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 op 6	Number of licensing investigations or inspections conducted
<i>Short Definition</i>	This is the number of licensing investigations or inspections conducted to determine possible violations by fire extinguisher, fire alarm, fire sprinkler, and fireworks firms and individuals regulated and licensed under the Texas Insurance Code, Chapters 6001, 6002, and 6003 and The Occupations Code, Title 13, Subtitle D, Chapter 2154.
<i>Purpose / Importance</i>	To track the number of investigations of complaints and inspections of licensed entities.
<i>Source / Collection</i>	The date on the completed report is entered into an agency database. Investigations are individually quantified by each investigated firm or individual and inspections are quantified by each physical location. Each investigation and inspection is assigned a specific case number. After the investigation/inspection is conducted, the investigator files a report.
<i>Method of Calculation</i>	The sum of the number of licensing investigation and inspection case numbers in the database for the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

3.1.1 op 7	Number of buildings inspected or reinspected for fire safety hazards
<i>Short Definition</i>	The number of buildings in which a physical survey of the structure is completed and recommendations for correction of hazardous conditions have been made, if noted, including all subsequent surveys for compliance with recommendations.
<i>Purpose / Importance</i>	To track the number of buildings inspected, on an annual basis, for the protection of building occupants.
<i>Source / Collection</i>	The data is collected from reports submitted by the inspector and recorded in the agency database. A building is defined as an identifiable structure with fire or space separation containing its own exit facilities and includes inspections of retail service stations. An inspection is completed when the physical survey is conducted and documented on the inspection report. The date of inspection is recorded in the inspection report.
<i>Method of Calculation</i>	The sum of the number of buildings inspected during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 op 8	Number of communities accepting a State Fire Marshal's Office (SFMO) fire prevention program
<i>Short Definition</i>	The number of communities accepting a State Fire Marshal's Office (SFMO) fire prevention program.
<i>Purpose / Importance</i>	To track fire prevention programs to communities and enable SFMO partners to provide sustainable services to help local communities and organizations protect lives and property from fire and related hazards.
<i>Source / Collection</i>	For this measure, "communities" are the geographic or demographic entity or organization that accepts a State Fire Marshal prevention program. Communities accepting a State Fire Marshal's Office fire prevention program may include the delivery or facilitation of program implementation, establishment of fire prevention education initiatives, conducting fire safety consultancy evaluations, and/or delivery of other community fire prevention assistance. The source of the data is completed SFMO fire prevention program reports. A report is considered completed the date the SFMO approves it.
<i>Method of Calculation</i>	The sum of the total number of approved project reports completed during the reporting period.
<i>Data Limitations</i>	This measure will focus only on substantial fire prevention programs. A community may be counted each time a separate SFMO program is accepted by that community.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

3.1.1 ef 1	Average cost per fire safety inspection
<i>Short Definition</i>	The average cost per fire safety inspection calculated during the reporting period.
<i>Purpose / Importance</i>	To track efficiencies of the State Fire Marshal's Office staff in conducting fire safety inspections.
<i>Source / Collection</i>	These costs are salary, longevity, professional fees, consumable supplies, postage, rent, telephone, utilities, travel, fuel and lubricants and other operating expenses as reported on the monthly expenditures report. The number of inspections is derived from data stored in the database system on the Texas Department of Insurance (TDI) computerized network.
<i>Method of Calculation</i>	The sum of the total associated costs divided by the total number of inspections conducted during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

3.1.1 ef 2	Average time to complete fire investigations
<i>Short Definition</i>	This number represents the average number of days from the date a fire investigation is initiated until the date the fire investigation is completed.
<i>Purpose / Importance</i>	To determine the efficiencies of State Fire Marshal's Office personnel in conducting fire investigations.
<i>Source / Collection</i>	A fire investigation includes all cases investigated whether the cause is "arson (incendiary)", "accidental" or "undetermined". A case is initiated when a request for a fire investigation is received and a "Case Number" has been assigned. A case is completed when closed or referred for prosecution. Field investigators refer cases for prosecution to prosecuting agencies (federal, state, county, municipal), or juvenile authorities and document their activities in fire investigation reports. The completion date is entered into the Fire/Arson Investigation Services case management system. The "average time to complete fire investigations" is obtained by conducting a query providing the date of investigation and completion date of each investigation completed within the reporting period. The date of investigation subtracted from the completion date is the total number of days to complete investigations.
<i>Method of Calculation</i>	The sum of the total number of days to complete investigations divided by the total investigations completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.1.1 oc 1	Percent of workers' compensation enforcement cases concluded within 365 days
<i>Short Definition</i>	The percent of enforcement cases concluded with action within 365 days. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing and warning letters.
<i>Purpose / Importance</i>	To measure timeliness of resolution of cases that merit action.
<i>Source / Collection</i>	The source of the data is an agency database.
<i>Method of Calculation</i>	The number of enforcement cases concluded with action within or equal to 365 days from the case pending date divided by the total number of enforcement cases concluded with action. The enforcement case is considered concluded on the date the case is closed in the database.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.1 oc 2	Percent of medical bills processed timely
<i>Short Definition</i>	This measure indicates the percentage of medical bills timely processed by insurance carriers. Medical bills are to be processed within forty-five days from receipt of a complete medical bill.
<i>Purpose / Importance</i>	The purpose of this measure is to indicate the timely processing of medical bills by the insurance carrier.
<i>Source / Collection</i>	The Division of Workers' Compensation receives medical billing information used in the calculation electronically from carriers. Data is maintained in agency automated systems.
<i>Method of Calculation</i>	The sum of the number of medical bills processed timely divided by the number of medical bills processed by the insurance carriers for the reporting period.
<i>Data Limitations</i>	Twelve months of data are used in the calculation. The data is lagged one month from the reporting period.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.1.1 op 1	Number of workers' compensation enforcement cases concluded with action
<i>Short Definition</i>	The number of enforcement actions that are concluded against persons and entities that have violated workers' compensation statutes or rules. Actions are orders resulting from hearings at the State Office of Administrative Hearings, orders issued without a hearing and warning letters.
<i>Purpose / Importance</i>	This measure monitors the number of enforcement actions concluded by the agency against certain entities in order to demonstrate the agency's efforts toward reducing illegal practices.
<i>Source / Collection</i>	The source of the data is an agency database. The enforcement case is concluded on the date the case is closed in the database.
<i>Method of Calculation</i>	The sum of the number of cases concluded with action during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.1 op 2	Dollar amount of penalties assessed for violations of workers' compensation statutes and rules
<i>Short Definition</i>	The total dollar amount of monetary penalties assessed against persons and entities that have violated workers' compensation statutes or rules.
<i>Purpose / Importance</i>	To show the dollar amount of penalties assessed through enforcement actions.
<i>Source / Collection</i>	The source of the data is an agency database. An order may assess an unknown amount that allows the subject to offset some or all of the penalty by paying restitution to those harmed by the violation. Regardless of any restitution offset allowance, the entire penalty assessed is included in this measure.
<i>Method of Calculation</i>	The sum of all penalties assessed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.1.1 op 3	Dollar amount returned to workers' compensation system participants through complaint resolution
<i>Short Definition</i>	The dollar amount returned to system participants as a result of complaint resolution by the Division of Workers' Compensation (DWC).
<i>Purpose / Importance</i>	The purpose of this measure is to track the success of DWC intervention in resolving issues regarding compliance. Dollar amounts are those above what was originally paid to participants before DWC intervention.
<i>Source / Collection</i>	The data is entered and maintained in an agency automated system. Dollar amounts returned to system participants are counted in the reporting period in which the reported payment is entered into agency automated systems.
<i>Method of Calculation</i>	The sum of the dollar amounts returned to system participants through DWC complaint resolution during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.1 op 4	Number of quality of care reviews of health care providers, insurance carriers, utilization review agents and independent review organizations completed
<i>Short Definition</i>	The number of quality of care reviews completed on health care providers, insurance carriers, utilization review agents (URAs) and independent review organizations (IROs) during the reporting period.
<i>Purpose / Importance</i>	The Division of Workers' Compensation (DWC) is charged with monitoring the quality of health care in the workers' compensation system. A quality of care review is defined as a review of clinical evaluations, recommendations, treatment decisions, and clinical outcomes relating to health care. Quality of care reviews are conducted on health care providers who provide care or evaluations in the workers' compensation system.
<i>Source / Collection</i>	Information is maintained in agency automated applications.
<i>Method of Calculation</i>	The sum of the number of quality of care review final reports issued during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.1.1 op 5	Number of complaints closed involving workers' compensation system participants
<i>Short Definition</i>	The number of all complaints completed within the reporting period.
<i>Purpose / Importance</i>	The Division of Workers' Compensation (DWC) is charged with monitoring system participants for compliance with statute and rules. A complaint is a specific allegation of a violation of the statute or rules received from internal or external sources. Included in this measure are administrative fraud allegations.
<i>Source / Collection</i>	Information is entered and maintained in agency automated systems. Complaints are reviewed and closed after determination to be a "low priority" or after an investigation has been completed. The closed date is the date the complaint is entered into the agency automated system.
<i>Method of Calculation</i>	The sum of the number of complaints closed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.1 op 6	Number of performance reviews completed
<i>Short Definition</i>	The number of performance reviews completed involving workers' compensation participants.
<i>Purpose / Importance</i>	The Division of Workers' Compensation (DWC) is charged with monitoring insurance carriers, employers, health care providers, and other system participants for compliance with the Texas Labor Code and DWC rules.
<i>Source / Collection</i>	Information is entered and maintained in an agency automated system. A performance review is completed when DWC issues a final report.
<i>Method of Calculation</i>	The sum of the number of performance reviews completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.1.1 ef 1	Average number of days to complete quality of care reviews of health care providers, insurance carriers, utilization review agents and independent review organizations
<i>Short Definition</i>	The average number of days to complete quality of care reviews of health care providers, insurance carriers, utilization review agents and independent review organizations.
<i>Purpose / Importance</i>	This indicates the efficiency of the quality of care review process by measuring the length of time for a quality of care review to be completed.
<i>Source / Collection</i>	Information is maintained in agency automated applications.
<i>Method of Calculation</i>	The sum of the total number of days between the initiation of the quality of care reviews and the issuance dates of the final reports divided by the number of final reports issued to the subject of the review during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.1 ef 2	Average number of days to close a complaint involving workers' compensation system participants
<i>Short Definition</i>	The average number of days to close a complaint involving workers' compensation system participants.
<i>Purpose / Importance</i>	To monitor the efficiency of the workers' compensation complaint process by measuring the average length of time to close workers' compensation complaints.
<i>Source / Collection</i>	Information is entered and maintained in agency automated systems. Complaints are reviewed and closed after determination to be a "low priority" or after an investigation has been completed. The closed date is the date the complaint is entered into the agency automated system.
<i>Method of Calculation</i>	The sum of the number of days from receipt of the complaint to closure divided by the total number of complaints closed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.1.1 ef 3	Average number of days to complete a performance review
<i>Short Definition</i>	The average number of days to complete a performance review.
<i>Purpose / Importance</i>	The Division of Workers' Compensation (DWC) is charged with monitoring insurance carriers, employers, health care providers, and other system participants for compliance with the Texas Labor Code and DWC rules. This measure indicates the efficiency of DWC's completion of performance reviews.
<i>Source / Collection</i>	Information is entered and maintained in an agency automated system. A performance review begins on the date of the letter of engagement and is completed on the date DWC issues the final performance review report.
<i>Method of Calculation</i>	The sum of the total number of days to complete performance reviews divided by the number of performance reviews completed during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.2 oc 3	Percent of medical fee disputes resolved by dispute resolution proceedings or upheld upon appeal
<i>Short Definition</i>	The percent of medical fee disputes resolved by the Division of Workers' Compensation (DWC) that are resolved. DWC is charged with resolving medical fee disputes through informal and formal dispute resolution processes. System participants have the right to appeal medical fee dispute decisions through the Medical Contested Case Hearing (MCCH) process or to the State Office of Administrative Hearings (SOAH), depending on the dollar amount disputed. This measure reports all resolved medical fee disputes minus those that are reversed by the MCCH process or SOAH.
<i>Purpose / Importance</i>	To measure the effectiveness of DWC's medical fee dispute resolution process. DWC is charged with resolving medical fee disputes through informal and formal dispute resolution processes. System participants have the right to appeal medical fee dispute decisions through the medical contested case hearing (MCCH) process or to the State Office of Administrative Hearings (SOAH), depending on the dollar amount disputed.
<i>Source / Collection</i>	Data is maintained in agency automated systems. A medical fee dispute is resolved when a requester withdraws a dispute or when a final medical fee dispute decision is issued.
<i>Method of Calculation</i>	The sum of the number of medical fee disputes resolved minus the sum of the number of SOAH and MCCH reversals divided by the total number of medical fee disputes resolved during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.1.2 op 1	Number of benefit review conferences held
<i>Short Definition</i>	The number of benefit review conferences (BRC) held.
<i>Purpose / Importance</i>	To measure the number of BRCs held, which is an indicator of the number of mediated proceedings resulting from workers' compensation claim disputes.
<i>Source / Collection</i>	Data is reported in the agency automated applications.
<i>Method of Calculation</i>	The measure is calculated by counting the number of BRCs held during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.2 op 2	Number of contested case hearings held
<i>Short Definition</i>	The number of contested case hearings (CCHs) held.
<i>Purpose / Importance</i>	The measure indicates the number of CCHs held which is an indicator of the number of formal proceedings conducted.
<i>Source / Collection</i>	Data is reported in the Division automated applications.
<i>Method of Calculation</i>	The measure is calculated by counting the number of CCHs held during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Lower than target

