

2007 Annual Report

Texas Department of Insurance



Texas Department of Insurance

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November 23, 2007

The Honorable Rick Perry, *Governor*
The Honorable David Dewhurst, *Lieutenant Governor*
The Honorable Tom Craddick, *Speaker of the House*

Dear Governors and Speaker:

I am pleased to submit the *Annual Report* of the Texas Department of Insurance for Fiscal Year 2007, in compliance with *Texas Insurance Code* Chapter 32, Section 32.021.

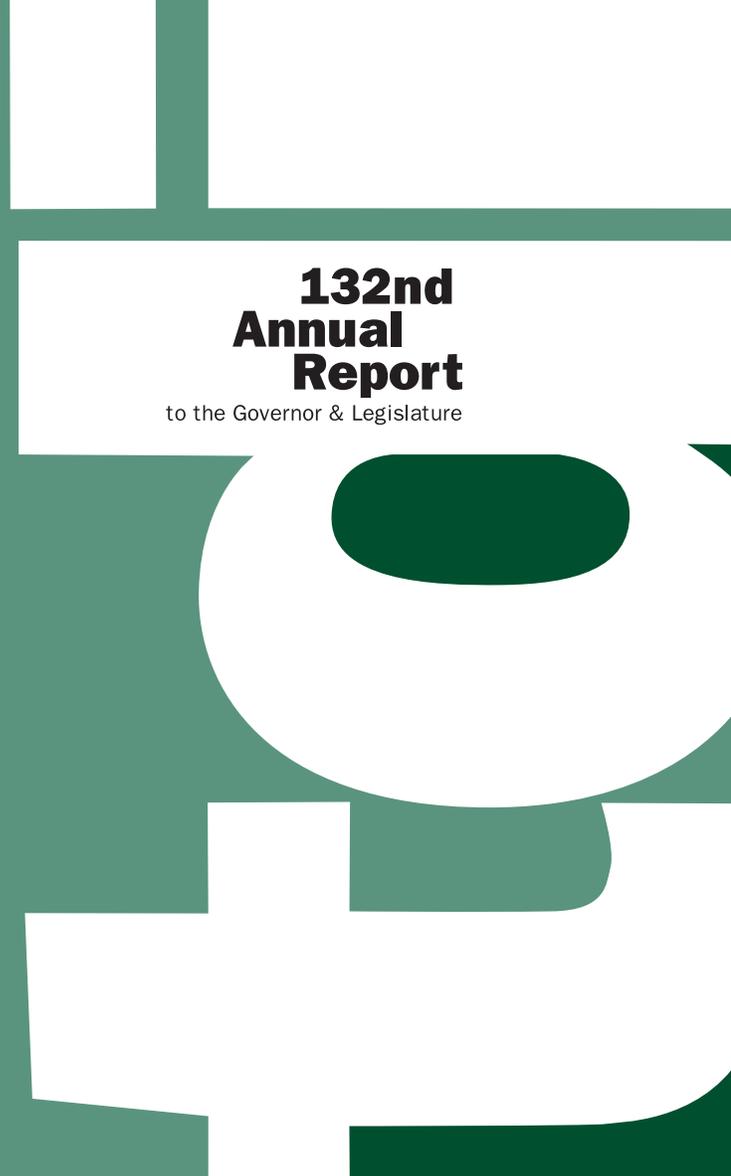
Copies of this report will be filed simultaneously with the State Auditor, Legislative Budget Board, Comptroller of Public Accounts, Legislative Reference Library and State Library. Copies of this report will be provided to insurance commissioners in other states, as well as selected members of the Texas Legislature or upon request. This report is also available on TDI's Web site at <http://www.tdi.state.tx.us/commish/reports/annual01.html>

As in 2006, TDI's *Annual Financial Report*—formerly published as Part V of the agency's Annual Report—is published under separate cover for Fiscal Year 2007.

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

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

Mike Geeslin, *Commissioner of Insurance*



**132nd
Annual
Report**

to the Governor & Legislature

**For Fiscal Year 2007
ending August 31, 2007**

Mike Geeslin,
Commissioner of Insurance

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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 regulates the marketplace firmly and fairly by enforcing and implementing the law. TDI strives to enhance internal and external communication for efficient and effective regulation and to promote outreach to educate the public.

Agency Regulatory Approach

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

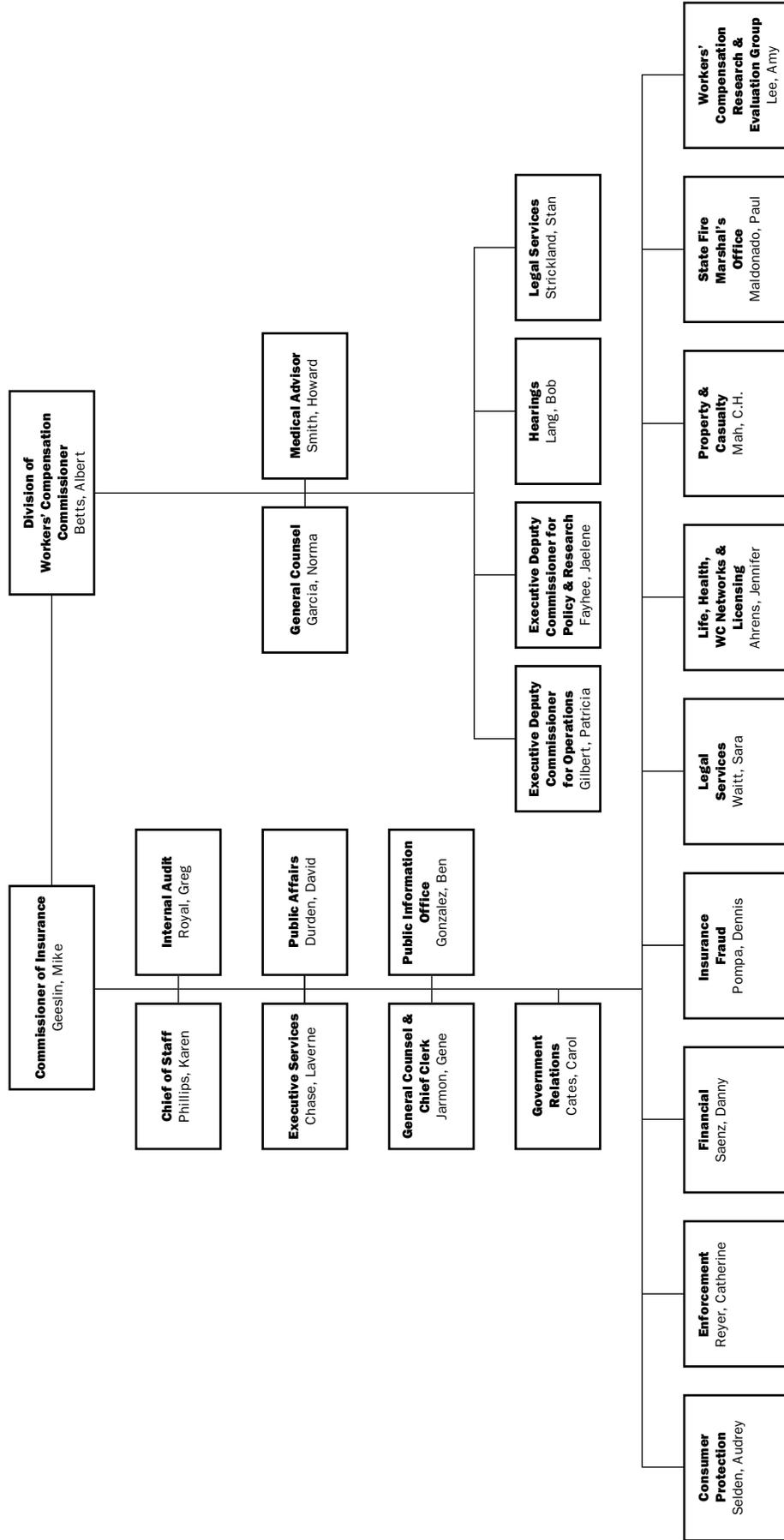
- providing the best value in services to the people of Texas
- applying the law and the agency policy fairly and consistently throughout the state, and
- communicating openly and providing timely and accurate information to the public we serve, and to all our fellow employees.

Explanatory Note

References to statutes and insurance-related legislation: Unless otherwise noted, statutory references, including citations of articles, refer to the *Texas Insurance Code*. SB refers to a Senate bill and HB refers to a House bill. Bill references are to those enacted by the 80th Texas Legislature (2007) unless otherwise indicated.

Agency Organization Chart

August 31, 2007



Part I Report of Program Activities

This section of the Texas Department of Insurance's *132nd Annual Report* gives a brief summary of major activity of agency programs and divisions during Fiscal Year 2007. This report reflects the agency structure as it existed on August 31, 2007.

issued by the

Texas Department of Insurance

Preface

WORKERS' COMPENSATION CONTINUED TO BE A MAJOR FOCUS of agency activities in Fiscal Year 2007 as TDI entered its second year of implementing the sweeping reforms of House Bill 7 from the 79th Legislative session. Also for the second year in a row, the State of Texas benefited from a relatively quiet storm season, though consumer assistance teams were dispatched to parts of north and west Texas that experienced sporadic tornado and hail activity.

Health Insurance

Insurance bills passed by the 80th Texas Legislature focused mainly on the area of health insurance. New initiatives included a pilot project for Health Benefit Plan identification cards ("SMART Cards"), enhanced dissemination of health insurance information on the web in guide format, notification of potential balance billing from out-of-network providers, and inclusion of workers' compensation Third Party Administrators (TPAs) under TDI's regulatory authority, among other health-related bills.

Homeowners

The overall homeowners insurance market in Texas in FY 2007 was stable, with a competitive marketplace and solid availability across most of the state. However, hurricane activity in 2005 continues to have repercussions on the Texas insurance market in coastal areas. Rising reinsurance costs, readjustments to catastrophe models, and reevaluation of coastal exposure have had an impact on both pricing and availability. Some voluntary market insurers chose to limit their exposure along the coast, shifting more consumers to the Texas Windstorm Insurance Association (TWIA). Other insurers addressed their exposure to windstorm events by increasing rates and requiring higher deductibles.

Workers' Compensation

TDI's Division of Workers' Compensation continued to implement 2005 legislative reforms in FY 2007. Commissioner Albert Betts adopted new standards for non-network health care and return-to-work outcomes in the workers' compensation system. A new business model was put in place to target workplace safety training provided by DWC to the industries with the highest incidence of work-related injuries. DWC also modified all forms to allow users to save their work electronically. The geographic area of the state covered by workers' compensation health care networks continued to grow as 20 networks were certified and 45 service area expansions were approved, resulting in a total of 29 networks by end of FY 2007. Outreach efforts to inform and train stakeholders were conducted statewide.

Auto

TDI, serving as lead agency in a joint project with the Texas Department of Public Safety (DPS), the Texas Department of Transportation (TxDOT), and the Texas Department of Information Resources (DIR), contracted with HDI Solutions, Inc. to implement a motor vehicle financial responsibility verification program. The verification program, which will enable law enforcement officers to quickly and accurately verify a driver's required auto insurance coverage, was mandated by SB 1670 in the 79th Texas Legislature (2005). Testing of the program began during the Summer 2007 with implementation by law enforcement scheduled for early 2008.

Sunset Review

TDI is scheduled for Sunset review by the 81st Texas Legislature, and the agency began information-gathering activities in early 2007. TDI's Self-Evaluation Report, incorporating input from workgroup discussions and an online employee survey, was submitted to the Sunset Advisory Committee in August 2007. In FY 2008, Sunset Advisory Commission Staff will evaluate TDI and issue a report recommending solutions to any issues identified. The Sunset Commission will then hear public testimony and adopt recommendations for the Legislature to consider when it convenes in January 2009.

Commissioner's Office

THE COMMISSIONER OF INSURANCE, appointed by the Governor with the advice and consent of the Senate, is the agency's chief executive and administrative officer.

As the agency's chief administrator, the Commissioner oversees agency regulatory functions, establishes agency operating procedures and enforces state insurance laws. Enforcement includes disciplinary and legal actions against violators.

As part of his regulatory duties, the Commissioner issues presumptive rates for credit life and credit disability insurance. He also reviews and regulates all residential property rates and can order reductions when appropriate. The Commissioner also promulgates rates for title insurance and Texas Automobile Insurance Plan Association (TAIPA) coverages. The Texas Windstorm Insurance Association (TWIA) must submit its proposed rates for the Commissioner's approval.

The Commissioner reviews rates submitted to TDI under "file-and-use" provisions for such lines as boiler and machinery, business owners, commercial multi-peril, credit and involuntary unemployment, crime, fire and allied lines, commercial general liability, glass, miscellaneous liability, mortgage guaranty, medical malpractice, other professional liability and commercial umbrella.

The Commissioner adopts rules, implements new laws and addresses problems in regulating companies and agents. In addition, the Commissioner appoints individuals to advisory boards and committees and oversees their operation.

In FY 2007, the Commissioner's Office included the Chief of Staff and six activities.

Chief of Staff oversees the Administrative Operations Division, which includes the agency's financial services, information technology services, human resources, purchasing and contract administration and staff services. The Chief of Staff also coordinates executive communications and assists the agency ombudsman and ethics advisor in matters not requiring the Commissioner's action.

General Counsel/Chief Clerk serves as the Commissioner's legal adviser on both contested and non-contested cases and assists in developing rules, setting rates and handling various appeals to the Commissioner, including appeals from decisions of Boards and Associations supervised by the Commissioner. In addition, the office coordinates matters involving contested case proceedings including, coordinating hearing notices, scheduling of hearings with the State Office of Administrative Hearings (SOAH), along with providing a required court reporter, policy issues, and rule-making; performs legal research; certifies rules for the agency; approves all bulletins issued by the agency and the Commissioner; and maintains records of proceedings involving the Commissioner and Commissioner actions.

Executive Services provides executive support services to the Commissioner and staff.

Internal Audit supports the agency's overall mission by providing independent, objective assurance and consulting activities designed to add value and improve the agency's operations. Internal Audit helps the agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Government Relations serves as TDI's liaison with the Legislature and other governmental entities. Major responsibilities include helping the Commissioner develop legislative recommendations for improving insurance regulation in Texas; reporting information regarding TDI activities and the insurance market to the Legislature; coordinating and tracking agency-wide responses to legislative and constituent inquiries, including responding to inquiries related to workers' compensation or coordinating responses with the Division of Workers' Compensation; monitoring and analyzing legislation affecting the agency; updating agency staff on the status of legislation; coordinating the appearance of agency staff for testimony before various legislative committees; overseeing implementation of legislation; compiling and indexing all insurance and agency-related

legislation for inclusion on TDI's website; distributing requested information to legislators, committees and other governmental entities; and researching and reviewing possible appointments to various boards and committees required to assist the Department with on-going monitoring of such appointments.

Workers' Compensation Research and Evaluation Group (Research Group) conducts research projects on system-wide issues such as medical costs and utilization and care trends in Texas, return-to-work outcomes for injured Texas workers and employer participation in the Texas workers' compensation system. The Research Group also presents findings and provides testimony for various legislative committees and produces an annual report card for certified workers' compensation health care networks and political subdivisions. This group was made a stand-alone division in August 2006, reporting directly to the Commissioner.

Public Information Office serves as the agency's primary contact with the news media. The office also responds to information requests from consumers, the insurance industry and other regulators and government agencies. Major communication responsibilities include:

- Researching, writing, editing and distributing news releases announcing agency actions; conducting and coordinating interviews with the news media; assisting the Commissioner in drafting articles and consumer columns for various publications; and responding to information requests from the media.
- Managing content of TDI's websites, with assistance from Information Services and other divisions.
- Coordinating electronic mail among TDI, other state insurance departments and the National Association of Insurance Commissioners (NAIC), and coordinating general information e-mails via TDI's website.
- Coordinating the writing and editing of the Annual Report to the Governor and Legislature.
- Writing and editing the agency's regulatory newsletter (TDInSight).
- Designing, illustrating and producing agency publications and related print materials.
- Writing and overseeing production of radio and television public service announcements and advising agency programs on public awareness campaigns.
- Producing the agency's Bulletin Board@TDINet, an in-house electronic bulletin board for TDI information.
- Preparing information and fact sheets for speeches and helping edit various agency reports and documents.

Highlights

In Fiscal Year 2007, the Commissioner's Office:

General Counsel/Chief Clerk

- Reviewed, briefed and advised the Commissioner of Insurance on 90 contested cases heard by SOAH, and 25 hearings and public meetings conducted by the Commissioner. Also reviewed, briefed and advised the Commissioner on other rate matters including title insurance, the TWIA interim filing requesting modification of the annual commercial rate filing, and TWIA manual rates.
- Briefed and advised the Commissioner on 13 appeals of TWIA decisions.
- Provided legal and technical review in connection with the adoption of seven new Texas Administrative Code (TAC) rules, the repeal of six TAC rules, and the amendment of 14 TAC rules. Two proposed TAC rules were pending at the end of FY 2007.
- Provided legal and technical review in connection with the adoption of 14 manual rule proposals under Articles 5.96, 21.49-1 and 21.81 of the Texas Insurance Code. One proposal to adopt new or amended manual rules was pending at the end of FY 2007.
- Reviewed and advised the Commissioner regarding orders in connection with agents and insurers, including 204 consent orders, 95 default orders, 49 contested, and four Cease and Desist orders; also reviewed and advised the Commissioner on 25 appointment or reappointment orders, three TDI Activity orders (approval of TDI Manuals), and nine Rate Matter orders.
- Continued work on streamlining the agency's internal rulemaking process.
- Continued work on updating and revising portions of TDI's database of Commissioner orders and bulletins. The database now includes 44 years of orders by insurance commissioners and the former State Board of Insurance.
- Maintained the Commissioner's agendas, bulletins, TAC and manual rules posted on the agency website.
- Approved and processed 48 Commissioner's bulletins.

- Maintained and prepared for archiving all contested-case hearing files (Official Administrative Record) and all other administrative hearing files of the Commissioner of Insurance or his delegate, as well as assisted the Office of the Attorney General in related appeals filed with the District Court.
- Briefed and advised the Commissioner and TDI staff in hearings concerning rules and other regulatory matters.

Executive Services

- Assisted the Commissioner and staff in responding to all inquiries directed to the Commissioner of Insurance.
- Coordinated the activities of the Commissioner and agency staff as directed by the Commissioner.

Internal Audit

- Conducted eight financial/performance related audits. In addition, five other financial/performance-related audits were ongoing at fiscal year-end.
- Conducted one information system/telecommunication audit; with fieldwork completed on one additional Information Technology audit at fiscal year-end. Conducted one monitoring project related to agency-wide internet usage.
- Conducted two investigations as authorized under Section 2102.003 (3) (E) of the Government Code. In addition, one investigation project was in progress at fiscal year-end.
- Served as TDI's liaison to external auditors on three State Auditor's Office (SAO) projects that were completed by fiscal year-end; and one SAO project that was in-progress at fiscal year-end. In addition, Internal Audit served as TDI's liaison on two Comptroller audits in progress at fiscal year-end.
- The Internal Audit Director serves on TDI's Fraud Panel, which receives and determines appropriate handling of internal fraud-related allegations.
- Conducted two advisory projects resulting in final reports to the Commissioner and agency management.
- Served in an advisory/monitoring role on twelve agency-wide project committees/teams.

Government Relations

- Assisted the Commissioner in developing legislative recommendations for improving insurance regulation in Texas and reporting information regarding emerging issues in the insurance market to the Legislature in the "Biennial Report of the Texas Department of Insurance to the 80th Legislature," dated December 2006.
- Tracked 958 bills during the 80th Legislature, of which 187 passed and were sent to the Governor.
- Coordinated implementation activities of the 187 insurance-related bills passed during the 80th Legislative Session (2007), which resulted in approximately 307 implementation items for TDI.
- Published bill implementation information on the agency's website.
- Worked with bill authors and sponsors of legislation and kept them advised of implementation developments.
- Monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner of Insurance.
- Coordinated and prepared presentations by the Commissioner or TDI staff for interim legislative committees charged with studying insurance-related issues.
- Continued to maintain a consumer liaison for insurance inquiries.
- Assisted TDI staff with appointment of members to advisory committees and boards, including the establishment of the Technical Advisory Committee on Electronic Data Exchange pursuant to House Bill (HB) 522 and the establishment of an advisory committee on consumer access to health care information as required by Senate Bill (SB) 1731, and in cooperation with the Department of Health Services, a Bleeding Disorder Advisory Committee pursuant to SB 1566 (80th Legislative Session).
- Monitored the continuing implementation of SB 1670, 79th Legislature, Regular Session, among various implementing agencies and working group members. SB 1670 added Subchapter N to Chapter 601 of the Transportation Code, which requires TDI, in consultation with the Texas Department of Public Safety (DPS), the Texas Department of Transportation (TxDOT), and the Texas Department of Information Resources (DIR) to establish a program for verification of whether owners of motor vehicles have established financial responsibility.

- Assisted staff of TDI and TDI's Division of Workers' Compensation with continuing implementation of HB 7, 79th Legislature, Regular Session, with special focus on administrative consolidation, rule development, and coordination of ongoing transition decisions.
- Provided and coordinated staff support to transition the Government Relations Office within the Division of Workers' Compensation from the Metro location to the Hobby location.

Workers' Compensation Research and Evaluation Group

- Completed 11 research projects.
- Provided expert testimony at 7 legislative hearings.
- Assisted the Health and Workers' Compensation Network Certification and Quality Assurance Division with its outreach efforts to educate Texas employers on network issues.
- Measured the participation of employers and injured workers in workers' compensation networks.
- Assisted the Division of Workers' Compensation with the review of proposed rules; monitoring and validation of the Division's data collection activities; and assistance with the compilation of data for the Division's doctor monitoring activities and pharmacy formulary development.

Public Information Office

- Published six bimonthly issues of TDInSight in FY 2007. TDInSight provides industry stakeholders and policymakers with timely information on key issues and regulatory actions, in a readable, visually interesting format.
- Produced four quarterly issues of the employee newsletter Bulletin Board as an electronic publication on the TDI intranet.
- Wrote and coordinated dissemination of 39 press releases to statewide Texas media in FY 2007, including 8 releases regarding storm and severe weather preparation and assistance.
- Provided presentation assistance for the Commissioner at 24 events statewide during the fiscal year.
- Responded to 431 media calls and interview requests.
- Participated in Health Coverage Awareness and Education Task Force and Financial Responsibility Verification Program (FRVP) Awareness Campaign team along with PIO representatives from DPS, TxDOT, and DIR.
- Continued to provide daily news clipping service, monitoring all major Texas newspapers for insurance-related news.
- Provided live and archived Internet audio of public hearings.
- Created an automated eNews Update service that allows customers to sign up for regular email updates concerning new Web content, ranging from the latest licensing news for agents to new rules for workers' compensation health care networks.
- Worked with the Texas Health Care Policy Council to design and create a special section of TexasHealthOptions.com featuring price and quality information on doctors, hospitals, long-term care and other health care plans.
- Created a number of new automated Website features, including automated news, calendar and "what's new" listings for use by the agency and Website visitors.
- Reorganized TDI's Intranet for employees, creating a new menu system and a more unified appearance.
- Worked with Web Team members throughout the agency to update and reduce Website clutter and reorganize Website structure as part of an ongoing effort to improve search results for our Web customers.
- Worked to create the agency's first Web Retention Schedule to guide the agency staff in deciding when Web content needs to be archived or deleted. The schedule is now under review.

Figure 1 Summary of Activity: Commissioner's Office

	FY 2005	FY 2006	FY 2007
Commissioner's Hearings/Meetings	20	31	25
Commissioner's Orders*	1,187	1,319	1,225

* Commissioner's Orders in FY 2006 included 324 disciplinary orders (including contested, consent, Cease & Desist and default orders), 27 TAC rules, 12 Manual orders, 733 company activities orders, 48 orders for temporary acting commissioner, 7 delegation orders for routine actions, 3 TDI Activity actions, 25 Appointment or Reappointment orders, and 46 other orders regarding rate filings, disapproval of rates, motions for rehearing, supervision and other matters regarding TWIA appeals.

Figure 2 Commissioner's Contested Cases by Type

	FY 2005	FY 2006	FY 2007
Total Hearings Conducted for Commissioner*	40	53	90
Disciplinary†	28	27	55
License Applications	9	13	19
Appeals/Other‡	3	13	16

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

† Includes State Fire Marshal Office

‡ Appeals/Other includes appeals of actions taken by the Texas Windstorm Insurance Association (TWIA) and the Texas FAIR Plan Association (TFPA).

Figure 3 Summary of Activity: Workers' Compensation Research Group

	FY 2006	FY 2007
Number of legislative hearings attended/provided testimony	2	7
Number of legislative/public information requests completed	435	231
Number of analyses completed	14	11

Legal Services

EFFECTIVE AUGUST 1, 2006, Legal and Compliance split into two divisions, Legal Services and Enforcement. Even though the organizational changes were effective August 1, 2006, changes reflecting measures did not become effective until September 1, 2006.

- The Enforcement section became a separate division and reports directly to the Commissioner.
- Compliance Intake Unit (CIU) became part of the Enforcement Division.
- Property & Casualty Counsel and Life, Health, & Licensing Counsel combined into one section, Policy Development Counsel section of Legal Services.

Legal Services counsels the agency on all matters, including operations, personnel, contracts, open records, and policymaking. The program interprets statutes; drafts rules, opinions, and bulletins; and assists the Financial Program with financial and receivership matters.

Legal Services has three sections, Agency Counsel, Financial Counsel, and Policy Development Counsel. The major activities of each section follow.

Agency Counsel provides legal services to the Commissioner of Insurance, the Commissioner of Workers' Compensation, and agency staff. These services include:

- advising the agency on applicable state and federal employment laws
- drafting bid documents and monitoring agency contracts
- overseeing the agency's open records process
- drafting rules for the Administrative Operations Division
- reviewing and revising TDI's policies and procedures manuals.

Financial Counsel provides legal services to the Financial Program and other agency programs. The section generally works on specific company transactions or problems. Services include:

- interpreting statutes, rules, and case law
- drafting and reviewing orders and rules
- assisting in the establishment of tax rates
- advising on company financial examination issues, administrative appeals, and other issues related to oversight of financially troubled companies
- drafting receivership pleadings and coordinating with the Office of the Texas Attorney General (OAG)
- representing the receiver before the district court-appointed receivership special master

Policy Development Counsel provides legal services to TDI's Life, Health, and Licensing; Property and Casualty; and Consumer Protection programs and to the Division of Workers' Compensation. The section assists in setting policy for all licensees, rather than specific companies. Assistance provided includes:

- interpreting statutes, rules, and case law
- drafting rules, bulletins, and potential legislation
- issuing legal opinions
- reviewing agency publications for legal accuracy
- commenting on insurance-related bills proposed by the Legislature.