4.1.2 op 3	Number of appellate decisions issued
<i>Short Definition</i>	The number of decisions issued by the Division of Workers' Compensation Appeals Panel.
<i>Purpose / Importance</i>	To measure the number of decisions issued by the Appeals Panel regarding contested case hearings.
<i>Source / Collection</i>	Data is reported in agency automated applications.
<i>Method of Calculation</i>	The sum of the number of decisions issued by the Division of Workers' Compensation Appeals Panel during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Lower than target

4.1.2 ef 1	Average number of days to resolve a medical fee dispute
<i>Short Definition</i>	The average days from receipt of the medical fee dispute to the date the dispute is resolved.
<i>Purpose / Importance</i>	To measure the efficiency of DWC's medical fee dispute resolution process.
<i>Source / Collection</i>	The data is maintained in the agency automated systems. A medical fee dispute is resolved when a requester withdraws a dispute or when a final medical fee dispute decision is issued.
<i>Method of Calculation</i>	The sum of the number of days from receipt of the medical fee dispute to the date the dispute is resolved divided by the sum of the total number of medical fee disputes resolved during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.2 ef 2	Average number of days to resolve indemnity disputes through dispute resolution proceedings
<i>Short Definition</i>	The average time to resolve indemnity disputes through the dispute resolution processes including benefit review conferences (BRC), contested case hearings (CCH) and appeals.
<i>Purpose / Importance</i>	To measure the timeframe for resolving indemnity disputes. Disputes are resolved at various levels, some are quickly resolved at a BRC and some may go to a CCH and others continue on through the appeals process.
<i>Source / Collection</i>	Data is maintained in agency automated applications. An indemnity dispute is resolved on the later of the following dates: the date a BRC agreement is coded and entered into agency automated systems; the date a CCH decision is mailed; or on the date of an Appeals Panel decision.
<i>Method of Calculation</i>	The sum of the number of days from the date a BRC is set to the date each indemnity dispute is resolved divided by the total number of indemnity disputes resolved during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.1.2 ex 1	Number of initial benefit review conferences set
<i>Short Definition</i>	The number of initial benefit review conferences (BRC) set.
<i>Purpose / Importance</i>	To measure the volume of initial BRCs set as a result of requests for indemnity disputes received by the Division of Workers' Compensation.
<i>Source / Collection</i>	The data is maintained in agency automated applications.
<i>Method of Calculation</i>	The sum of the number of initial BRC notices set during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.2 ex 2	Number of medical fee disputes received
<i>Short Definition</i>	The number of requests for medical fee dispute resolution received by the Division of Workers' Compensation during the reporting period.
<i>Purpose / Importance</i>	To measure trends in the volume of requests for medical dispute resolution received.
<i>Source / Collection</i>	The data is maintained in the agency automated systems. Medical fee disputes are considered received on the day of the medical dispute resolution date stamp.
<i>Method of Calculation</i>	The sum of the total number of requests for medical fee dispute resolution received during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.1.3 oc 4	Payments from the Subsequent Injury Fund
<i>Short Definition</i>	The total payments from the Subsequent Injury Fund (SIF).
<i>Purpose / Importance</i>	To measure the obligations of the SIF in making payments to injured employees and to insurance carriers.
<i>Source / Collection</i>	SIF data is collected and maintained in the agency accounting system. The payment date is the date shown on the agency accounting reports.
<i>Method of Calculation</i>	The sum of all payments made by the SIF with payment dates during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.1.3 op 1	Number of injured workers receiving lifetime income benefit payments through the Subsequent Injury Fund
<i>Short Definition</i>	The number of injured employees who meet the eligibility requirements set by statute for lifetime income benefits (LIBs) and are receiving payment of those benefits through the Subsequent Injury Fund (SIF).
<i>Purpose / Importance</i>	To identify the long-term obligations of the SIF because these benefits must be paid for the life of the injured employee. SIF is statutorily obligated to pay LIBs to injured employees who sustain a subsequent compensable injury that, with the effects of a previous injury, results in lifetime income benefits eligibility.
<i>Source / Collection</i>	SIF data is collected and maintained in the agency's accounting system.
<i>Method of Calculation</i>	The sum of the number of injured employees receiving LIBs payments from the SIF during the reporting period.
<i>Data Limitations</i>	Attorneys, spouses, or children receiving a portion of a LIBs payment are not included in the measure.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.1.3 ef 1	Average number of days from receipt of a Subsequent Injury Fund request for reimbursement to payment of request
<i>Short Definition</i>	The average number of days between receipt of a request for reimbursement and payment of the request.
<i>Purpose / Importance</i>	The measure indicates the average time between receipt of a complete request to the Subsequent Injury Fund (SIF) and payment. Complete requests are those that SIF staff has determined include information necessary for processing and are entitled to reimbursement.
<i>Source / Collection</i>	SIF data is collected and maintained in the agency's accounting system and in agency databases. The receipt date is the date a completed request is received and date stamped. The paid date is the date shown on the agency accounting reports.
<i>Method of Calculation</i>	The sum of the total number of days from the date of receipt for each request to the paid date for each request divided by the total number of complete reimbursement requests paid during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.2.1 oc 1	Percent of temporary income benefit recipients returning to work within 90 days of injury
<i>Short Definition</i>	The percent of injured employees who received temporary income benefits (TIBs) and returned to work within 90 days of the date of injury based on temporary income benefits duration.
<i>Purpose / Importance</i>	To identify the percent of injured employees who received TIBs and returned to work within 90 days of injury.
<i>Source / Collection</i>	This data is maintained in automated databases.
<i>Method of Calculation</i>	The sum of the total number of claims in which TIBs stopped within 90 days of the date of injury divided by the number of claims in which TIBs were paid for the reporting period.
<i>Data Limitations</i>	The date TIBs stopped is used as a proxy for return-to-work. Twelve months of data, based on the date of injury, are used in the calculation. The data is lagged three months from the reporting month.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.2.1 op 1	Number of workplace safety consultations and inspections provided to employers
<i>Short Definition</i>	The number of workplace safety consultations and inspections provided to employers.
<i>Purpose / Importance</i>	To measure the volume of consultations and inspections that DWC provides to employers to promote safe and healthy workplaces.
<i>Source / Collection</i>	Data is maintained on automated applications.
<i>Method of Calculation</i>	The sum of the number of workplace consultations and inspections initiated during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.2.1 op 2	Number of Division of Workers' Compensation presentations made
<i>Short Definition</i>	The number of presentations made by DWC staff to external consumer groups.
<i>Purpose / Importance</i>	This measure quantifies DWC's effort to communicate with external customer groups on the workers' compensation system.
<i>Source / Collection</i>	The source of the data is the file for each presentation and the monthly Speakers Bureau report. A presentation is any event where DWC staff educates agency customers on workers' compensation system and occupational safety and health matters that may include the following methods of communication: speeches, training, exhibits, seminars, teleconferences, webinars, and staff participation in industry meetings. Each presentation counts as one when it is made to a separate audience.
<i>Method of Calculation</i>	The sum of all presentations during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