General Management is the agency's liaison to the National Association of Insurance Commissioners. This function involves coordinating coverage of various committee meetings and communicating the agency's position on issues.

Highlights

In Fiscal Year 2007, Legal Services:

- Provided substantial legal support for several major rules adopted during the year as well as provided support for implementation of bills from the 79th Legislative Session, including the following:
 - SB 1670, enacted by the 79th Legislature Regular Session, amended the Transportation Code to provide for the creation of a motor vehicle financial responsibility verification program. The bill requires TDI, in consultation with the DPS, the TxDOT, and the DIR, to establish a program for verification of whether owners of motor vehicles have established financial responsibility and to jointly adopt rules. The Commissioner adopted rules (28 TAC §§5.601 – 5.611) to specify program requirements, procedures, duties, and obligations for insurers writing personal automobile insurance policies that establish financial responsibility as required by the SB 1670.
 - The Commissioner adopted rules (28 TAC §§1.501, 1.503 – 1.509) concerning the effect of criminal conduct on licenses. The rules address who is subject to the Department's rules regarding the consequences of prior criminal conduct and fraudulent and dishonest activity and establishes a requirement and procedure for obtaining an individual's criminal history information by using the individual's fingerprints. The rules identify those individuals regulated by the Department who are subject to state laws and the Department's rules regarding the consequences of prior criminal conduct and fraudulent and dishonest activity and establish requirements and procedures for obtaining an individual's criminal history information by using the individual's fingerprints.
 - SB 155, enacted by the 79th Legislature Regular Session, amended the Insurance Code to establish a quality assurance accreditation process for certain health benefit plan issuers. The bill provides that an issuer with nonconditional accreditation by a national accreditation organization is presumed to be in compliance with state statutory and regulatory requirements relating to health plans if the organization's requirements are at least as stringent as the state's requirements. The Commissioner adopted rules (28 TAC §§21.4101 – 21.4106) to provide standards for the appropriate recognition of accreditation by national accreditation organizations that accredit health benefit plan issuers. The standards will facilitate increased affordability of health benefit plan coverage for consumers and eliminate duplication of effort by both health benefit plan issuers and state agencies.
 - SB 261, enacted by the 79th Legislature Regular Session, amended the Insurance Code to require the Department to develop a Health Coverage Awareness and Education Program to disseminate pertinent information to the public about health coverage options, including health savings accounts and compatible high deductible health benefit plans, and authorizes the Department to accept donations for this purpose. The Commissioner adopted rules (28 TAC §§3.9301 – 3.9306) concerning the acceptance donations by TDI for assistance in the funding of the Health Coverage Awareness and Education Program.
- Responded to 13,829 open records requests within statutory deadlines and with a high degree of customer satisfaction.
- Referred 152 requests for public information to the Attorney General for opinions.
- Provided substantial legal support for the Financial Program's review and analysis of a complicated affiliated transaction resulting in the conversion of an insurance exchange into a stock company owned by the attorney-in-fact.
- Provided substantial legal support for the Financial Program's role in regulating the solvency of self-insurance groups.

Figure 4 Summary of Activity: Legal Services

	FY 2006	FY 2007
Cases received	280	254
Cases closed	307	251
Open records requests received	5,361	13,829
Open records requests completed	5,382	13,658
AG referrals for opinions	142	152

Enforcement

ENFORCEMENT INVESTIGATES ALLEGATIONS OF ILLEGAL ACTIVITIES by insurance agents, insurance companies, HMOs, and other licensed entities and brings disciplinary actions that may result in:

- cease-and-desist orders
- license denials
- license revocations and suspensions
- monitored agent probations
- administrative penalties
- restitution

Enforcement refers cases to the Fraud Unit for criminal prosecution and assists appropriate prosecutors in criminal prosecutions. Enforcement works with the Office of the Attorney General (OAG) on appeals of disciplinary actions and on enforcement actions conducted by the OAG's Consumer Protection Division.

Enforcement's Compliance Intake Unit provides data and file management and public assistance telephone support to the program. The section also is responsible for analyzing and referring complaints and reports to the appropriate areas within TDI.

Highlights

In Fiscal Year 2007, Enforcement:

- Ordered \$98,266,379.60 in restitution for consumers and assessed \$7,011,058.61 in administrative penalties, fines and forfeitures. Details regarding specific cases included:
 - James Pratt was ordered to pay restitution totaling \$2,553,622.44 for misrepresentation and unauthorized acts if no order is entered by a US district court or as agreed to between Pratt and the SEC and/or the SEC receiver, with credit for \$791,128.06 already seized by the receiver within one year of the date of the Commissioner's order.
 - Universal Underwriters self-reported a discrepancy between their filed rates and the rates they were charging policyholders. The Commissioner issued a Consent Order resulting in almost \$20,000,000 in restitution to policy holders, including interest on the overcharged premiums.
 - An order was issued in June 2007 for \$3,500,000 in administrative penalties to be assessed jointly and severally against Richard Stell, Stellar Administration, Inc., Robert Glenn Miller, Contractor's Advantage, Inc., and Contractor's Consortium L.L.C.
 - Don Smith, in connection with his agency, M&D Bonding, misappropriated over \$124,000 in bond premiums due to a licensed Texas insurer. Smith's license was revoked and he was ordered to pay restitution to the victims of the misappropriation.
 - Plan Compliance's Third Party Administrator Certificate of Authority was revoked, a \$250,000 administrative penalty was imposed and full restitution was ordered to Friendswood Independent School District, Plano Independent School District, and Socorro Independent School District due to misappropriation of 401K funds.
 - North Carolina Mutual Life Insurance Company was ordered to pay \$150,000 in administrative penalties due to engaging in numerous prompt payment/clean claims violations.
 - Kemper Lloyds improperly surcharged homeowners insurance policyholders for claims and was ordered to refund over \$1.3 million plus interest.
 - Emergency cease & desist order was issued on National Foundation of America (NFOA) for soliciting, marketing, selling, administering, executing and issuing tax deductive annuities and charitable remainder trusts to elderly Texas residents without a license or authority to act as an insurer or charitable organization as required by statute.

- Emergency cease & desist order was issued against unauthorized insurer, Provident Capital Indemnity, Ltd., Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica for selling fake bonds with a face value of \$60,250,000.
- Emergency cease & desist order was issued against an unauthorized amusement ride insurer.
- In December 2006, Enforcement staff were appointed to a NAIC Multi-State Executive Committee Working Group to address the sale of inappropriate life insurance military personnel. Texas and Georgia co-chair the Military Sales Working Group which is charged with the NAIC's compliance with the Military Personnel Financial Services Protection Act (Public Law 109-290) signed into law on September 29, 2006.
 - The Working Group, after consultation with the Secretary of Defense, conducted a study and submitted a report to the Senate Banking and House Financial Services Committees on March 28, 2007, on ways of improving the quality and sale of life insurance products sold to U.S. military installations.
 - The Working Group drafted the NAIC Military Sales Practices Model Regulation which was unanimously adopted by the NAIC Executive Committee on June 4, 2007. Texas adopted the Model Regulation on August 15, 2007 to be effective January 1, 2008. Approximately 32 states have, or are in the process of adopting the Model Regulation.
 - The Working Group continues to work on a second Report to Congress due September 29, 2007, and on investigations of other insurers in the military market.

Figure 5 Summary of Activity

	FY 2003	FY 2004	FY 2005	FY 2006	**FY 2007
Cases received	1,121	1,007	1,001	1,239	814
Cases closed	958	999	1,111	1,119	819
License revocations	60	95	88	89	90
License denials	27	43	32	26	24
License suspensions/ suspensions of writing*	15	32	20	19	41
Cease and desist orders	8	8	19	16	14
Monetary forfeitures/ restitution orders†	292	251	281	248	285
Forfeitures/assessments /Restitution	\$32,599,248	\$36,421,894	\$30,452,285	\$25,393,582	\$34,647,832.22

* This includes actions against financially hazardous companies under Article 1.32, Texas Insurance Code and license suspensions with probation.

† This number includes Commissioner and State Fire Marshal orders.

** The decrease in the number of cases received and closed in FY 2007 is due to the split of the TDI-Legal and Compliance Division that became effective September 1, 2006.

Insurance Fraud Unit

THE INSURANCE FRAUD UNIT protects the public from economic harm by investigating allegations of criminal insurance fraud. The unit's responsibilities include receiving and reviewing reports of fraud, initiating inquiries, and conducting investigations when TDI has reason to suspect insurance fraud (Texas Insurance Code Chapter 701). In addition, the unit actively seeks criminal indictments, makes arrests, and assists in prosecutions to deter insurance fraud in Texas.

The Fraud Unit receives reports of suspected insurance fraud from insurers and the public. The unit maintains a toll-free Insurance Fraud Hotline and an online fraud reporting system on the TDI website. Investigations may occur inside or outside of Texas and typically involve one of the following types of fraud:

- claim fraud committed against an insurer
- fraud by licensees against their company or the public
- insurance application fraud
- unauthorized business of insurance, including operating without proper authority or the sale of fraudulent insurance products, or
- workers' compensation fraud.

The Fraud Unit reports to the Commissioner of Insurance annually on fraud trends and investigations involving substantial financial losses to consumers or insurance entities.

The Fraud Unit is comprised of three investigative sections with commissioned peace officers and civilian investigators, an administrative section and an intake section. Unit Management includes the Associate Commissioner and Chief Investigator and Fraud Counsel. By statute, the Chief Investigator supervises and directs all peace officers and coordinates and oversees all investigations conducted by the Fraud Unit. Each investigative section is staffed with a supervisor who assists investigators in developing cases for referral.

Additionally, the Fraud Unit has two attorneys on staff, the Fraud Counsel and the Special Prosecutor. The Fraud Counsel provides legal advice and investigative support to the unit and may serve as a special prosecutor to prosecute fraud in Texas counties. The Special Prosecutor, through a cooperative agreement with the Dallas County District Attorney's Office, is appointed as an assistant district attorney to prosecute cases referred by the Fraud Unit.

The Insurer Fraud Section investigates fraud schemes involving insurance companies, agents and other TDI licensees (including third party administrators, escrow and title insurance companies and agents), and eligible surplus lines insurers, as well as fraud schemes involving unlicensed insurance operations. Among these are entities falsely claiming exemption from regulation under the Federal Employee Retirement and Security Income Act (ERISA), including unlicensed Multiple Employer Welfare Associations (MEWAs). Investigators within the Insurer Fraud Section are also tasked with the responsibility for conducting investigations of major fraud allegations involving complex transactions and/or significant losses.

The Claimant and Provider Fraud Section investigates various claim fraud schemes, such as inflated claims, false claims for property loss, staged accident rings, fake burglary claims, staged slip-and-fall cases, and other suspicious liability insurance claims. Investigators also examine reports of fraudulent billing by health care providers, as well as reports of unlicensed providers and fraud rings involving health insurance claimants, providers and attorneys.

Fraudulent billing may include instances of over-billing, double billing, and billing for procedures not performed. Investigators within the Claimant and Provider Fraud Section are also tasked with the responsibility for conducting investigations of major fraud allegations involving complex transactions and/or significant losses.

The Workers' Compensation Fraud Section investigates reports of suspected workers' compensation fraud involving claimants, providers and employers. Workers' compensation insurance fraud

schemes may include a claimant receiving benefits while working at another full time job, malingering, or may include a provider over-billing for services or billing for treatments never rendered. It may also include an employer who misrepresents payroll or employee classifications in the procurement of workers' compensation insurance.

Fraud Unit History

The 72nd Texas Legislature created the Insurance Fraud Unit in 1991. The Fraud Unit became active in January 1992. In 1995 the 74th Legislature made significant changes to TDI's fraud enforcement authority when it authorized the Commissioner of Insurance to commission eligible fraud investigators as peace officers.

The Texas Commission on Law Enforcement, Officer Standards and Education licensed the Fraud Unit as a law enforcement agency, effective September 1, 1995. Law enforcement agency status, with commissioned peace officers, enhances TDI's anti-fraud efforts by giving the agency:

- access to law enforcement intelligence, including national and regional crime databases, that only peace officers may legally receive;
- authority to make arrests and execute search warrants; and
- authority to take cases to grand juries and request and serve grand jury subpoenas.

On a national level, the Fraud Unit works with the Coalition Against Insurance Fraud, the National Insurance Crime Bureau, the National Association of Insurance Commissioners (NAIC), the National Health Care Anti-Fraud Association, the National White Collar Crime Center (NWCCC), and Regional Organized Crime Information Center (ROCIC). It also works with federal law enforcement agencies such as the FBI, IRS, U.S. Postal Service, and U.S. Attorneys.

Starting in 1997, the Fraud Unit began coordinating and conducting insurance fraud training to law enforcement, the insurance industry, and agency staff through an annual conference.

In 2005, the Fraud Unit instituted an outreach initiative to all law enforcement agencies in Texas, including prosecutors. The initiative includes training and investigative assistance on insurance fraud.

On March 1, 2006, the Commissioner for the Division of Workers' Compensation delegated the responsibility for investigating suspected fraudulent workers' compensation acts to the Fraud Unit.

Highlights

In Fiscal Year 2007, the Insurance Fraud Unit:

- Renewed a memorandum of agreement with the Dallas County District Attorney's Office to continue the insurance fraud prosecutor initiative.
- Received and analyzed 9,922 suspected insurance fraud reports.
- Through enhanced relationships with statewide prosecutors, in addition to the efforts of the TDI Fraud Prosecutor, realized 81 convictions for insurance fraud with restitution, fines, and penalties ordered in excess of \$13.4 million.
- Hosted the 9th Annual Fraud Conference in January 2007 with 298 fraud investigators from state government, law enforcement and the insurance industry in attendance.
- Made 15 public presentations on insurance fraud.
- Fraud Unit investigators made over 200 liaison contacts with law enforcement throughout the state.
- Participated in statewide task forces in several metropolitan areas.
- Participated in the Texas Committee on Insurance Fraud to address insurance fraud on a united front with industry, law enforcement, other state agencies, legislators and citizen advocate groups.
- Continued to respond to Governor Perry's Executive Order RP 36, relating to preventing, detecting and eliminating fraud, waste and abuse.
- Maintained a toll-free hotline for persons to report suspected insurance fraud.
- Provided assistance to the agency by utilizing the Fraud Unit's duty officer and toll free hotline for the purpose of responding to reports of fraud, waste and abuse at TDI.
- All Fraud Unit attorneys and peace officers completed their legislatively mandated training requirements.
- Developed requirements for the procurement of a new investigative case management system.

Figure 6 Summary of Activity: Insurance Fraud Unit

	FY 2006	FY 2007
Reports of Fraud	9,712	9,922
Cases Opened	448	400
Cases Referred to Prosecutors	182	188
Indictments	114	110
Arrests By Fraud Unit Peace Officers*	8	4
Convictions	98	81
Assessments (Fines & Penalties)/Restitution	\$4,366,275	\$13,458,201

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

Financial

THE FINANCIAL PROGRAM is the primary solvency guardian of the Texas insurance industry. The Program enforces solvency standards for insurance companies and related entities from their initial formation and licensure through subsequent surveillance activities to implementing regulatory interventions when appropriate. Financial's goal is to protect consumers by detecting financial or hazardous concerns and taking action promptly to mitigate problems caused by troubled insurers and/or prevent carrier insolvencies. Financial seeks to rehabilitate companies that fall short of solvency standards, and through a court-sanctioned receivership process, liquidate the few companies that cannot be rehabilitated.

Financial monitors the solvency and market conduct of approximately 1,950 licensed risk-bearing insurance companies and related entities; this number exceeds 2,200 carriers when other entities with some form of registration/eligibility are included. Annual statements filed by insurers and HMOs for calendar year 2006 reflected \$87.3 billion in Texas premiums and \$61.9 billion in claim payments to Texas claimants. These companies reported aggregate assets of \$6.2 trillion, liabilities of \$5.4 trillion and capital and surplus of \$812.6 billion.

The Financial Program consists of the following divisions:

Company Licensing & Registration incorporates most domestic insurance companies, licenses both foreign and domestic companies, maintains company charter files, and processes certain transactions, such as mergers, withdrawals and dissolutions. The Division similarly processes licensing applications for HMOs and registers surplus lines insurers, risk retention and purchasing groups. Other functions include processing statutory deposits of licensed companies and certain agencies and maintaining TDI's database of licensed and registered companies.

Financial Analysis staff review annual and interim financial statements, CPA audits, examination reports, reinsurance arrangements and other documents to determine the financial condition of insurance companies, HMOs and other related entities. The Division also initiates recommendations for regulatory actions, such as supervisions and conservations, when appropriate. The Division reviews changes of control, mergers, affiliate agreements and holding company registration statements of companies domiciled, or commercially domiciled, in Texas. In addition, the Division reviews all applications for admission, service area expansions, and certain agreements of HMOs, as well as monitors the HMO industry in Texas.

Financial Examination staff perform statutory examinations of a variety of entities, including insurance carriers, HMOs, premium finance companies, managing general agents, Multiple Employer Welfare Associations (MEWAs), and workers' compensation self-insurance groups. Examinations occur at company locations primarily in Texas but also throughout the United States and may last from a few days to several months. The examination process evaluates a company's financial condition and compliance with statutory requirements, including treatment of policyholders. Examiners initiate referrals for regulatory action when serious violations and concerns relating to carrier solvency are uncovered through the examination process. Regional offices are maintained in Dallas, Houston, and San Antonio to hold down travel expenses and provide localized oversight of the examination process.

Actuarial Division staff perform actuarial examinations of insurance companies, HMOs and other entities. Actuarial examinations focus on the adequacy of a carrier's reserves that support policyholder obligations and are coordinated with the Examinations Division. Actuarial staff also review actuarial opinions, process Certificates of Valuations and provide actuarial analysis to other divisions as needed. While primarily providing input on solvency matters, the Division may also address issues relating to policy values, disclosures and consumer equity.

Rehabilitation and Liquidation Oversight Division staff administer three primary functions:

- 1 Implementing regulatory interventions of financially troubled insurers;
- 2 Overseeing the liquidation of the relatively few insurance companies that may not be rehabilitated because of the depth of their insolvencies; and,
- 3 Coordinating with the Texas guaranty associations to ensure that policyholder claims of impaired insurance companies are paid in an appropriate and fair manner.

Regulatory interventions include a wide-range of actions including the issuance of informal letters to formal actions including supervisions, conservations and receiverships. Typical objectives are to preserve company assets, determine the feasibility of rehabilitation and otherwise protect the interests of policyholders. The Division analyzes the financial condition of companies, checks internal controls and operating procedures, and assists in the preparation of rehabilitation plans. If a company can demonstrate a viable corrective action plan, the Division will monitor the company while its plan is implemented. If a company is unable to implement a viable plan, then the Division will either wind-down its operations or transition to a receivership proceeding, which may entail the company's liquidation.

The Division also oversees the performance of Special Deputy Receivers (SDRs), who are hired to represent the Commissioner as Receiver in court-sanctioned receivership proceedings. Receivership proceedings may entail either the rehabilitation or liquidation of an insurer. SDRs are selected through a competitive bidding process. The Division continuously supervises and evaluates SDR performance. A primary objective is to maximize the distribution of assets from a receivership estate to claimants in a fair and equitable manner.

The Division also monitors the operations of the Texas guaranty associations, with the objective of ensuring that the associations process insured claims of impaired companies in an appropriate manner. The guaranty associations obtain funding for the payment of insured claims from receivership assets and/or assessments levied on member insurers. The Texas Property and Casualty Insurance Guaranty Association made a \$50 million assessment to member insurers in CY 2006, and paid no refunds. The Texas Life, Accident, Health and Hospital Service Guaranty Association made no assessments or refunds to member insurers in CY 2006. The Title Insurance Guaranty Association made no assessments or refunds in CY 2006.

Highlights

In Fiscal Year 2007, the Financial Program:

General Management

- Implemented a new structure for the Financial Program to enhance the administration of its regulatory functions, which allows Division managers to focus on core-functions while maintaining direct lines of communication with Program management.
- Created a new Financial Analysis Division and separate Examinations Division.
- Created a Rehabilitation and Liquidation Oversight Division by combining the Conservation Division and Liquidation Oversight Division.
- Conducted preparations for the Sunset Advisory Committee review scheduled in FY 2008.

Company Licensing

- Obtained input from industry/stakeholders and improved "how to" instructions on its website for effective up-front communications with customers.
- Adopted guidance relating to conversion of a reciprocal exchange to a stock company.

Financial Analysis

- Reviewed and approved \$9.7 billion of mergers and acquisitions of Texas insurers.
- Implemented a voluntary electronic filing program for company submissions of holding company statements.
- Launched a web-based survey designed to gauge company satisfaction with the processing of holding company transactions.

Financial Examinations

- Participated in multi-state examination of two insurance carriers writing primarily long term care insurance that generated consumer complaints and other concerns.
- Implemented a market analysis program to identify general market disruptions and market conduct problems in order to mitigate harm to consumers.

Actuarial

- Participated in examinations of several large domestic insurers that were based on the new risk-focused examination approach being implemented by Texas and other states.
- Participated in efforts to develop a principles-based reserving approach for annuity and life products. This approach is expected to eliminate redundant reserves and benefit consumers through greater availability and lower costs. Efforts included chairing the American Academy of Actuaries' development of the valuation manual that provides principles-based reserve requirements on a nation-wide basis.
- Implemented new rules for the use of preferred mortality tables for life insurers and provided input on changes to the Standard Valuation Law to allow the use of lapse assumptions in calculating reserves for certain universal life insurance policies. This is an interim solution to addresses reserve redundancies that will benefit consumers through lower costs pending the anticipated development of principles-based reserving.

Rehabilitation and Liquidation Oversight Division

- Increased emphasis on concluding regulatory interventions resulted in the successful rehabilitations of seven insurance companies and an increase in the ratio of successfully rehabilitated entities to 70% in FY 2007.
- Oversaw net asset recoveries of \$63.6 million through the receivership process and payments of \$44.3 million to policyholders and/or guaranty associations.

Figure 7 Number of Company Licenses Under Commissioner's Jurisdiction Fiscal Years 2003-2007

LICENSE TYPE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Insurance Companies	1,949	1,920	1,912	1,909	1,891
Health Maintenance Organizations	55	50	55	52	54
Premium Finance Companies	247	274	293	270	264
Continuing Care Retirement Communities	21	21	23	24	25
Third Party Administrators	739	736	750	747	730
Total	3,011	3,001	3,033	3,002	2,964

Note: Does not include 101 foreign risk-retention groups 175 foreign surplus lines carriers.

Figure 8 Texas Policyholder Premiums, Claim Payments Calendar Years 2002-2006

CALENDAR YEAR	PREMIUMS	CLAIM PAYMENTS	PAYMENTS AS A % OF PREMIUM
2002	\$78.2 billion	\$53.3 billion	68.1%
2003	79.4 billion	49.8 billion	63.0%
2004	80.3 billion	47.0 billion	58.5%
2005	78.7 billion	55.3 billion	70.3%
2006	87.3 billion	61.9 billion	70.9%

Figure 9 Total Capital/Surplus of Insurance Companies Operating in Texas Calendar Years 2002-2006

CALENDAR YEAR	TOTAL CAPITAL / SURPLUS
2002	\$ 530.4 billion
2003	633.4 billion
2004	703.5 billion
2005	747.1 billion
2006	812.6 billion

Figure 10 Number of Financial Analysis Reviews Fiscal Years 2003-2007

FISCAL YEAR	NUMBER OF REVIEWS
2003	2,223
2004	2,129
2005	2,032
2006	1,891
2007	1,900

Figure 11 Number of Holding Company Transactions Processed Fiscal Years 2003–2007

FISCAL YEAR	NUMBER OF TRANSACTIONS
2003	778
2004	732
2005	755
2006	804
2007	843

Figure 12 Number of Financial and Market Conduct Examinations Fiscal Years 2003–2007

FISCAL YEAR	NUMBER OF EXAMINATIONS
2003	167
2004	159
2005	160
2006	157
2007	146

Figure 13 Number of Actuarial Examinations Performed Fiscal Years 2003–2007

FISCAL YEAR	NUMBER OF EXAMS
2003	81
2004	80
2005	84
2006	79
2007	78

Figure 14 Texas Guaranty Association Assessments Calendar Years 2002–2006

CALENDAR YEAR	LIFE & HEALTH	PROPERTY & CASUALTY	TITLE	TOTAL
2002	30,821,449	86,161,687	0	116,983,136
2003	7,700,492	59,165,397	0	66,865,889
2004	1,726,797	30,274,649	0	32,001,446
2005	22,493,470	0	0	22,493,470
2006	0	50,000,000	0	50,000,000

Property and Casualty

PROPERTY AND CASUALTY monitors a wide range of property and casualty insurance lines from auto to workers' compensation; reviews form and rate filings; explores ways of cutting insurance costs by reducing losses; reviews and analyzes statistical data; and prepares reports on insurance rates and markets to assist policymakers and consumers with insurance-related decisions. Property and Casualty consists of a General Management section and six activities.

General Management Section provides program-wide management and operational support, including strategic and budget planning; responses to legislative requests; research assistance, including Geographic Information System (GIS) mapping and demographic analysis; project management; and administrative support including report and presentation preparation for the program and agency. Additionally, General Management is responsible for the production of the Community Investment Report as required by TIC §425.107 and oversees the implementation the Motor Vehicle Financial Responsibility Verification Program as required by Texas Transportation Code §601.452.

Personal and Commercial Lines Division consists of the Personal Lines Section and the Commercial Property/Casualty Section, and is responsible for the regulation of various lines of insurance including automobile, homeowners, commercial property, and general liability. The division performs the following major activities:

- Reviews individual insurer filings of forms, endorsements, and rules for compliance with statutory and/or rule requirements and verifies that they do not contain provisions, titles, or headings which are unjust, encourage misrepresentation, are deceptive, or violate public policy;
- Drafts administrative rules as necessary to implement legislation or to address statutory concerns related to property and casualty lines of insurance;
- Oversees the Plan of Operation, manual rules, forms, and endorsements of the Texas Windstorm Insurance Association (TWIA), the Texas Fair Access to Insurance Requirements (FAIR) Plan Association, the Texas Medical Liability Insurance Underwriting Association (JUA), and the Texas Automobile Insurance Plan Association (TAIPA);
- Processes inquiries from agents, consumers, legislators, insurers and other regulatory entities and resolves complaints as necessary to ensure consumers and businesses are being treated fairly on insurance related matters and that insurers and agents are complying with statutes, administrative rules and policy provisions;
- Assists consumers in finding homeowners insurance via the HelpInsure.com online bulletin board; and
- Works closely with the Property & Casualty Actuarial Division to monitor the marketplace and propose changes due to changing public needs, including establishing market assistance programs.