4.2.1 op 3	Number of hazards identified through workplace safety consultations, inspections, and the Safety Violations Hotline
<i>Short Definition</i>	The number of hazards identified by workplace safety employees through consultations, inspections, and the Safety Violations Hotline.
<i>Purpose / Importance</i>	Workplace safety employees identify hazards through worksite consultations and inspections. Hazards are those that could have a direct impact on employee safety and health. Consultants and inspectors work with employers and/or workers' compensation insurance carriers to remedy hazards, making those workplaces safer for employees. The statutory Safety Violations Hotline provides the public with a mechanism for reporting occupational safety and health issues. Workplace safety employees work with employers and their workers' compensation insurance carriers (if applicable) to ensure that reported issues are abated.
<i>Source / Collection</i>	Data is maintained on automated applications.
<i>Method of Calculation</i>	The sum of hazards identified through workplace safety consultations, inspections, and the Safety Violations Hotline during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.2.1 op 4	Number of return-to-work, health care provider and workplace safety educational products and services provided to system participants
<i>Short Definition</i>	The number of return-to-work, health care provider, and workplace safety educational products and services provided by the Division of Workers' Compensation (DWC). These products and services include newsletters, brochures and other publications distributed; web hits; persons assisted through telephone, e-mail, mail, and in-person contacts; persons attending return-to-work, health care provider and workplace safety seminars; and persons viewing audiovisual training materials (verified by the employer).
<i>Purpose / Importance</i>	This measure quantifies DWC's efforts aimed at returning injured employees to the workforce, assisting health care providers with the treatment of injured employees in the workers' compensation system; and assisting employers in creating and maintaining safe workplaces.
<i>Source / Collection</i>	Data is collected from agency presenters' reports and webinar/seminar attendance logs. Additionally, telephone, web and e-mail logs record delivery of these products and services.
<i>Method of Calculation</i>	The sum of the number of return-to-work, health care provider, and workplace safety educational products and services during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	Yes
<i>Desired Performance</i>	Higher than target

4.2.1 op 5	Number of workers' compensation income benefit recipients referred to the Department of Assistive and Rehabilitative Services
<i>Short Definition</i>	The number of persons referred to the Department of Assistive & Rehabilitative Services (DARS) by the Division of Workers' Compensation (DWC).
<i>Purpose / Importance</i>	The purpose of this measure is to identify the number of injured employees referred to DARS for training/education to assist them in returning to the workforce. DWC refers an injured employee to DARS if DWC determines that an employee could be materially assisted by vocational rehabilitation or training in returning to employment or returning to employment more nearly approximating the employee's pre-injury employment.
<i>Source / Collection</i>	This data is maintained in agency automated databases.
<i>Method of Calculation</i>	The sum of all referrals to DARS from DWC during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.2.1 ef 1	Average cost per workplace safety consultation and inspection
<i>Short Definition</i>	The average cost for providing workplace safety consultations and inspections.
<i>Purpose / Importance</i>	The measure provides the average cost of workplace safety consultations and inspections.
<i>Source / Collection</i>	The number of workplace safety inspections and consultations are maintained in agency electronic databases. Costs are calculated using agency accounting systems. Direct costs include any expenditure included in the agency financial accounting system reports that is directly attributable to workplace safety consultations and inspections. Indirect costs are not included in the calculation unless specifically appropriated by the funding source.
<i>Method of Calculation</i>	The sum of all direct costs associated with workplace safety consultations and inspections divided by the total number of consultations and inspections initiated during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.2.1 ex 1	Statewide incidence rate of injuries and illnesses per 100 full-time employees in the private sector
<i>Short Definition</i>	This measure reflects the private sector injury and illness incidence rate for the state of Texas as developed by the U. S. Bureau of Labor Statistics.
<i>Purpose / Importance</i>	The frequency at which workers in Texas experience non-fatal work-related injuries and illnesses. The rate is a gauge on how Texas compares to other states and the nation.
<i>Source / Collection</i>	Data comes from the Annual Survey of Occupational Injuries and Illnesses, which uses a stratified sample of private sector establishments by industry and size class to develop reliable estimates of occupational injury and illness rates in Texas. This is determined by using OSHA (Occupational Safety & Health Administration) standards for record-keeping and injury reporting. Data is collected by the Division of Workers' Compensation (DWC) and is entered into terminals which are linked to the Bureau Of Labor Statistics (BLS). Rates are developed by the Bureau of Labor Statistics on a calendar year basis. The incidence rate is based on the preceding calendar year.
<i>Method of Calculation</i>	The statewide incidence rate is computed by the U. S. Bureau of Labor Statistics and provided to DWC. DWC does not calculate this measure.
<i>Data Limitations</i>	Data is dependent on the Bureau of Labor Statistics, since BLS produces all calculations based on surveyed data collected by DWC.
<i>Calculation Type</i>	Non-cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

Continued on next page

FY 2012-13 Performance Measure Definitions, Continued

4.2.2 op 1	Number of injury records in which indemnity benefits are initiated
<i>Short Definition</i>	The total number of injury records in which indemnity benefits are initiated.
<i>Purpose / Importance</i>	The purpose of this measure is to reflect the number of indemnity payments initiated during the reporting period.
<i>Source / Collection</i>	Reports of indemnity payments initiated are received from insurance carriers. This measure applies only to injuries, which occurred on or after January 1, 1991. Data is maintained in agency automated systems.
<i>Method of Calculation</i>	The sum of the number of records in which indemnity payments are initiated during the reporting period.
<i>Data Limitations</i>	This measure is dependent on receiving information from the carrier in a timely manner. Data is lagged one month from the reporting period since carriers are required to report a payment to DWC within seven days of the payment.
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Lower than target

4.2.2 ex 1	Number of documents received electronically by the Division of Workers' Compensation
<i>Short Definition</i>	The number of documents received electronically by the Division of Workers' Compensation (DWC).
<i>Purpose / Importance</i>	To measure DWC efforts toward achieving and promoting a "paperless" environment.
<i>Source / Collection</i>	Documents are received from insurance carriers, employers, employees and health care providers, and other participants in the workers' compensation system. Data is maintained in agency automated systems. DWC considers a document to be received electronically when the document is submitted by electronic data interchange (EDI) or through an Internet application.
<i>Method of Calculation</i>	The sum of the number of documents received electronically by DWC during the reporting period.
<i>Data Limitations</i>	None
<i>Calculation Type</i>	Cumulative
<i>New Measure</i>	No
<i>Desired Performance</i>	Higher than target

Appendix H:
TDI Agency Workforce Plan

This page intentionally left blank.

Texas Department of Insurance Fiscal Years 2011-2015 Workforce Plan

Introduction

Overview As required by Texas Government Code, §2056.002, the Texas Department of Insurance (TDI) conducted a strategic staffing analysis and developed the agency's *Fiscal Years 2011-2015 Workforce Plan*.

Key Findings TDI identified three gaps between the agency's current and future workforce. The strategies to mitigate the impact of these three gaps are outlined in the *Strategy Development* section of this report.

- Loss of Institutional Knowledge
 - Technology Staffing Shortages
 - Growing Agency Responsibilities
-

**Workforce
Planning at
TDI**

TDI recognizes the importance of workforce planning and analyzes its workforce to ensure appropriate staffing levels, workforce skills and workforce composition. TDI workforce planning efforts include:

- analyzing/reviewing annual workforce data with Executive Management
- using workforce/succession planning information to identify specific skills needed for succession planning
- developing training to address skill shortages
- updating training manuals to capture and document agency processes
- monitoring progress on program workforce planning initiatives
- maintaining an effective agency retention program.

Specific workforce-related policies, activities, and initiatives are provided as an attachment to this report.

**Report
Components**

TDI's workforce plan contains the following sections.

- Agency Overview
 - Current Workforce Profile
 - Future Workforce Profile
 - Gap Analysis
 - Strategy Development
 - Attachments
-

Agency Overview

Introduction The Texas Department of Insurance (TDI) regulates the state's insurance industry, oversees the administration of the Texas workers' compensation system, performs the duties of the State Fire Marshal's Office, and provides administrative support to the Office of Injured Employee Counsel.

Our Vision TDI envisions a financially stable and fair marketplace and an effective and efficient workers' compensation system.

Our Mission TDI's mission is to protect insurance consumers by:

- regulating the industry fairly and diligently
- promoting a stable and competitive market
- providing information that makes a difference.

Our Core Values We have a passionate commitment to service in the public interest. We are:

- responsible stewards
- professional
- collaborative
- resilient and creative
- balanced.

Our Goals, Objectives and Strategies TDI has four broad goals with supporting objectives and strategies that facilitate achievement of the agency's mission. A visual presentation of the agency's goals, objectives, and strategies is an attachment to this report.

- Goal 1: Promote Consumer Access to Affordable Insurance Products within a Fair Market
- Goal 2: Promote the Financial Strength of the Insurance Industry and Reduce Loss Costs
- Goal 3: Reduce Loss of Life and Property Due to Fire
- Goal 4: Regulate Effectively the Texas Workers' Compensation System

Continued on next page

Agency Overview, Continued

Our Core Functions

TDI's regulatory and administrative responsibilities are grouped into nine core functions:

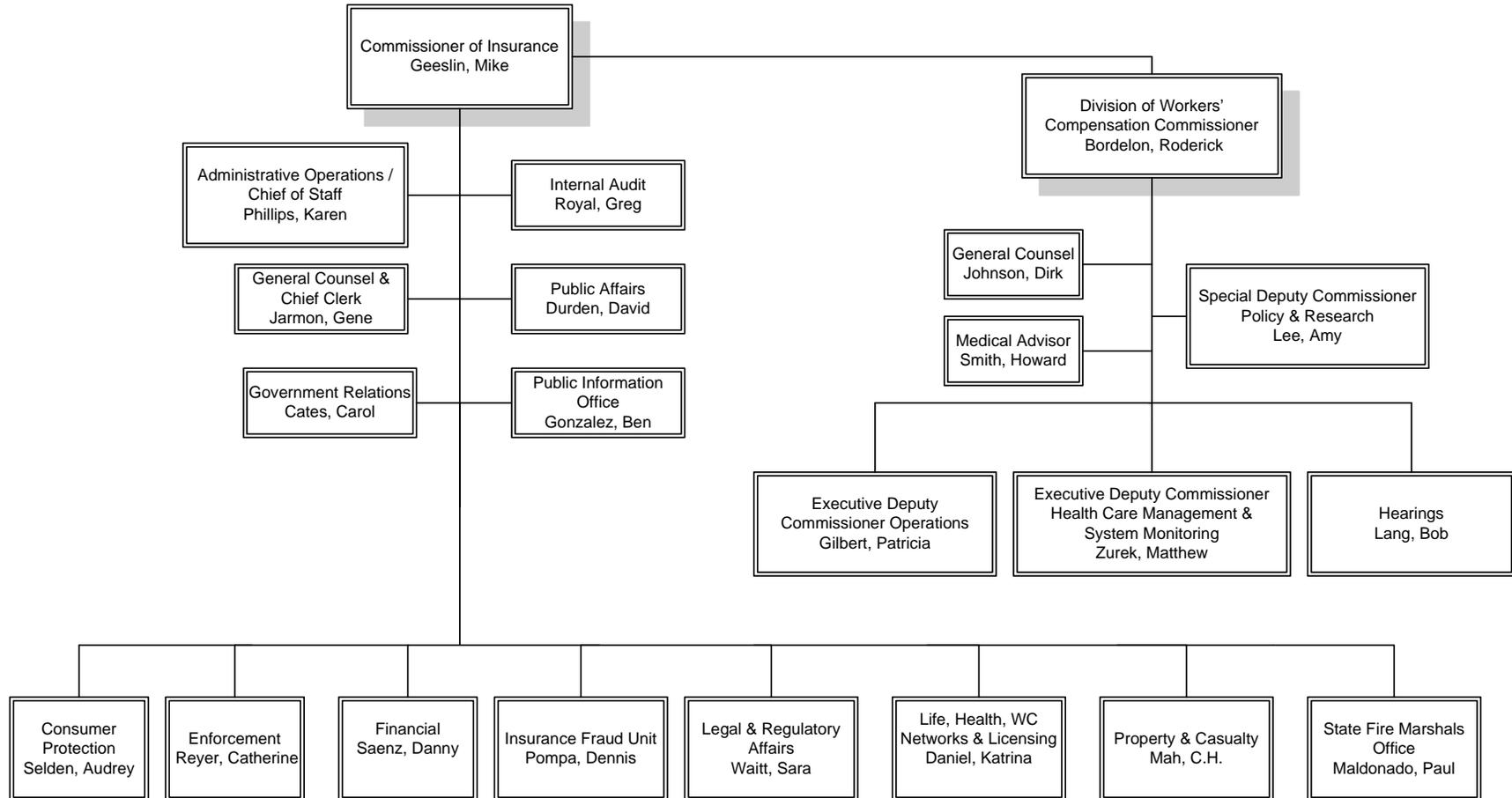
- licensing, certification, and registration
 - form, rate and advertising review
 - examination, monitoring, and solvency intervention
 - research and analysis
 - education, outreach, and customer assistance
 - complaint and dispute resolution
 - enforcement, fraud, and investigations
 - inspections and consultations
 - support services.
-

Organizational Structure

The functional organization chart shown on the following page demonstrates how TDI is organized to fulfill its regulatory charge.

The majority of TDI employees work in Austin and within 32 field offices across the state. Field employees include Division of Workers' Compensation (DWC) staff, financial examiners, fire inspectors and investigators, title examiners, windstorm inspectors and support staff.

**Texas Department of Insurance
Agency Organizational Chart
May 31, 2010**



Current Workforce Profile (Supply Analysis)

Demographic Profile

As of April 2010, the Texas Department of Insurance (TDI) had 1,545 employees.² Forty-five percent were minority employees and 64 percent were female employees. Of particular significance was the minority and female representation in TDI's management positions. Sixty-three percent of TDI's managers were minority and/or female. Among executive staff positions, 83 percent were minority and/or female. At mid-year FY 2010, the average age of a TDI employee was 48.

TDI compared the demographics of its workforce to the statewide agency workforce.³ The data is presented by workforce group category as established by the Equal Opportunity Employment (EEO) Commission.

EEO Category	African American		Hispanic American		Females	
	TDI	State	TDI	State	TDI	State
Officials/Administrators	13.2%	9.1%	16.3%	12.8%	48.1%	49.3%
Professionals	11.4%	11.3%	23.0%	14.9%	60.4%	55.2%
Administrative Support	19.8%	19.5%	48.5%	27.5%	86.1%	88.2%
Service/Maintenance ⁴	15.8%	30.1%	46.2%	24.7%	87.2%	52.7%
Skilled Crafts	0.0%	7.9%	100%	24.4%	50.0%	4.5%
Technicians	12.6%	15.3%	13.6%	20.7%	30.1%	52.1%

As of April 2010, approximately 69 percent of TDI's workforce was classified as either officials/administrators or professionals, which include senior actuaries, senior financial examiners, executive staff, and directors/managers. Professionals include actuaries, financial examiners, auditors, attorneys, administrative law judges, insurance specialists, engineers, investigators, health and safety professionals/inspectors, inspectors, program specialists, program supervisors, and system analysts.

Continued on next page

²TDI Human Resources Information System, April 30, 2010.

³Texas Workforce Commission Civil Rights Division Equal Opportunity and Minority Hiring Practices Report, January 2009.

⁴ Protective Services and Para-Professional categories are combined with Service and Maintenance Category.

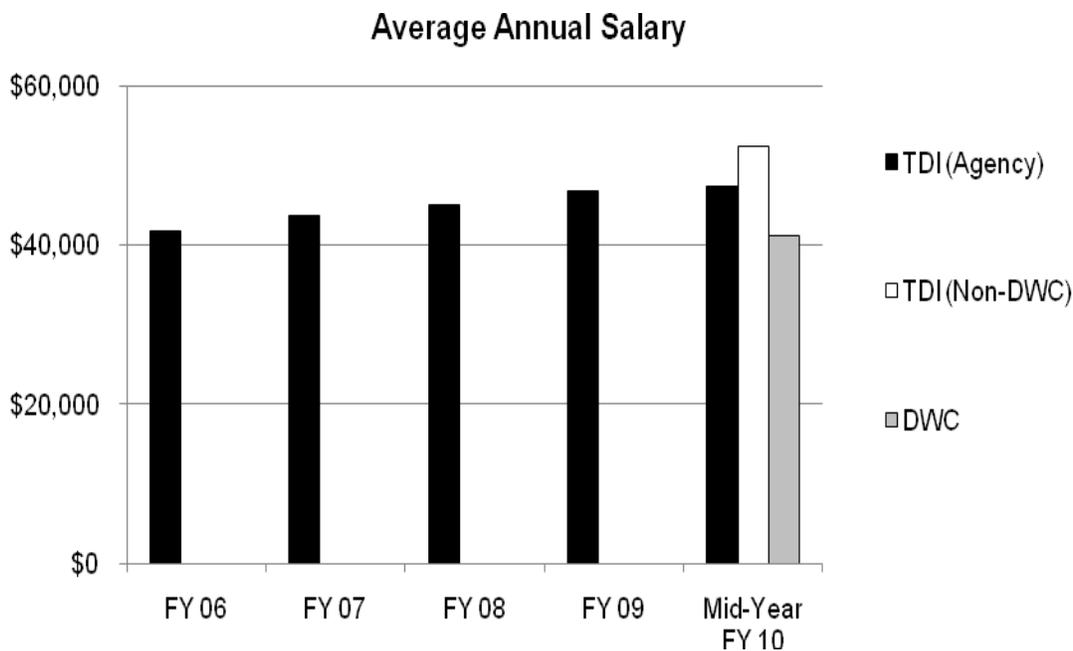
Current Workforce Profile (Supply Analysis), Continued

Demographic Profile (continued)

In FY 2009, the average annual TDI salary was \$46,693, which is slightly higher than the FY 2008 average of \$45,045, which is due in part to a State Auditor's Office reclassification of the professional (B) series in FY 2009.

For mid-year FY 2010, the average annual TDI salary, excluding DWC was \$52,314 and the average annual salary for DWC was \$41,235, giving the agency a mid-year average annual salary of \$47,391. Average annual salaries exclude Commissioners, part-time and temporary employees, the Medical Advisor, and the Chief Actuary.

Because TDI staffs many positions in the professional job series, the mid-year 2010 average salary of \$47,391 for agency employees is well above the state employee average annual salary of \$38,461.⁵ The following chart shows the average salary growth for TDI over the past five fiscal years.



Continued on next page

⁵ State Auditor's Office: State Employee Benefits as a Percentage of Total Compensation, Report Number 10-704, February 2010

Current Workforce Profile (Supply Analysis), Continued

Retiree Profile Retirement of critical staff creates a large potential for loss of experience and institutional knowledge and is the most significant staffing issue facing TDI, along with equitable pay.

Approximately 44 percent of TDI's total workforce and 49 percent of TDI managers are currently eligible to retire or will be eligible before August 31, 2015. Projected retirements include several executive staff.

Of the staff eligible for retirement now and before August 31, 2015, many are individuals with highly specialized skills in the following positions:

- Commissioner of Workers' Compensation
 - Chief of Staff
 - Executive Deputy Commissioner of DWC Operations
 - Senior Associate Commissioners of Consumer Protection, Financial and Property & Casualty
 - Associate Commissioners for Government Relations and Fraud
 - Chief Financial Officer
 - General Counsel and Chief Clerk
 - Information Resources Manager
 - Staff Services Director
 - several other key and leadership positions throughout the agency.
-

Employee Turnover

According to the State Auditor's Office Online Systems, "there is an inverse relationship between the unemployment rate and the turnover rate. When the unemployment rate increases, the turnover rate decreases; when the unemployment rate decreases, the turnover rate increases."

For FY 2009, the statewide unemployment rate increased to 6.5 percent from 4.6 percent in FY 2008; consequently, the FY 2009 statewide turnover rate was 14.4 percent, which decreased from the FY 2008 rate of 17.3 percent and was the lowest turnover rate of the state for the past five fiscal years.⁶ Comparatively, TDI's FY 2009 turnover rate of 8.5 percent was below the state turnover rate, and similar to the state, it decreased from TDI's FY 2008 rate of 12.4 percent.