Inspections Division promotes loss mitigation so that insurance is available and affordable. The division performs the following major activities: drafts and presents proposed rules affecting property and casualty insurance and the TWIA Plan of Operation (building code); represents TDI on the building code advisory committee as required by statute; provides oversight of established commercial fire rates by outside entities; ensures loss control compliance of insurers; administers the amusement ride safety program; assists the state fire marshal's office with establishment of public protection classifications by outside entities; and conducts windstorm inspections for compliance with building codes.

The Inspections Division consists of four sections: Commercial Property Oversight Inspections, Windstorm Inspections, Engineering Services, and Loss Control.

Title Division regulates policy forms and rates for title insurance and oversees licensing and financial examination of title agents. The Title Division consists of two sections.

Title Insurance Section oversees licensing of title agents, direct operations, and escrow officers, responds to consumer complaints and inquiries, and assists with rule and rate hearings.

Title Examinations Section conducts comprehensive, limited scope, and restricted compliance audits of title agents licensed in Texas. Title Examinations is an allocated area – all of the expenses are reimbursed by the Guaranty Association (GA).

Workers' Compensation Classification, Premium Calculation & Research Division regulates insurance companies licensed to write workers' compensation insurance in Texas. The division performs the following major activities: assists employers, agents and insurance companies in determining the proper workers' compensation classification for policyholders; responds to verbal and written inquiries pertaining to workers' compensation insurance; resolves complaints; oversees the calculation of experience modifiers; reviews workers' compensation policies to ensure that insurers have issued the policies and calculated the premium in accordance with the rules and statutes governing Texas workers' compensation; reviews endorsement and form filings that require prior approval from the Commissioner of Insurance; reviews the plan of operations and issues a certification for groups formed pursuant to Texas Insurance Code, Chapter 2055; administers loss incentive programs; and participates in reviewing the rules, classifications, endorsements and forms contained in the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance.

This division is composed of the Classification Section, the WC Oversight Section and General Management.

Property and Casualty Actuarial Division provides actuarial review of rate and rating plan filings to ensure rates and premiums are just, fair, reasonable, adequate, not confiscatory, not excessive and not unfairly discriminatory for the risks to which they apply; reviews credit models for compliance with Texas Insurance Code, Chapter 559; conducts in-depth analyses of the Texas insurance market; performs special studies to assist the agency and policy makers; assures that file and use rates meet the applicable rate standards; makes recommendations on prior-approval rate filings; and calculates workers' compensation classification relativities and rating values.

Property and Casualty Actuarial works closely with the Personal and Commercial Lines, Workers' Compensation Classification, Premium Calculation & Research and Title divisions in monitoring the marketplace to assist policymakers and consumers with insurance-related decisions. Property and Casualty Actuarial also works closely with Data Services to improve the quality and reliability of data and on market analysis projects.

Data Services Division provides data analysis; collects information through statistical plans, special calls and surveys; produces data compilations, including data for use by the Property and Casualty Actuarial Division for review of rate filings; collects and maintains statistical data; produces statistical reports for the Legislature, the agency, the public and the insurance industry; oversees TDI's workers' compensation, residential property, private passenger automobile and commercial lines designated statistical data collection agents; collects data via the Title Statistical Plan; and manages the collection of and assists in the review of underwriting guidelines.

Highlights

- The Special Projects and Data Services Divisions were combined into one Data Services Division.
- Effective August 1, 2006, the Workers' Compensation Research and Evaluation Group moved to a program status and now reports to the Commissioner of Insurance.
- The Commissioner adopted the 2006 International Residential Code (IRC) and International Building Code (IBC) with the Texas Revisions as the Windstorm Building Code, with an effective date of January 1, 2008.
- Helpinsure.com for residential property insurance was enhanced to include information on companies offering homeowners insurance along the Texas coast. Staff also developed a Helpinsure.com for commercial property insurance that includes information on companies offering commercial property insurance to business along the Texas coast.
- Staff participated in or made presentations to various consumer, charity, civic and trade groups on topics such as homeowners, renters, recreational vehicle, not-for-profit directors and officers, medical professional liability insurance, hurricane preparation, and windstorm insurance.
- Staff participated in a compliance conference presented by TDI for insurance company representatives and other industry professionals that was designed to provide participants with a better understanding of TDI's regulatory requirements. Topics presented by Property and Casualty

staff included an overview of recent property and casualty bulletins and rules as well as rate and form filing requirements for personal and commercial lines of insurance.

- In conjunction with DPS, TxDOT and DIR, a vendor was selected to develop and operate the Financial Responsibility Verification Program mandated by SB 1670 (79th Legislature, Regular Session). All private passenger automobile insurers in Texas were required to begin reporting policy information to the program vendor by June 30, 2007.
- On March 8, 2007, the Travis County District Court affirmed an earlier order by the Commissioner requiring Allstate Texas Lloyds to reduce its homeowners insurance rates by 5%, and to refund policyholders the amounts overcharged. The estimated amount of refunds currently owed to policyholders is more than \$56 million.
- The Commissioner reduced Texas title insurance rates by 3.2%. The new rates took effect on February 1, 2007. This follows a rate reduction of 6.5% in 2004.
- On December 1, 2006, the first biennial report on the impact of HB 7 (79th Legislature, Regular Session) regarding the affordability and availability of workers' compensation insurance for Texas employers was submitted to the Governor, Lt. Governor, and Speaker of the House.
- In July 2006, the Commissioner disapproved State Farm Lloyds homeowners rate filing, finding the overall double digit rate increase to be excessive, unreasonable and unfairly discriminatory. The Department subsequently participated in a hearing before the State Office of Administrative Hearings (SOAH) regarding the disapproval order. The Administrative Law Judges proposal for decision is expected in Fall 2007.
- In July 2006, the Commissioner placed State Farm Lloyds under "prior approval" status due to the insurer's rating practices. State Farm Lloyds filed suit in Travis County District Court with respect to this order. The Court granted summary judgment for both parties in March 2007, finding that the Commissioner had authority to issue the order but the order was not supported by sufficient evidence and there was insufficient due process. The Commissioner is appealing the District Court's ruling.
- In August 2007, the Commissioner disapproved Allstate Texas Lloyds homeowners rate filing, finding the rate increase to be excessive and unfairly discriminatory. Allstate Texas Lloyds filed a temporary restraining order on the disapproval order which was granted by the judge. The company also requested a hearing before the SOAH regarding their filed rates. At this time, a hearing date is not established.
- In August 2007, the Commissioner placed Allstate Texas Lloyds under "prior approval" status due to the insurer's rating practices.

Figure 15 Rate and Form Filings Completed

TYPE OF INSURANCE	FY 2006 FORMS	FY 2006 RATES*	FY 2006 TOTAL*	FY 2007 FORMS	FY 2007 RATES	FY 2007 TOTAL
Personal Liability/Umbrella	75	51	126	79	39	118
Bond and Misc. Lines	787	420	1,207	614	438	1,052
Commercial Automobile	1,055	460	1,515	661	628	1,289
General Liability	3,026	924	3,950	1,998	1,098	3,096
Homeowners	234	167	401	298	264	562
Interline Filing	209	49	258	153	51	204
Inland Marine**	N/A	N/A	N/A	555	224	779
Identity Theft	6	2	8	6	1	7
Intake Unit	6	0	6	0	0	0
Commercial Multi-Peril	3,437	899	4,336	2,401	758	3,159
Personal Automobile	404	346	750	437	634	1,071
Professional Liability	359	131	490	362	178	540
Commercial Property*	1,955	849	2,804	1,150	483	1,633
Workers' Compensation	295	241	536	151	173	324
Total	11,848	4,539	16,387	8,865	4,969	13,834

* Figures revised after publication of FY 2006 Annual Report.

** Inland Marine included in Commercial Property in FY06.

Figure 16 Summary of Complaints Closed

	FY 2006	FY 2007
Professional Liability	14	14
General Liability	12	11
Bond, Miscellaneous Casualty	42	24
Commercial Property	15*	18
Commercial Multi-Peril	6	3
Commercial Automobile	1	1
Homeowners	364	388
Personal Auto	3	2
Title	368	367
Workers' Compensation	85	40

* Figure revised after publication of FY 2006 Annual Report.

Figure 17 Summary of Title Insurance Activity

	FY 2006	FY 2007
Annual Escrow Audits Reviewed	598	636
Field Examinations/Audits Conducted	263	255
Rates, Rules and Policy Forms	34	5
Licenses Issued (includes renewals)	7,218	6,053
Licenses Cancelled	2,364	2,275

Figure 18 Number of Agents/Licenses Under Commissioner's Jurisdiction (Title Insurance)

AGENTS/LICENSES	FY 2006	FY 2007
Title Agents	619	628
Title Agent Licenses	1,720	1,767
Direct Operations	16	17
Direct Operation Licenses	16	17
Escrow Officers	6,906	7,058
Escrow Officer Licenses	7,602	7,832
Underwriters	34 (24 active)	33 (24 active)
Escrow Accounts	\$216 Billion	\$243 Billion

Figure 19 Summary of Activity: Commercial Property Oversight Inspections

	FY 2006	FY 2007
Property Inspections Conducted	1,170	1,199
Residential/Special Inspections	7	1
VIP Licenses/Certificates Issued	154	245

Figure 20 Summary of Activity: Windstorm Operations

	FY 2006	FY 2007
Applications	56,265	42,774
Inspections	*25,893	**11,885
Certificates of Compliance	55,187	42,374
Windstorm Fees Received	\$7,889	\$18,085

* This is a combined total of both TDI (18,923) and TWIA (6,970) inspections.

** This is a combined total of both TDI (11,369) and TWIA (516) inspections.

Figure 21 Summary of Activity: Engineering Services

	FY 2006	FY 2007
Building Code Interpretations	3,512	2,224
Product Evaluations	1,619	1,225

Figure 22 Summary of Activity: Loss Control

	FY 2006	FY 2007
Total Evaluations Completed	200	201
Companies Rated Adequate	198	201
Companies Rated Less Than Adequate	2	0
Companies Evaluated for Licensure	2	7
Loss Control Representative Applications Reviewed	75	126
Field Safety Representatives with a Specialty in Hospitals	13	12

**Figure 23 Summary of Activity:
Amusement Ride Safety and Insurance Act**

	FY 2006	FY 2007
Policies Reviewed	335	309
Inspection Certificates Approved	1,410	1,711
Injuries	89	137
Inspector Applications Approved	0	0
Owners Under Compliance Monitoring	401	407

**Figure 24 Summary of Activity: Workers' Compensation
Classification, Premium Calculation & Research Division
(formerly the Workers' Compensation Division)**

	FY 2006	FY 2007
Experience Rating Modifiers Reviewed	477	561
Responses to Written CIS Inquiries (Non Complaints)	1,149	1,233
Groups Certified	53	65

Figure 25 Other Statistical Reports Collected

	FY 2006	FY 2007
Title insurance agents	614	618
Title insurance underwriters	22	23

Life, Health and Licensing Program (LHL)

LHL CONSISTS of a General Management Section and four divisions: Filing and Operations, Licensing, Life/Health (L/H) and Health and Workers' Compensation Network Certification and Quality Assurance (HWCN). LHL regulates Health Maintenance Organizations (HMOs) and a wide range of life, annuity, accident and health insurance and related coverages offered by insurance companies. LHL licenses insurance agents, adjusters, and third-party administrators (TPAs), as well as other licensed individuals and entities. In addition to developing regulatory policies, LHL works extensively with the legislature and provides support during the legislative session. The program also participates in advisory committees with other state and local governments, as well as pilot projects with state and federal governments.

LHL's Primary responsibilities include:

- Regulating policy forms, evidences of coverage and related documents for life, accident and health insurance, annuity contracts and HMOs. Forms include, but are not limited to, small and large employer health benefit plans, consumer choice health benefit plans, credit life insurance, credit accident and health insurance, viatical and life settlements, annuities and nonprofit pre-paid legal plans;
- Reviewing rate filings for: credit life, credit accident and health, Medicare supplement, Medicare SELECT, long-term care, individual accident and health insurance, HMO coverage, small employer changes in methodology, Texas Health Insurance Risk Pool and cost savings associated with consumer choice health plans;
- Reviewing various life and annuities products for compliance with the Standard Nonforfeiture Law;
- Certifying workers' compensation health care networks;
- Investigating and resolving complaints related to HMOs and workers' compensation (WC) health care networks;
- Conducting quality of care examinations of HMOs and, beginning in FY 2008, WC health care networks;
- Issuing new licenses and renewals to insurance agents, adjusters, Public Insurance Adjusters (PIAs), TPAs, premium finance companies, Utilization Review Agents (URAs), and Independent Review Organizations (IROs);
- Issuing new certificates and renewals of registration to viatical and life settlement providers, provider representatives and brokers;
- Receiving and screening filings for property and casualty lines;
- Auditing the activities of TPAs and URAs;
- Assigning requests for independent review to IROs;
- Recording companies' appointments and terminations of insurance agents;
- Educating regulated entities and other interested parties on regulatory requirements through bulletins, the TDI website, compliance workshops, manuals, checklists, presentations and responding to inquiries;
- Implementing state and federal legislation through participation in rulemaking, review of form filings, stakeholder committees, and projects assisting consumers with choosing and using their insurance, as well as monitoring the extensive federal activities related to life insurance, health coverage and licensing;
- Regulating continuing education (CE) providers through registration of CE providers and courses;
- Auditing CE providers' compliance with CE rules and insurance agents' and adjusters' compliance with statutory continuing education requirements; recommending or assessing penalties for noncompliance; and
- Tracking the information of new health insurance cooperatives and coalitions.

General Management Section (GM), led by a Senior Associate Commissioner (SAC), provides management and operational direction for the program. The SAC chairs the Technical Advisory Committee on Claims Processing (TACCP) established by SB 418, 78th Legislature and acts as the prompt pay Provider Ombudsman. The SAC is TDI's liaison on boards of the Texas Health Insurance Risk Pool (THIRP), Children's Health Insurance Program (CHIP) and the Texas Health Care Policy Council and attends board meetings of the Texas Health Reinsurance System (THRS). Staff develop the program's business plan, the program's portion of the TDI strategic plan, annual report, appropriations request and budget and handles ad hoc special projects. Staff concluded work under the five-year federally-funded State Planning Grant, involving research and analysis related to the expansion of health insurance in Texas. Under the latest grant activities, staff finalized recommendations for a pilot project that would create a new health insurance option for small employers and their employees in Harris County.

General Management provides technical assistance to the Texas Health and Human Services Commission (HHSC), Texas Department of State Health Services (DSHS), Office of Attorney General (OAG), THIRP, THRS and the federal Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services. The SAC and LHL Deputy Commissioners serve on various National Association of Insurance Commissioners (NAIC) working groups and the Interstate Insurance Product Regulation Commission (IIPRC). General Management collects and analyzes data related to the Texas health insurance market on an ongoing basis. Data and information is used to continually evaluate and monitor health insurance availability and affordability, trends and indicators within the Texas market and the impacts of these factors on Texas consumers and the industry. General Management also reports on industry data as required by state and federal law and provide technical assistance to legislative interim and oversight committees and task forces. Staff have been monitoring federal requirements associated with the Health Insurance Portability and Availability Act (HIPAA) administrative simplification (electronic claims filing) requirements, the Medicare Prescription Drug, Improvement, Modernization Act of 2003 and the Deficit Reduction Act of 2005. Additionally, special project staff assist the SAC in developing regulatory policies for all divisions in LHL, communicating with consumers and the regulated community and providing technical assistance to other state and federal agencies. Regulatory Matters staff track, analyze and coordinate TDI's comments on proposed legislation pertaining to LHL. Regulatory Development staff inform industry and other interested parties of legislative and rule changes through bulletins or other means, draft rules to implement both state and federal legislation and respond to changes in the industry.

Filing and Operations Division is led by a Deputy Commissioner and consists of the following two sections:

Property and Casualty Intake Section. This section receives all rule, rate and policy form filings for property and casualty (P&C) lines, including workers' compensation and conducts an initial screening of the filings for compliance with basic statutory filing requirements and rules. The majority of the filings are received via paper; however, staff also receive electronic filings via the NAIC System for Electronic Rate and Form Filing (SERFF). Staff enter all filing data into the Oracle tracking system and forward the filings to the appropriate divisions for review and final action. Intake staff manage the P&C tracking database and serve as SERFF Administrator. Staff prepare various management reports and NAIC reports, and serve as liaison with information technology staff for the tracking system, SERFF issues, and enhancements.

Life/Health and HMO Intake Section. This section receives all rate and policy form filings for life, annuity, individual/group accident and health, credit life, accident and health, HMO, nonprofit prepaid legal, viatical and life settlements and related products, and conducts an initial screening of filings for compliance with basic statutory and regulatory filing requirements. It also reviews exempt filings for compliance with the exemption rules. The majority of the filings are received via paper; however staff also receive electronic filings through SERFF and the Multi-State Review (MSR) I-File system. The MSR allows a company to submit a single filing to the states of California, Florida, Texas, Georgia, Nevada, Louisiana and District of Columbia for approval. Intake staff enter all filing data into the Oracle tracking system and forward the filings to the appropriate divisions for review and final action. Intake staff serve as the SERFF Administrator. Staff prepare NAIC reports and serves as liaison with information technology staff for tracking system, SERFF issues, and enhancements.

The Filing and Operations Division also manages the following duties:

Micrographics staff produce electronic images of closed files for property and casualty, property and casualty actuarial, life, annuities, accident and health, credit, HMO, nonprofit prepaid legal, viatical and life settlements and related products, title agent license and title examination files, workers' compensation complaint files and the field inspections for P&C's Windstorm Section. Micrographics staff also serve as the liaison with building services to assist the divisions in making arrangements to destroy imaged files according to their retention schedules. Imaging staff also serve as liaison on program and agency imaging projects.

Operations staff are responsible for LHL program operations, including project management, forms management, records retention, strategic planning, business planning and performance measures. Operations staff serve as the liaison between LHL divisions and Administrative Services on operations matters and represent LHL on the Agency Planning and Technology Team.

Licensing Division, led by a Deputy Commissioner, oversees the licensing and regulation of insurance agents, adjusters, PIAs, risk managers, life insurance counselors, reinsurance intermediaries, TPAs, premium finance companies and persons involved in selling insurance products in travel agencies, self-service storage facilities, retail establishments and rental car companies. The division has five sections: Applications; Customer Assistance; Administrative Review and Data Management; TPA and Premium Finance; and Renewals, Appointments and Continuing Education.

Applications Section. This section reviews and processes new license applications for agents and adjusters, oversees the agent criminal history review process, registers additional trade names and trade locations and records sponsors of subagents and insurance service representatives.

Customer Assistance Section. This section responds to inquiries and telephone calls from agents, companies and the public, including questions regarding licenses, appointment status and general inquiries about the licensing process.

Renewals, Appointments and Continuing Education Section. This section reviews and processes renewals, records and cancels agent and subagent appointments, registers continuing education providers and courses, processes reciprocal agreements with other states and oversees the training courses for agents and adjusters.

Administrative Review and Data Management Section. This section researches and reviews all applications with a criminal history, makes recommendations on issuance or denial of a license and recommends appropriate action on all non-routine agent applications, renewals and cancellations for cause. This section also produces certificates and other records regarding a license's status, cancels licenses when requested by the licensee, records address and name changes for all licensees, processes open record requests and manages the division's filing system.

TPA and Premium Finance Section. This section licenses, regulates and examines TPAs, who administer plans under contract with insurance companies, HMOs and/or self-funded plans and licenses premium finance companies.

The Life/Health (L/H) Division, led by a Deputy Commissioner, reviews and processes life, annuity, accident and health, nonprofit prepaid legal, credit life, credit accident and health policies, certificates, applications, endorsements, riders and rates for credit life, credit accident and health, Medicare supplement, Medicare SELECT, long-term care, small employer changes in rating, methodology, Texas Health Insurance Risk Pool, HMO, small employers and individual accident and health, to ensure compliance with state and federal statutes and regulations. L/H staff also perform data calls for credit life and credit accident and health experience and expense data, which is used to develop presumptive rate recommendations for rule proposal. Staff register viatical and life settlement providers, along with provider representatives and brokers and reviews contractual forms related to viatical and life settlements. Staff develop and implement the L/H business plan, execute the division's legislative implementation plan, respond to public inquiries and provide technical training for division staff. The Deputy Commissioner chairs the NAIC Product Standards group and oversees the activities of the annuities, disability, long-term care and life teams. The working group is charged with developing standards for the IIPRC's consideration. L/H staff, including the Deputy Commissioner, participate in the NAIC interstate conference calls and discussions, developing policy form standards for annuities, life, disability and long-term care. The Deputy Commissioner also participates in the THIRP, IIPRC meetings and the follow-

ing NAIC groups: Senior Issues Task Force, which is charged with addressing issues pertaining to Medicare Supplement, Medicare SELECT, Medicare Advantage and Medicare Part D; Long-Term Care Working Group, charged with reviewing and recommending changes to the NAIC model law and regulations and, when possible, the Operational Efficiencies Working Group, charged with developing process and electronic efficiencies to the form review process. The Deputy Commissioner also participates in the IIPRC committee charged with reviewing the standards developed by the NAIC working group. The L/H Division consists of two sections: Accident and Health and Life, Annuity and Credit; and three teams: Technical, Actuarial and Filings Support & Open Records.

Accident and Health Section. This section reviews and analyzes form filings for individual and group accident and health products, which include Medicare supplement, Medicare SELECT, long-term care, large and small employer groups, non-employer groups and combination life and accident and health products. The section coordinates the review of rate filings for accident and health, long-term care, Medicare supplement, Medicare SELECT, individual accident and health and small employer rating methodologies. The section tracks small employer annual certifications and assists companies and other TDI staff in coordinating withdrawals from individual, large and small employer group markets and discontinuance of products in these markets. The section also reviews documents for Multiple Employer Welfare Arrangements, THIRP and CHIP.

Life, Annuity and Credit Section. This section reviews and analyzes form filings for life, annuity, credit life, credit accident and health, nonprofit prepaid legal plans, viatical and life settlements and filings for name changes, assumptions, demutualizations, rehabilitations and mergers. The section also coordinates the review of rate filings for credit life and credit accident and health. Staff maintain communication with the Texas Funeral Service Commission and the Texas Department of Banking on issues related to life and annuity products used in the prepaid funeral market. Staff also coordinate the review of combination long-term care and annuity or life products. The section registers viatical and life settlement providers, provider representatives and brokers, processes notifications from charitable organizations issuing charitable gift annuities, analyzes credit life and credit accident and health data call information and tracks certifications pertaining to forms subject to the life illustration rule.

Actuarial Team. This team reviews, analyzes and evaluates rate filings pertaining to certain individual accident and health, long-term care, Medicare supplement, Medicare SELECT, credit life, credit accident and health, small employer changes in rating methodology, THIRP and HMO coverage. The section also analyzes credit life and credit accident and health data call information in order to develop credit life and credit accident and health presumptive rates. In addition, staff review actuarial data pertaining to individual and group life, individual accident and health, long-term care, Medicare Supplement and Medicare SELECT coverage, changes to small employer rating methodologies, risk assuming applications for small employer carriers, and HMO applications for certificate of authority and service area expansions. Staff review the THIRP's actuarial memorandum and premium rates as well as assist the Consumer Protection program with the resolution of consumer inquiries and complaints regarding rating issues.

Filings Support and Open Records Team. This team prepares completed filings for permanent storage, responds to open records requests and answers general information phone lines. Approximately 30,500 closed forms were handled by staff that carried out a series of closing processes to prepare the filings for imaging, resulting in approximately 320,000 scanned images. The permanent storage of L/H records support the division's goal to audit 5% of all exempt filings, respond to document production requests and provides a accurate historical record of filings submitted to the division spanning numerous years.

Technical Team. This team serves as the liaison between the L/H business process and the Information Technology Services (ITS) related support. It performs routine system and data analysis in support of the division's regulatory functions and evaluates or develops automated tools that enhance the reporting and regulation process. Work involves assisting in the development and maintenance of automated systems utilized by division staff, reporting on performance measures and providing management reports for decision making. The team also establishes and implements unique, need based, systems or tools to achieve program goals and objectives. Some of these tools include the development of web-based data collection and query generated web lists. Other non-routine duties include the development of ad-hoc queries based on the TDI Oracle and NAIC Oracle databases.

In addition to the above duties, all sections of L/H assist in the development and implementation of rules, education of the insurance industry on regulatory requirements through bulletins, compliance conferences, manuals, checklists and presentations to trade groups. The L/H Division provides technical assistance to other Department staff regarding complaints, consumer publications, enforcement actions, market withdrawals, assumptions and name changes. L/H is often called upon to provide technical assistance to external entities including, but not limited to, the Employee Retirement System (ERS), the Teacher Retirement System (TRS), the NAIC, the IIPRC, the Texas Department of Banking, DSHS, HHSC, THIRP, OAG and CMS.

Health and Workers' Compensation Network (HWCN) Division is led by a Deputy Commissioner. It regulates HMOs, certifies and regulates URAs and certifies and regulates IROs. The division investigates complaints against these licensed entities, conducts quality of care examinations and reviews HMO, workers' compensation network and URA form filings. The division accepts applications from workers' compensation health care networks, processing complaints and conducting examinations relating to these networks. Staff develop and implement the division's business plan, compile and analyze data, execute the division's legislative implementation plan and respond to public inquiries. Staff represent the Commissioner on the Interagency Council on Genetic Services and Traumatic Brain Injury Advisory Council. One manager and four team leaders supervise four functional areas that include Complaints, Certification and Compliance, IRO Assignments and Examinations. Staff members are cross-trained in all functions and perform multiple functions on a daily basis, and one staff member is dedicated to special projects.

Complaints. This area includes investigation and resolution of complaints received concerning HMOs, URAs, IROs and WC networks. The processes and procedures are aligned with agency procedures, including utilizing the Department complaint database (CIS) and the paperless workflow that is also used by Consumer Protection and the DWC Complaint Resolution and Customer Service programs.