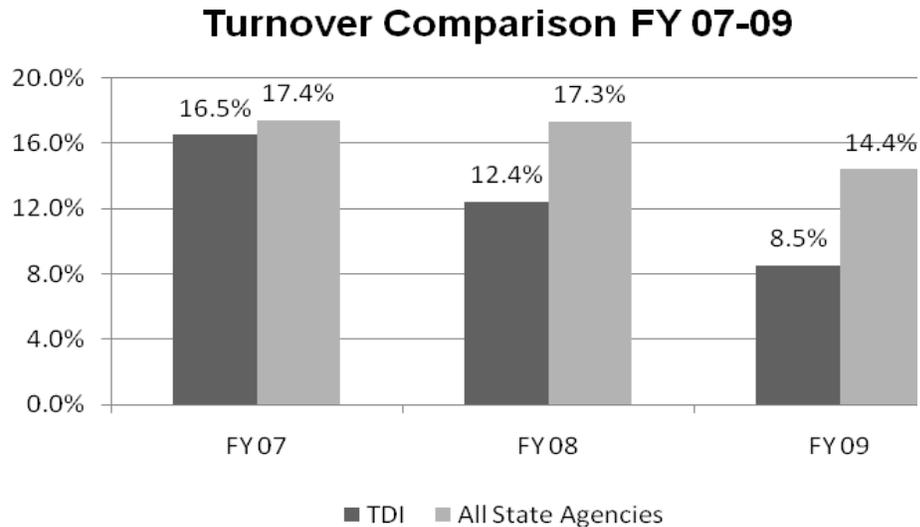
Continued on next page

⁶ State Auditor's Office: Classified Employee Turnover for Fiscal Year 2009, Report Number 10-702, December 2009.

Current Workforce Profile (Supply Analysis), Continued

Employee Turnover (continued)

The following chart compares TDI's turnover rates to all state agencies for the past three years.



The 79th Texas Legislature merged TDI and the Texas Workers' Compensation Commission, which established the Division of Workers' Compensation (DWC) within TDI. Since the merger, TDI has tracked turnover rates at three different levels: agency-wide, DWC only, and TDI excluding DWC.

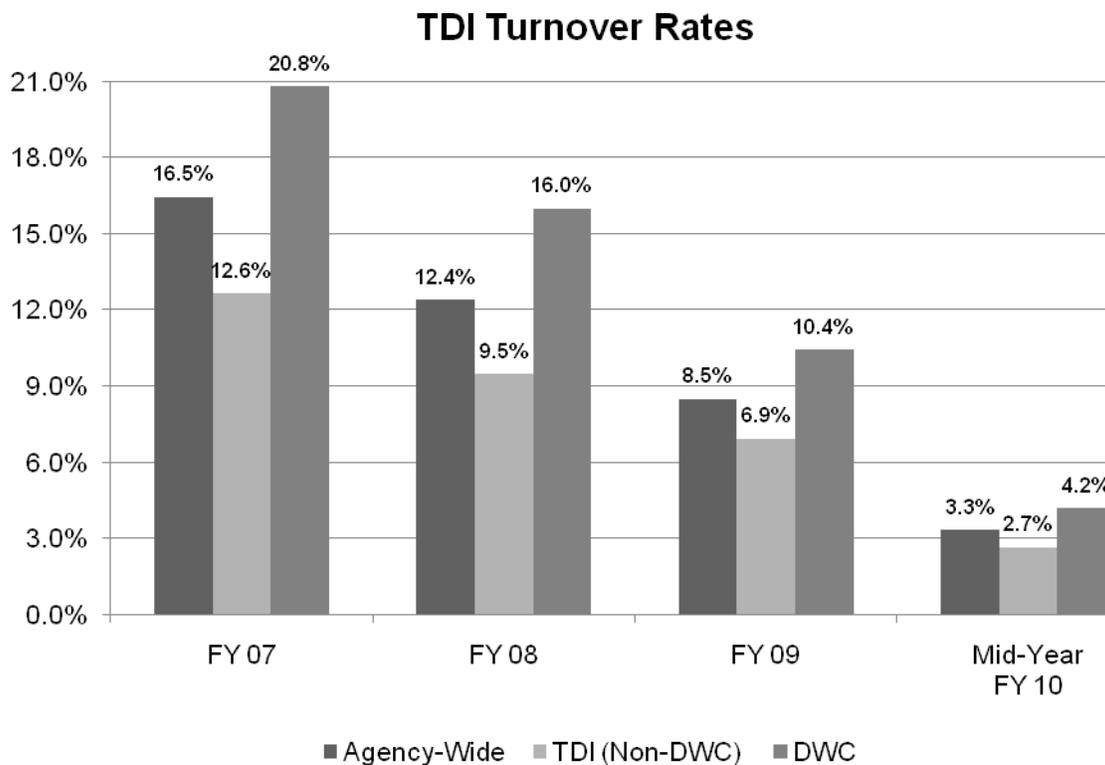
TDI's mid-year 2010 turnover rate was 3.3 percent agency-wide, with the DWC mid-year turnover rate reported at 4.2 percent. Agency-wide turnover is projected to be approximately 8 percent by the end of fiscal year 2010. The chart on the following page compares agency turnover rates for the last three fiscal years.

For FY 2007, the significant spike in DWC's turnover rate is attributed to legislation that transferred specific functions and DWC employees to the Office of Injured Employee Counsel.

Continued on next page

Current Workforce Profile (Supply Analysis), Continued

Employee Turnover (continued)



Critical Workforce Skills

TDI relies on a skilled workforce of administrators who set broad policies, direct individual departments and supervise the agency's operations. The agency also employs professionals with specialized and theoretical knowledge usually acquired through college, training, or work experience.

Accordingly, TDI employees currently working in administrative and professional positions have the following skills, which enable agency staff to effectively perform mission-critical business functions:

- ability to analyze and solve problems
- ability to explain complex technical material to consumers
- actuarial expertise
- bilingual communication capabilities
- computer literacy
- effective oral and written communication
- engineering skills

Continued on next page

Current Workforce Profile (Supply Analysis), Continued

Critical Workforce Skills (continued)

- financial examiner expertise
 - interpreting and enforcing statutes and policies
 - investigation expertise
 - leadership and coaching skills
 - negotiation strategies and techniques
 - presentation skills
 - project management
 - public administration skills
 - records management
 - safety professionals
 - time management.
-

Hard-to-Fill Positions

Positions that are most critical to TDI functions include mid and upper level management positions such as senior associate, associate and deputy commissioners, directors, managers, chiefs, and team leads, as well as positions in highly specified fields such as medicine, investigation, law, technology and regulation. These positions all require extensive experience, specialized certifications, and detailed knowledge of the agency's functions, missions, rules, and regulations. Agency programs have developed succession plans for critical and leadership positions to ensure business continuity given a vacancy.

With the agency's growing responsibilities and heavy workloads, TDI must be prepared to quickly fill positions. In particular, certain TDI positions are difficult to fill due to their specialized nature, and at mid-year FY 2010, the average time to fill a position at TDI was 58 days compared to 52 days in FY 2009.⁷ Program areas with hard-to-fill positions took twice as long to fill positions, which contributed to the mid-year FY 2010 increase in the time to fill positions.

Traditionally, TDI has had difficulty filling the following job classifications:

- actuaries
 - engineers
 - financial examiners
 - safety professionals.
-

Continued on next page

⁷ Time to fill is determined by calculating the days between the date the job is posted until the date the job is offered.

Current Workforce Profile (Supply Analysis), Continued

Hard-to-Fill Positions (continued)

Despite the agency's nearly full staffing level and low agency turnover, TDI still had difficulty filling financial examiner, engineer, and safety professional positions. Moreover, TDI will need to hire additional actuaries to implement federal health care reform.

Actuaries

While actuarial positions have historically been challenging to fill, increased recruitment efforts have helped the agency address this need and TDI currently maintains a full staff of actuaries.

The actuarial positions at TDI provide a critical examination and regulatory function. An actuarial career path is rigorous in terms of technical difficulty, the number of hours of study, and the high cost of exams to become certified. Actuaries tend to be in high demand and seek employment which provides competitive compensation, programs for passing exams, and experience.

Historically, TDI has faced difficulty in recruiting actuaries, as the salaries it offers are not competitive with those in the private sector. In previous years, turnover for this position has been high because as staff gain experience and earn professional designations, they are often recruited into better paying jobs in the private sector.

TDI has successfully recruited actuarial students from the University of Texas. These students interned with TDI as a condition of their Actuarial Studies Loan Fund, which the University of Texas established through an agreement with Fireman's Fund Insurance Company, USF&G Corporation, and the Office of the Attorney General. These partners created the fund to persuade students to study actuarial science and seek employment with TDI after completing an internship with the agency.

However, to implement federal health care reform, TDI estimates that it will need to hire additional actuaries. Accordingly, the agency has been proactive and has taken several measures to identify potential candidates for these positions. For example, TDI has discovered several Internet sites to assist with recruiting efforts. Additionally, Human Resources will review former applicants from previous job postings and existing agency staff to gauge relevant skills, experience, availability, and interest in these positions.

Continued on next page

Current Workforce Profile (Supply Analysis), Continued

Hard-to-Fill Positions (continued)

Engineers

Engineer positions are challenging to fill because TDI requires applicants to have an engineering degree, a Texas Professional Engineer's license, and four years experience. However, the agency is unable to compete with private sector salaries. TDI has not had any vacant engineer positions for two years, but competitive salaries in the private sector typically make it difficult to recruit engineers.

Previously, TDI established a partnership with the University of Texas School of Engineering for the purpose of creating an intern program. To attract interns to the program, the university agreed to pay a stipend and TDI, a part-time salary. This partnership mutually benefits both parties - the agency receives much needed skills and interns gain hands-on experience, which applies toward their course work.

Safety Professionals

TDI's Division of Workers' Compensation has faced difficulty attracting applicants with the training and experience necessary for the job functions required of the inspector position. Effective August 1, 2009, the State Auditor's Office reclassified safety officers as inspectors because the reclassification more accurately fit the job duties of these positions and provided higher salary ranges for these highly technical, hard-to-fill positions. TDI is not able to offer compensation competitive with that of the private sector or the federal government for positions in this field. In order to increase the pool of qualified applicants for inspector positions, TDI began posting open positions to various websites and has experienced positive results through these Internet recruiting efforts.

Financial Examiners

Examiner positions are challenging to fill due to applicants' educational requirements, which include holding a degree from an accredited four-year university with a major in accounting, finance, insurance, statistics, computer science, math, actuarial science, business administration, or economics. The career ladder for this position, which coincides with National Association of Insurance Commissioners accreditation standards, requires working towards a specific professional designation of Accredited Financial Examiner and Certified Financial Examiner within a specific timeframe.

Continued on next page

Current Workforce Profile (Supply Analysis), Continued

**Hard-to-Fill
Positions**
(continued)

Financial Examiners, continued

Once recruited, retention of qualified, well-performing staff is particularly important because it takes two to three years to train most examiners. The training period is lengthy because most new examiners do not have insurance backgrounds. Furthermore, the financial examiner classification is subject to market conditions. When the economy is good and unemployment is low, this classification is difficult to retain.

Effective September 1, 2009, the State Auditor's Office reallocated the salary groups in the state's *Position Classification Plan*, which resulted in significant pay increases for many financial examiners.

Future Workforce Profile (Demand Analysis)

Anticipated Workforce Demands

Many external and internal factors will influence the future profile of the Texas Department of Insurance (TDI) workforce. To identify these factors, TDI considered demographic, technological, and economic trends as well as the agency's strategic plan challenges, Sunset Advisory Commission reports, program business and succession plans, and other workforce planning data.

The key factors that will impact TDI's future workforce include:

- continued fiscal resource concerns
- continued employee dissatisfaction with fair pay
- changing attitudes about employees' roles in the workplace
- federal health care reform implementation
- growing need for automation and technology acquisition
- competition for skilled employees
- increased customer demand for access to services "24/7"
- increased use of social networking tools to communicate
- increasing number of insurer insolvencies due to slow economic recovery
- more complex insurance products and sophisticated fraud schemes
- more diverse and global environment
- need for enhanced professional development and continuing education programs in order to maintain a skilled workforce
- new legislation expanding statutory responsibilities disproportionately to resource allocation
- shifting to a more proactive and prevention-focused strategic direction in the State Fire Marshal's Office.

Future Workforce Skills Needed

In addition to the skill requirements for officials/administrators and professionals, as listed in the *Current Workforce Profile* section of this report, TDI's future workforce will need skill or knowledge of:

- effective process improvement
- document management
- health care terminology, coverage options, billing practices
- curriculum development and instruction to "teach" fire prevention/regulation to local communities
- database analyses/application architecture
- Web administration and content management
- project management.

Continued on next page

Future Workforce Profile (Demand Analysis), Continued

Anticipated Increase or Decrease in Number of Employees Needed to do the Work

TDI anticipates a shift in the number of employees needed to do the work, primarily due to federal health care reform and new state legislation.

Federal health care reform may require additional actuaries for review of health-related rate and form filings as well as several program-identified positions to conduct other aspects of health care regulation. Likewise, TDI anticipates that the 82nd Texas Legislature will pass bills expanding the agency's responsibilities. For instance, the Sunset Advisory Commission recommends that TDI certify preferred provider organizations (PPO) to provide consumer protections to the 80 percent of fully-insured Texans who receive health care coverage through PPO plans.

Similarly, the agency's technology needs are outpacing current resources. TDI will need to explore options to expand technological resources, including the possibility of seeking FTE increases and/or outsourcing or partnering with other entities.

Additionally, TDI foresees:

- any decreases in staffing significantly impacting the agency's ability to perform all statutorily required duties
- automating processes and increasing the use of technology to work smarter.
- prioritizing functions to achieve more effective resource allocation
- leveraging partnerships to regulate more effectively in an increasingly global environment
- expanding the agency's telecommuting program to recruit and retain skilled employees
- reallocating FTEs within the agency to address increased demands
- redesigning or eliminating outdated processes to be more efficient.

Critical Activities

TDI's role as a regulator is evolving to be more than a disseminator of information and monitor of solvency and compliance. TDI's statutory duties now include development of innovative insurance solutions and more direct consumer assistance. The passage of federal health care reform will certainly change TDI's role, but in ways yet to be defined. In addition, TDI has been charged with regulatory responsibilities such as administering the Texas workers' compensation system and serving as the State Fire Marshal.

Continued on next page

Future Workforce Profile (Demand Analysis), Continued

Critical Activities (continued)

Notably, the role of the regulator becomes increasingly important during a recession. Insolvencies, fraud and consumer complaints increase, insurance availability declines, and the public expects governmental protection from market misconduct.

TDI does not anticipate a significant change to its nine core functions. As the agency's role continues to evolve, critical activities may emerge due to:

- federal health care reform
 - expanding statutory responsibilities
 - continued demand for technology proliferation
 - Sunset Advisory Commission recommendations.
-

Gap Analysis

Overview

The Texas Department of Insurance (TDI) conducted a strategic planning analysis of its workforce and has determined that there are three main gaps between the agency's current and future workforce:

- Loss of Institutional Knowledge
- Technology Staffing Shortages
- Growing Agency Responsibilities.

These gaps in the agency's workforce are explained in further detail below.

Loss of Institutional Knowledge

Human Resources (HR) closely monitors and tracks positions eligible for retirement and provides information on eligibility to program areas. Approximately 44 percent of TDI's total workforce is currently eligible or will be eligible to retire before August 31, 2015. Forty-nine percent of agency managers are eligible to retire within this timeframe. Many others are staff with highly specialized skills that are instrumental in the daily functions of the agency. Consequently, retirement of critical staff creates the potential for loss of experience and institutional knowledge — the most significant staffing issue facing TDI.

In the past, some retirees with critical expertise have returned to TDI to continue working in their respective programs which has mitigated the potential loss of their significant experience. However, the 81st Legislature passed new laws regarding retirees. State agencies are now required to pay 6.5 percent of a returning retiree's salary to the state, which may be achieved by reducing a retiree's base salary or increasing agency operating costs. Also, the timeframe for rehiring a retiree increased from 30 to 90 days, which may discourage some return-to-work retirees from seeking state employment. TDI cannot expect retirees to solve the long-term issues related to loss of institutional knowledge. Accordingly, HR has intensified its work with program areas to maintain succession plans in order to ensure minimal disruption to program operations in the event of separation by mission-critical staff.

In fiscal years 2008 and 2009, the turnover rates for TDI were 12.4 percent and 8.5 percent, respectively. Although TDI's turnover rate continues to be below the average for state agencies, retention efforts remain a priority for TDI. Loss of experienced staff may cause instability and morale problems, reduce productivity among newly hired and departing employees, and increase hiring and training costs.

Continued on next page

Gap Analysis, Continued

Technology Staffing Shortages

The use of automation and technology will continue to change the way TDI does business. Increased access to the Internet has allowed consumers to research a greater number of insurance-related and workers' compensation claim processing questions online. Similarly, the use of the Internet has fueled customer demand for information to be delivered virtually around the clock. TDI embraces the use of technology and has many examples of how technology has improved processes and allowed staff to work smarter. However, our continued need for technology expansion is severely limited due to technology staffing shortages within the agency.

In the *Future Workforce Profile* section of this report, TDI identified the need for technology skills, such as database analysts, application architects, Web content managers, and Web administrators. Furthermore, the agency is gradually moving from a paper-based to an electronic environment and foresees the need for staff with advanced document management skills. Inadequate funding and heavy workload has also inhibited professional development of existing staff.

To identify technology-related projects, TDI uses business planning. After each legislative session, TDI programs prepare business plans to facilitate resource allocation. Each biennium, TDI programs request projects that involve automation, database integration/consolidation, new software, Web applications, and other technology-related system enhancements.

To ensure the operability of agency systems and databases, TDI's Information Technology Services Division must first complete critical planned infrastructure and legislatively mandated technology projects before proceeding with program business plan projects. With increased constraints on capital budget and development staff, many TDI program technology goals are not completed because resources are not available.

In summary, our technology needs exceed current technology staffing levels within the agency, which limits TDI's ability to achieve greater operational efficiencies and work smarter.

Growing Agency Responsibilities

The last gap affecting TDI's future workforce is the agency's growing responsibilities. New statutory responsibilities and mandated studies reflect a changing role, but existing regulatory responsibilities continue. TDI must assume the additional responsibilities without compromising service levels. Increased workload and budget constraints could have profound implications on TDI's workforce. The agency's responsibilities continue to increase disproportionately to appropriated resources.

Continued on next page

Gap Analysis, Continued

Growing Agency Responsibilities (continued)

As previously mentioned TDI regulates the insurance industry, oversees the workers' compensation system, and serves as the State Fire Marshal. Each legislative session, TDI acquires additional functions and/or statutory responsibilities. Recent new duties and responsibilities include:

- implementing Healthy Texas to provide access to quality small employer health benefit plans at an affordable price
- participating in innovative insurance initiatives for health care coverage
- establishing new websites to educate consumers and help consumers find affordable coverage options
- responding to disasters by staffing state disaster recovery centers, handling increased call volume, monitoring industry practices, facilitating claim resolution, and inspecting structures for wind and hail coverage
- expanding third party administrator licensure for workers' compensation
- resolving appeals of contested case hearing decisions for medical disputes
- certifying and inspecting fire standard compliant cigarettes
- conducting mandated studies for state decision makers
- certifying and regulating discount health care plans
- regulating PPO network adequacy.

State budgets are not expected to return to 2008 levels until at least 2013,⁸ and TDI's agency budget has not increased proportionally to service expansion. Furthermore, there is an expectation that TDI will provide increased oversight, consumer protections, and rate regulation of insurers and non risk bearing entities. The Federal government has a greater role in insurance and regulation, which may further impact the agency's functions. Likewise, the Texas Legislature looks to TDI to help solve the uninsured problem. Consumers expect immediate online access to information, and the increasingly global market demands a more coordinated, multistate approach to regulation. These trends are anticipated to further expand TDI's services.

Moreover, TDI has noted in its workforce supply and demand analyses that the agency will continue to need skilled employees to perform the highly specialized functions associated with regulation. However, limited financial resources directly impact the agency's ability to hire staff for hard-to-fill positions, as TDI cannot compete with the salaries offered by the private sector for these positions.

Continued on next page

⁸Seminar: *Rising Above Budget Cuts: How It Can Save Money in Difficult Times*, May 11, 2010. John Miri, Senior Fellow, Center for Digital Government and Former Director of E-Government and Web Services, State of Texas.

Gap Analysis, Continued

Growing Agency Responsibilities (continued)

Furthermore, skilled employees are often obligated to fulfill professional development and continuing education requirements. TDI employs financial examiners, actuaries, fraud investigators, and other professionals who must complete educational requirements. TDI's limited resources for advanced professional development and continuing education courses impact our ability to recruit, develop, and retain a skilled workforce.

To illustrate this point, TDI's Internal Audit Division completed a workforce planning survey and expressed concern with regard to acquiring the skills necessary to audit "federal money" associated with federal health care reform implementation. Internal Audit indicated that professional development will be fundamental to understanding and putting into practice any changes to internal auditing standards resulting from this legislation.

Moreover, TDI's Financial Program established the *Insurance Educational Development Program*. The primary objectives of this program are to:

- strengthen employee expertise and knowledge of insurance solvency
- strengthen the process for regulating the insurance industry
- enhance employee knowledge and skills for reviewing insurance contracts and transactions to effectively determine compliance with Texas laws and regulations
- keep employees current on new and developing insurance-related issues and topics
- maintain National Association of Insurance Commissioners accreditation by developing and retaining a qualified, skilled workforce.