Certification and Compliance. This area reviews and analyzes form and other related filings for HMOs writing commercial, small and large employer coverage, WC network form filings, and performs scanning and data entry for complaints, WC network applications, URA filings, IRO filings, examinations and IRO assignments. This functional area also certifies URAs to conduct business in Texas, registers insurers and HMOs to conduct utilization reviews, reviews URA form filings, issues renewals of URA certifications and registrations, reviews IRO applications for certification and renewals of those certificates and reviews form filings required of IROs.

IRO assignment. This area processes requests for IRO assignments received from URAs, insurers and HMOs for health insurers and in FY 2007 added assignment of IRO reviews for all workers' compensation insurers.

Examinations. This area performs examinations of HMOs and WC networks. Examinations of HMOs are routinely scheduled based on licensure date. The section has statutory authority to examine an HMO anytime in the first three years of operation and thereafter every three years. Should problems or issues be identified that cause concern, complaint examinations can be scheduled to determine compliance with applicable statutes and rules. Examinations of WC networks can be conducted at any time at the Commissioner's discretion.

In addition to the above, all HWCN staff assist in the development and implementation of rules, respond to open records requests, educate industry, provider and consumer groups through bulletins, compliance workshops, manuals, checklists, and speaking engagements, and provide technical assistance to other TDI staff regarding complaints, consumer publications, enforcement actions and withdrawals from HMO markets. The division provides technical assistance to external entities such as the ERS, DSHS, HHSC, OAG, the Texas Department of Aging and Disability Services (DADS), DSHS, the Texas Department of Criminal Justice, NAIC and CMS.

Highlights

LHL accomplishments and highlights of Fiscal Year 2007 include:

Developing the following rules adopted by the Commissioner:

- Fingerprint Card Requirement for Applicants for License;
- Licensing of Public Insurance Adjusters;
- Insurance Holding Company System Regulatory Act;
- Workers' Compensation Insurance Group Self Insurance Coverage;

- Workers' Compensation Insurance Division 2 Group Self-Insurance Coverage;
- Viatical and Life Settlements;
- Effect of Criminal Conduct;
- HMOs;
- Health Coverage Awareness and Education Program;
- Health Care Quality Assurance Presumed Compliance; and
- Submission of Clean Claims.

Developing the following proposed rules:

- Health Coverage Awareness and Education Program;
- Health Care Quality Assurance Presumed Compliance;
- Submission of Clean Claims; and
- General Regulation of Surplus Lines Insurance.

Drafting the following Commissioner's Bulletins:

- Call for Reports Regarding Provider Claims Processing and Related Functions B-0031-07;
- Mandatory Use Date for CMS-1500 (08/05) and UB-04 CMS-1450 Claim Forms For Submission of Clean Health Care Claims July 18, 2007 B-0030-07;
- Advertising, Registration and Name Usage Requirements for Viatical and Life Settlement Providers and Brokers B-0026-07;
- Voluntary Product Checklist Pilot Project B-0012-07;
- Unauthorized Health Insurance B-0004-07;
- Transition of Division of Workers' Compensation (DWC) IRO Functions to the Health and Workers' Compensation Network Certification and Quality Assurance Division (HWCN Division) of TDI and New IRO Forms and Changes to the Process for Submitting Notices of IRO Decisions to TDI B-0048-06;
- New Forms and Changes to the Process for Submitting Notices Of Requests for Independent Review by Certified IROs - Single Process B-0047-06;
- New Forms and Changes to the Process for Requesting a Review by an IRO B-0046-06;
- New \$39 Fingerprint Processing Fee and New Electronic Fingerprint Procedures B-0045-06; and
- Credit Data Call - 2003, 2004 and 2005 Credit Life and Credit Accident & Health Insurance B-0040-06.

General Management Section

- Provided testimony and information to legislative committees including House Insurance Committee, House Business & Industry Committee, Senate Business & Commerce Committee, Senate State Affairs Committee and Senate Health & Human Services Committee;
- Tracked 890 bills or versions of bills during the 80th Legislature Regular Session and developed and monitored implementation plans for 47 enacted bills;
- Maintained updated information on TDI's Implementation Plan spreadsheet for L/H/L;
- Maintained and updated electronic database of mandated benefit premium and claim experience for group and individual insurance and HMO plans. Submitted required annual report to the Legislature;
- Began maintaining and updating the electronic database for the submission of the HB 610/SB 418: Quarterly Providers' Claims Data Reports;
- Developed draft life insurance standards to be used for the Multi-State Review (MSR) agreement with Florida, California, Georgia and Nevada providing a single filing source for insurers, which allows compliant filings to be approved in all five states;
- Co-chaired TACCP and developed drafts of report to the Legislature required by SB 418 (78th Legislative Session);
- Received and processed 61 Figure 48 certifications detailing small employer plans, lives insured and premiums collected in 2006;
- Received and processed 53 Consumer Choice Plan (CCP) Figure 2 reports detailing consumer choice plans, lives insured and premiums collected in 2006;
- Received and processed 38 Texas Group Accident and Health Insurance Surveys for 2005;
- Received and processed 18 Texas Group HMO Surveys for 2005;
- Received and processed 74 Mandated Benefits Data Calls for the October 1, 2005-September 30, 2006 reporting period;
- Represented TDI at THIRP and THRS board meetings and worked with THIRP and THRS on issues as they arose;

- Represented TDI on National Data Interchange Standards Task Force; and
- Completed TDI's role in the federally-funded State Planning Grant and transferred implementation objectives of the Houston Pilot Project to the Harris County Healthcare Alliance. In the final phase of the project, staff conducted an informational meeting with potential carriers and assisted the Alliance in drafting a request for proposal that was released to carriers in early 2007. Although TDI's official role in the Pilot Project ended at the conclusion of the term of the Grant in February, TDI maintains a consultative role for the Alliance as it works to negotiate an agreement that is both acceptable to the bidding carrier and utilizes the modified community rating approach of the Pilot Project.

Filing and Operations Division

- Received 25,857 Life/Health rate and form filings;
- Received 1,848 HMO rate and form filings;
- Processed 7,353 Exempt Life/Health rate and form filings;
- Received 13,801 Property and Casualty rate and form filings;
- Processed 131 Property and Casualty rate and form filings;
- Processed \$379,020 in filing fees for Life and Health rate and form filings;
- Processed \$105,283 in filing fees for HMO rate and form filings;
- Processed \$67,523 in regulatory fees for Viatical Settlement filings;
- Scanned 720,104 images for Property and Casualty Program;
- Scanned 328,912 images for Life/Health and HWCN Divisions;
- Scanned 90,577 images for Division of Workers' Compensation;
- Represented Texas on the following NAIC Working Groups: SERFF Working Group, Product Steering Committee (PSC), PSC Working Groups;
- Coordinated Small Group Employer Health Coverage Working Group;
- LHL Compliance Conference Working Group and Non-Insurance Benefits Working Group;
- Coordinated the TDI Compliance Conference;
- Effective December 2006, Deputy Commissioner of Filing and Operations was named HWCN Education and Outreach Coordinator. Coordinated the Worker's Compensation Health Care Workshop held January 31, 2007; and
- Coordinated Workers' Compensation Health Care Employer and Provider Workshops held August 24 and 25, 2007, in Dallas, Texas.

Licensing Division

- Contributed to and consistently exceeded the target for completing 98% of licenses completed within 60 days for the TDI performance measure 1.1.2 outcome 1 – “Percent of company, third party administrator and premium finance licenses completed within 60 days”;
- Consistently exceeded the target for completing 95% of agent license filings completed within 15 days for the TDI performance measure 1.1.2 outcome 2 – “Percent of agent license filings completed within 15 days”;
- Efficiently processed over 700,000 filings received during the year. The division's average processing time has decreased from 5.2 days in FY 2002 to 2.2 days in FY 2004 and has been maintained at the level since then;
- Participated in developing, proposing and adopting the Criminal History Fingerprint Rule (amending 28 TAC 1.501 and adding new 1.503 through 1.509) Effective Date - October 23, 2006, and began the implementation of the electronic collection of fingerprints and processing of over 30,000 applicants per year beginning on January 1, 2007. The Criminal History Fingerprint Rule transferred the \$39 cost of processing fingerprints to the applicant. TDI is now able to submit 100% of fingerprints and obtain a state and national fingerprint criminal history on all applicants. The proposal is necessary to maintain effective regulation of the insurance industry by establishing requirements and procedures to further ensure that persons receiving licensure and authorizations, including the officers, directors, partners, and controlling shareholders of insurance agencies, insurance companies and other regulated entities, are honest, trustworthy, reliable, and fit to hold those positions. The proposal established a reasonable procedure and funding mechanism for the Department to obtain necessary information to make those determinations. An additional positive outcome of adoption of the rule is a projected increase in revenue to the state general fund in the amount of \$600,000 annually since approximately 40,000 applicants will be paying a \$15 fee to the Department of Public Safety;
- Deputy Commissioner served as a member of the NAIC Producer Licensing Working Group

by attending meetings and conference calls in the development of the Independent Adjuster Guidelines;

- For the second year in a row, the division was recognized for its outstanding performance by the Securities and Insurance Licensing Association (SILA). In October of 2006, the professional organization named Deputy Commissioner Matt Ray as the 2006 Financial Services Regulator of the Year.
- Expanded electronic processing capabilities in July 2007, through participation in the National Insurance Producer Registry's (NIPR) new process for electronic address changes, allowing licensees to keep their mailing address up-to-date in the licensing database in Texas and other states;
- Provided technical support and advice during the 80th Texas Legislative Session on several pieces of legislation including HB 472 regarding the addition of workers' compensation administration to the licensing requirements for TPAs and SB 1263 regarding two new license types: Life Agent and Personal Lines Property and Casualty Agent;
- Testified on the behalf of the Department in agent application and revocation hearings serving as experts in the licensing laws, rules and procedures; and
- Deputy Commissioner served as an Advisory Board Member of the Securities and Insurance Licensing Association, which serves over 800 members from the insurance industry who are involved in the licensing of insurance agents and adjusters.

Life/Health Division

- Received and completed within the current fiscal year 23,335 policies, contracts, related forms, rates, certifications, applications for registrations, risk assuming applications, rating methodologies and reports as appropriate for life, annuity, various accident and health products, non-profit prepaid legal, credit life, credit accident and health, viatical and life settlement, accident and health small and large employer, long-term care, life illustration and Medicare supplement;
- Received and completed within the current fiscal year 17 filings, representing 76 forms, under the MSR through ongoing meetings and conference calls with Florida, California, Georgia and Nevada departments of insurance staff;
- Received and completed within the current fiscal year 749 filings, representing 2,013 forms, through SERFF;
- Issued certificates of registration to 156 new viatical and/or life settlements providers, provider representatives or brokers and processed 214 Annual Reports for existing entities;
- Provided comments on proposed legislation;
- Responded to a GAO survey regarding competitiveness and choice available in the small group health insurance market;
- Participated in THIRP Board meetings;
- Responded to a Health Policy Institute survey regarding small group rating;
- Responded to numerous legislative, consumer and agent inquiries;
- Responded to numerous inquiries related to private purchasing cooperatives;
- Assisted in the update of registered private purchasing cooperatives;
- Updated checklists on TDI's website to comply with new legislation;
- Participated in the Agent Licensing Exam Focus Group;
- Participated in THIRP Board meetings;
- Participated in conference calls and meeting of the NAIC Standards Working Group;
- Participated in discussions with the HHSC regarding the implementation of SB 1188, 79th Legislative session;
- Participated in discussions with the HHSC regarding the evaluation of the impact of implementing the Long-Term Care Partnership program in Texas;
- Participated with HHSC in the development of the Long-Term Care Awareness campaign grant application and implementation of the grant awarded;
- The Deputy Commissioner chaired NAIC Standards Working Group;
- The Deputy Commissioner participates in the following NAIC Working Groups: Senior Issues, Long-Term Care Working Group, Speed to Market and Operational Efficiencies;
- The Deputy Commissioner participates in IIPRC activities;
- L/H Division staff served as members of the Advertising Workgroup;
- Participated in the development of various bulletins and rules; and
- Participated in the development of the Houston Health Insurance Pilot Project.

HWCN Division

- Completed review of 1,763 HMO forms filings;
- Conducted 18 quality of care examinations of HMOs;
- Completed 872 complaints regarding HMOs;
- Completed 1682 IRO case reviews;
- Certified/Registered 9 URAs;
- Renewed 85 URAs;
- Certified 10 IROs;
- Renewed 16 IROs;
- Responded to 75 open record requests;
- Certified 20 workers' compensation health care networks for a total of 29 networks by end of FY 2007;
- Approved 45 service area expansions for workers' compensation health care networks;
- Assisted HHSC with operation of the CHIP and Medicaid Programs;
- Participated in Technical Advisory Committee on Claims Processing (TACCP) meetings;
- Participated in Workers' Compensation Working Group (WCWG) meetings;
- Represented the Commissioner on the Interagency Council on Genetic Services ;
- Represented TDI on the Traumatic Brain Injury Advisory Council;
- Represented TDI on the Texas Medical Board's stakeholder committee for administrative licensure rule;
- Participated in the development of various bulletins; and
- Participated in the development of various rules for health and workers' compensation.