Since 1995, TDI's Financial Program had received a grant from the Foundation for Insurance Regulatory Studies in Texas (FIRST) to fund this program. In 2009, FIRST indicated it would not continue funding the program. One of the key factors influencing FIRST's decision was their belief that the program costs should be funded by TDI in its usual course of business; however, TDI does not have the fiscal resources for this resource-intensive training program. Consequently, TDI's Financial Program has not benefited from formal educational courses with regard to insurance regulation since 2007.

Additionally, cross-training is a primary goal in TDI's program succession plans. Nevertheless, as TDI's responsibilities expand, the agency's limited resources adversely impact program cross-training efforts. Instead of hiring new FTEs, programs distribute the increased workload among existing staff, which inhibits the amount of time available for cross-training opportunities.

Continued on next page

Gap Analysis, Continued

**Growing
Agency
Responsibilities**
(continued)

To further emphasize the criticality of funding, each biennium TDI's staff rate "pay" the lowest of all constructs on the *Survey of Employee Engagement*. As the economy improves and job opportunities increase, TDI may lose skilled staff because funds for merit increases and promotions to match competition are scarce. Salary inequity, whether perceived or real, coupled with expanding workloads increase employee stress, lower morale, and lead to burnout, which may significantly affect the agency's ability to recruit and retain a skilled future workforce. Furthermore, budget limitations require the agency to continue seeking creative non-monetary incentives and benefits. TDI recently changed its one-time merit criteria to decrease the number of months required for eligibility in an effort to more frequently reward employee performance.

When funding has not kept pace with increased workload, TDI has shifted resources to ensure the function is appropriately performed. TDI recognizes, however, that as new responsibilities are assumed, the risk of not meeting certain obligations increases. For example, the more intensive analysis required during routine financial exams coupled with the agency's lean staffing levels is impeding TDI's ability to meet statutory exam time frames.

Over the past several biennia, TDI has voluntarily returned unused funds and/or requested less in appropriations, which has resulted in decreased funding. Further, over time the agency has continued to assume additional work and absorb expenses for which no appropriation was made. For example, TDI absorbed approximately \$1 million of salary costs associated with mandated statewide reclassifications following the 81st Legislative Session. This effectively reduced staffing levels by at least 25 positions. In brief, TDI has taken a fiscally streamlined approach and sought efficiency at an enterprise level for several years. TDI will continue efforts to operate in the most efficient and effective manner; however, meeting statutory obligations may be compromised if agency responsibilities continue to grow at a fiscally unsustainable pace.

Strategy Development

Strategy for Loss of Institutional Knowledge

To mitigate the loss of institutional knowledge, the Texas Department of Insurance (TDI) will continue succession planning and cross-training efforts to assure that vital knowledge is not lost when leadership and employees in critical positions retire or separate employment.

Rationale

Forty-four percent of TDI employees are eligible now or will be eligible to retire before August 31, 2015, potentially exposing TDI to a significant loss of institutional knowledge.

Action Steps

- Continue succession planning efforts and develop training in response to succession planning needs.
- Document internal procedures continually to cross-train staff.
- Update/develop internal procedure manuals for documentation of standard operating procedures and to use in cross-training and succession planning.
- Continue comprehensive training programs to educate current and future managers and prepare them to be more effective leaders.
- Evaluate critical positions and skills and potential training needs on an ongoing basis for effective succession planning, to develop less experienced staff, and ensure continuity of operations following retirements.
- Ensure that appropriate training is available for all employees.
- Use analysis reports to monitor agency and program retirement projections.
- Continue Roundtable events to distribute information to employees.
- Encourage flexible work schedules and telecommuting.
- Review job functions and identify staff for cross-training.
- Continue monthly deputy commissioner meetings to facilitate intra-agency communication and prepare mid-level management for leadership positions.
- Assess employee satisfaction and address areas where satisfaction is lowest.
- Maintain a supportive work environment for all employees.
- Seek opportunities to involve all levels of employees in decision-making.
- Seek creative non-monetary incentives to recognize and reward deserving employees.
- Promote workforce planning activities, such as “35/5,” “Three-Deep,” and cross training.
- Commit to “TDI Academy” expansion (see attachment).

Continued on next page

Strategy Development, Continued

Strategy for Technology Staffing Shortage

To improve the agency's management of regulatory data, documents, and information, and to successfully consolidate records management systems, integrate databases, and optimize the use of the Internet for two-way communication with stakeholders, TDI will identify and reallocate obsolete positions and seek additional FTEs through the legislative appropriations request process.

Rationale

Technology offers an opportunity to improve service to customers and regulatory effectiveness by automating the collection, management, security, and exchange of information. Trends influencing the need for adequate technology staffing levels are as follows.

- Regulation in a global market requires coordination and information sharing with other entities.
- Growth in insurance and title company interventions equates to more records and assets to be managed.
- Stakeholders expect to access and submit information electronically.
- Industry technology solutions for information management outpace TDI.
- Social networking tools for instant two-way communication are gaining popularity.
- State legislators expect insurance regulators to collect, analyze and present data in an interactive format for improved consumer decision making.
- Optimizing use of technology enhances retention of skilled employees.
- Effective regulatory decision making requires timely access to and efficient flow of information.
- Current shift toward enterprise management at the agency and state level requires different, advanced technology skill sets.

Action Steps

- Reallocate positions for obsolete functions to ensure technology staffing resources are sufficient to meet agency needs.
- Seek FTE increases through the legislative appropriations process.
- Commit resources to implement priority automated solutions and support management of electronic records/information.
- Identify program staff with technology skills.
- Work with the Department of Information Resources to acquire assistance with executing key infrastructure technology-related projects.
- Consider short-term outsourcing, cloud computing, and seat management for viable, cost-effective technology solutions.

Continued on next page

Strategy Development, Continued

Strategy for Technology Staffing Shortage (continued)

Action Steps, continued

- Implement “THIN-client” to reduce ITS staff travel and shipping costs while effectively managing field office technology needs remotely.
 - Analyze ITS functions and streamline processes to align with the agency’s business needs.
 - Use succession planning to develop technology skills and ensure continuity of operations.
-

Strategy for Growing Agency Responsibilities

To mitigate the adverse impact of service expansion without proportionate funding, TDI will reexamine core activities to eliminate outdated and inefficient functions, and thereby reduce the agency’s overall budget. Conversely, TDI will seek creative solutions to fund essential operations.

Rationale:

State budgets are not expected to return to 2008 levels until at least 2013, and TDI’s agency budget has not increased proportionally to service expansion. TDI anticipates that federal health care reform and new legislation will further expand the agency’s functions and statutory responsibilities while the current economic climate continues to increase the agency’s workload. Furthermore, recruiting and retaining skilled employees will depend on TDI’s ability to offer competitive salaries and advanced professional development programs. Training and development of employees are critical to agency success.

Action Steps:

- Increase liquidation oversight and title examiner allocated positions as approved by the Legislative Budget Board.
 - Communicate the fiscal and operational impact of proposed legislation.
 - Review impact of federal health care reform requirements on state regulation and adjust resources to implement new federal programs.
 - Explore principles-based regulation as an approach to focus on outcomes rather than compliance and possibly alleviate enforcement case workloads.
 - Shift workers’ compensation claims and records management activities to system participants so DWC may focus on policies and dispute resolution.
 - Develop agency approach for continuing critical operations with reduced resources; prioritize needs and assess risks.
 - Explore alternative funding solutions for essential functions, including grants, self-directed funding, partnerships, and regulatory response riders.
 - Identify triggers for workload surges and develop staffing/funding plans.
 - Seek creative solutions for meeting continuing education needs (e.g., web training, streaming videos, CDs/DVDs, and mentor/protégé programs).
-

Continued on next page

Strategy Development, Continued

**Strategy for
Growing
Agency
Responsibilities**
(continued)

Action Steps, continued

- Leverage resources through partnerships (e.g., cross-state exams, joint regulation of workers' compensation quality of care, NAIC initiatives).
 - Embrace telecommuting, teleconferencing, other technologies as cost-effective means to improve morale and perform essential functions.
 - Revisit/prioritize functions and reallocate staff to essential activities.
 - Target training to address core competencies and functions.
 - Evaluate alternate service delivery methods to meet customer expectations with fewer resources, including possible centralization of field office duties.
-

This page intentionally left blank.

Attachment: Workforce Planning at TDI

Workforce Planning Activities

To facilitate retention of skilled employees, the Texas Department of Insurance (TDI) has implemented policies and practices, such as annual performance evaluations, employee and management training, succession planning, and the Employee Assistance Program.

TDI strives to equitably distribute salary increases through merits and promotions and uses a number of non-monetary incentives that enhance recruitment and retention of skilled employees, which include:

- telecommuting
- flex-time and compressed work weeks
- management training program
- cross-training opportunities
- agency wellness program
- continued Reality Check meetings
- continued participation in the Employee Assistance Program.

As of June 2010, TDI had 86 staff from nine program areas participating in the agency's telecommuting program. Telecommuting allows eligible employees to work remotely from one to four days each week and has resulted in reduced leave requests, substantial savings on monthly fuel expenditures, and a report of overall job satisfaction for participating employees.

Other workforce planning activities include:

- "Three-Deep Concept," where at least three employees are cross-trained to perform each critical function
- Consumer Protection's "35/5" Program, which allows employees to spend five hours a week learning a function not related to current job duties
- succession planning, which ensures TDI is prepared for the loss of knowledge when leadership and employees in critical positions retire or separate employment
- Consumer Protection's Diversity Training and Awareness Project, which enhances employees' understanding of changing service needs
- TDI Excellence Program, where managers nominate outstanding employees to participate in projects of interest to the agency
- TDI Academy, where TDI professionals work with Huston-Tillotson University to teach basic insurance courses.

Continued on next page

Attachment: Workforce Planning at TDI, Continued

**Workforce
Planning
Activities**
(continued)

- Administrative Operations Diamond Initiative – “*Dedicated to Brilliance in all Facets of TDI’s Work.*” The goals of this initiative are to:
 - maximize customer satisfaction
 - ensure compliance with governmental standards
 - support TDI operations to optimize efficiency and effectiveness
 - develop a workforce that is highly skilled, high performing and committed to TDI’s success.
-

Attachment: Agency Goals, Objectives and Strategies

GOALS	OBJECTIVES	STRATEGIES			
1: Access to Affordable Insurance	1.1: Educate Consumers	1.1.1: Consumer Education and Outreach			
	1.2: Reduce Statute and Rule Violations	1.2.1: Resolve Complaints	1.2.2: Investigation and Enforcement	1.2.3: Insurer Fraud	
	1.3: Reduce Impediments	1.3.1: Process Rates, Forms & Licenses	1.3.2: Promote Underserved Coverage	1.3.3: Texas Online	1.3.4: Certify Self-Insurance
	1.4 Innovative Insurance Initiatives	1.4.1: Long-term Care		1.4.2: Three-Share Programs	1.4.3: Healthy Texas
2: Promote Insurer Financial Strength	2.1: Industry Solvency	2.1.1 Insurers Financial Condition			
	2.2: Reduce Losses	2.2.1: Loss Control Programs	2.2.2: Provider and Consumer Fraud	2.2.3: Workers' Compensation Fraud	
3: Reduce Losses Due to Fire	3.1: Protect the Public	3.1.1: Fire Protection			
4: Regulate Workers' Comp System	4.1: Workers' Comp Benefits & Delivery	4.1.1: Oversight and Enforcement	4.1.2: Dispute Resolution	4.1.3: Subsequent Injury Fund Admin	
	4.2 Educate/Inform System Participants	4.2.1: Health and Safety Services		4.2.2: Customer Service & Records Admin	

Attachment: TDI Academy

Overview The Texas Department of Insurance (TDI) recognizes the importance of insurance to the state's economy. With the rapidly changing characteristics of the Texas insurance market, the need for cultivating a strong system of insurance education will continue to be of great public importance.

The volume of intellectual resources in Texas - both public and private - can be leveraged to create a network of renowned insurance programs. By aligning the insurance industry and higher education in Texas, we can create centers that foster the next generation of insurance leaders, promote diversity among the insurance industry, as well as improve consumer education across all sectors of society.

TDI Academy serves as the focal point for this endeavor.

The Inspiration The inspiration for TDI Academy is a TDI partnership with Huston-Tillotson University, in which TDI professionals work with the University to teach basic insurance courses. Further, the changing dynamics of the state's demographics and global economics send a clear signal that Texas should take an exemplary role in promoting leadership in regulatory, industry, and public education sectors.

The First Step TDI hosted inaugural symposiums in 2008 and 2009. The goal of the symposiums was to begin building a network of ideas and knowledge. By leading with the lessons learned from the TDI experience and presenting the views and analysis from academic and insurance industry professionals, the foundation was built for future action.

The Vision Long term, Texas should be home to at least two to three public and private academic institutions that offer insurance professional education, executive development, or insurance consumer education components. The ideal locations will be institutions with diverse student bodies, prominent faculty members, and strong partnerships with external stakeholders.

The decisions made at the point of sale or around the globe should take into account the diverse needs and changing nature of the Texas insurance market. TDI Academy hopes to build on this state's primary strength - its people - by developing the next generation of leaders and teachers of insurance that will enrich this important aspect of our economy.

Appendix I:
Survey of Employee Engagement

This page intentionally left blank.

Survey of Employee Engagement

Overview

The Texas Department of Insurance (TDI) recognizes that high employee satisfaction is critical to retaining and recruiting quality staff and in delivering the best customer service to Texans. Since 1994, TDI has participated every two years in the Survey of Organizational Excellence conducted by the University of Texas (UT), School of Social Work. In 2010, the survey was re-named to the Survey of Employee Engagement. This survey measures five dimensions of the workplace including organizational features, accommodations, exchange of information, work group and personal aspects. In 2010, UT revised the survey questions and added five categories identified as organizational climate: atmosphere, ethics, fairness, feedback and management.

The survey constructs are scored on a 500 point system. A score at or below 300 indicates an opportunity for growth because employees view the area more negatively than positively. A score above 300 means the construct is viewed more positively by employees, and a score above 350 indicates the construct is an area of strength for the agency. Some areas of strength for TDI include the supervision, strategic orientation, quality principles, physical environment, external communication, and employee engagement.

Eighty-two percent of TDI employees completed the February 2010 survey. This response rate is higher than the 2008 rate of 70 percent and the 2006 response rate of 67 percent.

Responses to the 2010 survey showed an increase in employee satisfaction from the 2008 survey and a continued trend upward since the 2006 results. The 2006 survey was administered shortly after the merger of the Texas Department of Insurance and the Texas Workers' Compensation Commission (now the Division of Worker's Compensation).

Comparison of Survey Results

The chart on the following page shows the last 12 years of results from the Survey of Organizational Excellence. All 2010 survey scores rose from the 2008 survey. The increase in employee satisfaction in 2010 may be linked, in part, to measures taken with lower-scoring program areas to develop action plans to address issues identified in the 2008 survey. All constructs, with the exception of pay, continue to be viewed more positively than negatively by agency employees.

Continued on next page

Survey of Employee Engagement, Continued

<i>Construct</i>	<i>1996</i>	<i>1998</i>	<i>2000</i>	<i>2002</i>	<i>2004</i>	<i>2006</i>	<i>2008</i>	<i>2010</i>
Supervision	281	290	298	349	341	331	348	412
Team	301	321	327	351	343	330	350	383
Quality	359	373	375	393	389	372	387	389
Pay	301	301	286	258	243	223	236	248
Benefits	367	373	366	374	350	350	360	385
Physical Environment	333	353	360	380	377	363	368	392
Strategic Orientation	384	399	404	389	388	375	389	402
Diversity	312	319	325	364	355	344	362	375
Information Systems	--	--	--	--	--	--	--	361
Internal Communication	302	320	330	341	335	322	344	366
External Communication	347	365	375	380	375	361	376	388
Employee Engagement	--	--	--	--	--	--	--	388
Employee Development	331	335	343	371	365	347	360	391
Job Satisfaction	331	340	350	374	375	355	367	387
Climate: Atmosphere				--	--	--	--	400
Climate: Ethics				--	--	--	--	396
Climate: Fairness				--	--	--	--	363
Climate: Feedback				--	--	--	--	363
Climate: Management				--	--	--	--	358

TDI 2010 Survey Summary by Category

Work Group	
Supervision	412
Team	383
Quality	389

Accommodations	
Pay	248
Benefits	385
Physical Environment	392

Organization	
Strategic Orientation	402
Diversity	375

Information	
Information Systems	361
Internal Communication	366
External Communication	388

Personal	
Employee Engagement	388
Employee Development	391
Job Satisfaction	387

Climate	
Atmosphere	400
Ethics	396
Fairness	363
Feedback	363
Management	358

Continued on next page

Survey of Employee Engagement, Continued

Review of Survey Results

The survey results are used as an assessment tool in the agency strategic plan and will continue to be used in the business planning process, both at the organizational and program levels. Program heads will receive a complete analysis of the agency-wide survey, along with results for their program areas. They are encouraged to share the results with their managers and staff and to discuss ideas for continually improving employee satisfaction, agency processes and customer service. Agency-wide results are also shared with all employees.

Human Resources and the Employee Ombudsman routinely work with program areas to develop plans to improve constructs and then monitor those plans throughout the biennium. Human Resources provides information and suggestions for maintaining high employee satisfaction levels and for improvement in survey dimensions where opportunities for growth are indicated.

This page intentionally left blank.

Appendix J:
Historically Underutilized Businesses

This page intentionally left blank.

Historically Underutilized Businesses

Use of Historically Underutilized Businesses

The Historically Underutilized Business (HUB) program is governed by the Texas Government Code, Title 10, Subtitle D, Chapter 2161. The purpose of the program is to increase contracting opportunities with the State of Texas for minority and women-owned businesses.

HUB Participation Assessment

The Texas Department of Insurance (TDI) is continuously developing strategies to increase the agency's HUB participation and to ensure that the agency remains in compliance with all of the laws and rules established for the HUB program. Over the years TDI has developed and implemented various approaches to promote the HUB program to ensure HUB participation in all agency procurements. For example, the agency sponsors a HUB forum each year. The agency invites HUBs that can provide goods and services that will meet the agency's specific needs. TDI executive staff members participate in forums as presenters and participants in networking sessions with vendors.

In addition, TDI was recognized in FY 2009 by the Comptroller of Public Accounts as being one of the top 25 agencies spending more than \$5 million with the largest percentage spent on HUBs. Of the 25 agencies, TDI was ranked fifteenth with 32.53 percent of purchases going to HUB vendors.

HUB Outreach

The agency focuses on how awards are distributed among the various ethnic HUB groups. TDI's goal is to ensure that contract awards are distributed among all HUB groups and not concentrated within just one or two ethnic HUB groups. The agency distributes information on an ongoing basis to HUB vendors about the specific changes that affect the HUB program and the procurement process. Dissemination of this information ensures HUBs are well informed and better prepared when bidding on contract opportunities.

The agency participates in various HUB events focused on minority and women-owned businesses. This includes forums sponsored by local Chambers of Commerce, Business Development Centers, and forums sponsored by other state agencies. In addition, the Purchasing division works closely with other agency programs to disseminate information about the HUB program. This information is distributed at various conventions, forums, and expositions that may have minority and women-owned business participants.

Continued on next page

Historically Underutilized Businesses, Continued

**TDI Mentor
Protégé
Program**

The agency has established a mentor protégé program in accordance Section 2161.065 of the Texas Government Code. The purpose of the program is to assist in fostering long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract.

TDI's has one mentor protégé relationships. The relationship established is with Amy Jeanne Welton, Attorney at Law, the mentor, and Donna Garcia-Davidson, Attorney and Counselor at Law, the protégé. The goal in this relationship is to assist the protégé in becoming familiar with the specialized field of the Special Deputy Receiver (SDR) program with a focus on legal services.

HUB Goal

To purchase from Historically Underutilized Businesses

HUB Objective

To make a good faith effort to increase utilization of historically underutilized businesses to 20 percent for professional services, 12 percent for commodities and 33 percent for other services in each fiscal year of the plan, as required by the Texas Administrative Code Chapter 20, Subchapter B.

Outcome Measures

1. Purchases from historically underutilized businesses as a percent of expenditures for professional services
 2. Purchases from historically underutilized businesses as a percent of expenditures for commodities
 3. Purchases from historically underutilized businesses as a percent of expenditures for other services
-

HUB Strategy

Utilize and promote historically underutilized businesses in the competitive bid process on all goods and services purchased to the fullest extent possible.

Output Measures

1. Total number of bid solicitations
 2. Number of bid solicitations sent to historically underutilized businesses
 3. Number of bids awarded to historically underutilized businesses
 4. Number of HUB forums attended
-