Figure 26 Summary of Activity: Filing & Operations Division Filings Received/Processed

	FY 2006	FY 2007
Personal Lines Rate Filings		
Auto Home (Personal Liability and Personal Umbrella)	37	41
Personal Automobile	545	541
Personal Property	207	302
<i>Total</i>	789	884
Commercial Lines Rate Filings		
Bond, Burglary, Title	330	412
Commercial Automobile	554	638
**Commercial Property	801	383
General Liability	965	1,101
Identity Theft	3	3
Inland Marine***	See Note Below	179
Intake	0	0
Interline	57	45
Multi-Peril	811	731
Professional Liability	138	169
Workers' Compensation	424	407
<i>Total</i>	4,083	4,068
Policy Form, Endorsement and Rule Filings		
Auto Home (Personal Liability and Personal Umbrella)	57	86
Personal Automobile	383	447
Personal Property	228	316
Bond, Burglary, Title	794	642
Commercial Automobile	1,119	645
Commercial Property**	2,047	1,114
General Liability	2,991	1,957
Identity Theft	7	5
Inland Marine***	See Note Below	531
Intake Unit	6	0
Interline	215	155
Multi-Peril	3,348	2,428
Professional Liability	372	369
Workers' Compensation	295	154
<i>Total</i>	11,862	8,849
Total P & C Filings Received	*16,734	*13,801
Intake Unit Filings Processed	189	131

* FY07 total includes 7,402 SERFF filings; FY06 total includes 3,492 SERFF Filings;

** Inland Marine totals included in Commercial Property totals for Fiscal Year 2006; and

*** Effective 10/06/2006, Inland Marine Category was added and is listed separately.

Figure 27 Number of Licenses, Certificates and Registrations Under Commissioner's Jurisdiction

LICENSE TYPE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Agents (1)	234,992	246,923	259,743	273,502	289,813
Adjusters	43,452	44,498	54,810	66,244	72,012
Full-Time Home Office Salaried Employees	3,721	2,087	1,292	1,259	1,256
Specialty - Credit	2,537	2,792	2,888	2,908	2,993
Specialty - Travel	529	643	699	721	812
Specialty - Rental Car Company	73	73	72	68	64
Specialty - Self Service Storage Facility	62	60	74	74	83
Specialty - Telecommunication Equipment Vendor(2)	6	8	11	13	12
Life Counselors	158	179	235	273	372
Public Insurance Adjusters (3)	0	78	115	167	202
Risk Managers	1,095	1,091	1,100	1,098	1,123
Re-insurance Intermediary	1,203	1,446	1,441	1,503	1,473
Premium Finance Companies	304	328	293	323	325
Third-Party Administrators	739	736	750	747	730
Grand Total of Lines Regulated	288,871	300,942	323,523	348,900	370,218

1 An agent may hold more than one type of license; these statistics do not represent numbers of individual agents;

2 Specialty Telecommunication License created by the 77th Legislature; and

3 Public Insurance Adjusters License created by the 78th Legislature.

Figure 28 Summary of Activity: Licensing Division

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Total Filings Processed by Licensing Division	724,305	699,971	747,271	734,141	744,844
Telephone Inquiries Answered*	160,478	133,581	128,784	149,198	132,170

* Licensing uses an Interactive Voice Response (IVR) to improve the Division's ability to respond to calls from companies, agents and the public. The IVR provides 24-hour, 7-day-a-week access to licensing information.

Figure 29 Five-Year Summary of Agents License Statistics

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Issued	53,660	56,636	58,059	68,693	62,748
Renewed	75,186	92,505	84,984	101,767	98,820
Total Appointment Transactions	479,618	503,347	496,117	515,260	508,048
Total Current Agents & Adjusters Licenses	278,444	291,499	314,668	339,913	362,030
Other Licenses	10,427	9,443	8,855	8,897	8,188
Grand Total of Licenses Regulated	288,871	300,942	323,523	348,900	370,218

Figure 30 Numbers and Types of Agents Licenses, FYs 02-06

LICENSE TYPE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
County Mutual	4,193	3,694	3,462	3,481	3,320
General Lines - Life, Accident, Health and HMO	136,944	145,209	150,348	158,373	167,501
General Lines - Property and Casualty	67,416	76,646	87,684	95,298	102,759
Insurance Service Representative	2,477	2,368	2,069	1,832	1,654
Life not to Exceed \$15,000	1,320	1,230	1,026	973	944
Limited Lines	15,364	10,841	7,622	5,876	5,441
Managing General Agent	1,713	1,551	1,643	1,596	1,625
Pre-Need	3,146	2,584	2,504	2,376	2,331
Surplus Lines	2,419	2,800	3,385	3,697	4,238
Total	234,992	246,923	259,743	273,502	289,813

Figure 31 Summary of Activity: Miscellaneous Lines

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
TPA On-Site Examinations	0	0	0	0	0
TPA Desk Audits Conducted	1	0	0	0	0
TPA New Licenses Issued	47	64	47	44	37
TPA License Exemptions Granted	84	90	104	99	108
New Premium Finance Licenses Issued	37	41	32	13	22
Premium Finance Licenses Renewed	270	297	320	307	300

Figure 32 Number of Premium Finance Companies and Loans' Value

CALENDAR YEAR	NUMBER OF COMPANIES	NUMBER OF PREMIUM LOANS	VALUE OF LOANS \$ BILLIONS
1997	300	443,278	\$1.76
1998	292	455,492	\$1.54
1999	291	468,129	\$1.68
2000	283	408,892	\$1.69
2001	281	387,866	\$1.90
2002	304	332,663	\$2.54
2003	317	300,673	\$3.08
2004	333	275,215	\$2.95
2005	329	265,944	\$2.60
2006	307	322,090	\$2.67

Figure 33 Summary of Activity: Life/Health Filings

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Filed	33,449	28,558	30,945	27,184	25,857
Accepted	32,197	27,079	29,914	26,591	25,158
Approved	8,398	9,438	9,655	9,432	7,612
Disapproved	3,177	2,574	2,993	1,977	2,497
Exempt	11,681	7,075	6,324	7,559	7,353

Figure 34 Summary of Activity: Health Maintenance Organization Filings

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Actual Performance	2,026	1,596	1,538	1,577	1,763
Annual Target	2,900	2,446	2,446	1,300	1,100
Percentage of Target	69.86%	65.25%	62.88%	121.31%	160.27%

Figure 35 Summary of Activity: Utilization Review Filings

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Applications Received	15	15	16	12	19
Registered Utilization Review Agents Approved	1	1	2	1	2
Certified Utilization Review Agents Approved	15	12	17	11	7
Certified URAs Renewed	97	103	81	78	85

**Figure 36 Summary of Activity: HMO Complaints
Number of complaints against HMOs resolved**

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Actual Performance	6,280	3,620	2,422	1,329	872
Annual Target	6,000	7,000	7,000	2,240	2,240
Percentage of Target	104.67%	51.71%	34.60%	59.33%	38.93%

Figure 37 Number of HMO Quality Assurance Examinations Conducted

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Actual Performance	28	22	16	22	18
Annual Target	21	12	12	12	12
Percentage of Target	133.33%	183.33%	133.33%	183.33%	150.00%

Figure 38 Summary of Activity: HMO Projects/Inquiries

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Projects/Inquiries Received	197	124	119	169	608
Projects/Inquiries Completed	197	124	117	171	585

Figure 39 Summary of Activity: IRO Applications

	FY 2004	FY 2005	FY 2006	FY 2007
IRO Applications Received	4	4	8	8
IRO Applications Approved	3	3	6	10
IRO Renewals Approved	6	10	10	16

Consumer Protection

Consumer Protection (CP) assists Texans by helping resolve insurance complaints; providing insurance information to the public through a Consumer Help Line, publications and the Internet; and reviewing insurance advertising.

The Consumer Protection Program consists of five activities:

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

Information Assistance responds to calls to the agency's toll-free Consumer Help Line, 1-800-252-3439. This telephone line is staffed from 8 a.m. to 5 p.m. Central time, Monday through Friday. Staff answer questions regarding most lines of insurance; provide information about companies and agents, including license status and complaint histories; and help consumers file insurance-related complaints. The section also maintains TDI.nfo, an electronic information database to help TDI respond consistently and efficiently to consumer questions. Information Assistance helps non-English speakers through its Spanish-speaking staff and use of the Language Line interpreter services. Service for hearing- or speech-impaired consumers is provided through Relay Texas at 1-800-735-2989 (TDD/TTY).

Public Education develops and distributes information to increase consumers' understanding of insurance products and to help consumers shop wisely for the insurance they need. Publications also are accessible through the agency's website. Consumers may order complaint forms and publications 24 hours a day, seven days a week, by calling a toll-free automated telephone line, 1-800-599-SHOP (7467). Public Education also coordinates a Speakers Bureau that provides presentations for civic and community organizations, consumer groups, and the insurance industry. In partnership with other state and federal agencies, Public Education operates the federally funded Health Information, Counseling and Advocacy Program (HICAP), which provides statewide training to volunteer benefits counselors who assist senior citizens in their local communities.

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

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

Highlights

In Fiscal Year 2007, CP:

- Assisted Texans impacted by natural disasters. CP coordinated the agency's response following August 2006 flooding in El Paso County; November 2006 flooding in Southeast Texas; December 2006 severe weather and tornadoes in Limestone, Johnson, and Hill counties; April 2007 tornadoes in Eagle Pass, Cactus, and Tulia; and June 2007 flooding in Cooke, Coryell, Denton, Grayson, Lampasas, and Tarrant counties. TDI staff assisted consumers in the field, answered inquiries during extended hours via TDI's toll-free Consumer Help Line, developed Internet resource pages, resolved disaster-related insurance complaints, inspected property

damage, conducted educational outreach events, and joined staff from state and federal agencies at the State Operations Center and Disaster Recovery Centers. CP also worked with the Texas State Disaster Coalition to ensure timely and efficient disaster response by government and the insurance industry.

- Assisted consumers following the insolvency of Texas-domiciled companies in the Vesta Insurance Group in summer and fall 2006. CP developed an Internet resource page with information about the insolvency and court proceedings; frequently asked questions; links to news releases and consumer and agent notices; and shopping tips and tools. CP also extended its Consumer Help Line hours to assist Vesta policyholders with questions and concerns.
- Assisted consumers in the Gulf Coast area following Capitol County Mutual Insurance Company's decision to stop writing wind and hail coverage for their industrial fire policyholders. CP staff developed a Web resource page with information and shopping tips, updated the agency's Helpinsure.com website with a list of agents willing to assist Capitol County policyholders, and conducted Consumer Help Days in Beaumont, La Marque, and Brownsville for consumers who had lost their wind and hail coverage.
- Initiated the Data Encryption Excellence Project to ensure the proper handling, storage, and transmission of confidential information.
- Conducted a telecommuting pilot project to assess the feasibility of allowing staff to work from home and to identify potential issues. The project will be expanded agencywide in FY 2008.
- Successfully passed an audit of the agency's complaint resolution performance measure by the Texas State Auditor's Office. The State Auditor certified the agency's complaint processes and praised TDI's complaints workflow system as "state of the art" for state government.
- Coordinated a July 2007 "discussion series" with state and national experts in demographics, economics, the environment, technology, and insurance to help agency management strategically plan for the future.
- Returned nearly \$33.5 million to consumers in additional claims payments and refunds as a result of complaints resolution.
- Responded to more than 872,000 consumer inquiries, including more than 200,000 calls to the Consumer Help Line.
- Conducted more than 700 Speakers Bureau presentations throughout Texas on insurance issues.
- Distributed more than 3.2 million publications, including more than 830,000 rate guides. Rate guides provide information to help Texans save money on their insurance. TDI publishes rate guides for automobile, homeowners, Medicare supplement, long-term care, small employer health benefit plans and workers' compensation insurance.
- Reviewed more than 6,000 insurance advertisements to ensure compliance with state laws and TDI rules.
- Facilitated several working groups to distribute information and enhance industry regulation, including the Technical Advisory Committee on Claims Processing, the Workers' Compensation Working Group, the Advertising Workgroup, and Complaints Stakeholders Group.
- Distributed "Consumer Alerts" on a variety of topics, including disaster preparedness, business interruption coverage, flood-damaged vehicles, and insurance shopping tips, to consumer advocacy groups and other consumer organizations.
- Maintained consumer information on TDI's Internet website. Items accessed most frequently were company profiles, publications, the online complaint form and the Internet Complaint Information System.
- Maintained TexasHealthOptions.com, a "one-stop" resource for Texans shopping for health insurance. The website provides information to help Texans find health coverage, including lists of agents and companies offering various types of health plans.
- Initiated or continued partnerships with governmental agencies to promote TDI services and enhance outreach activities, including partnerships with:
 - The Children's Hospital of Austin, the Seton Healthcare Network, the City of Austin and the Travis County Health and Human Services Commission to provide information to parents of uninsured children and to people utilizing services provided at mobile health clinics.
 - The National Association of Insurance Commissioners (NAIC) and the International Commission on Holocaust-Era Insurance Claims (ICHEIC) to assist Holocaust survivors

and their heirs settle unpaid claims on insurance policies issued in Europe between 1920 and 1945.

- County tax assessor-collector offices statewide to distribute rate guides and other insurance information.
- The Texas Workforce Commission to provide information about insurance to employers attending Texas Business Conferences across the state.
- The Texas Department of Aging and Disability Services, the Texas Legal Services Center, and local Area Agencies on Aging statewide to assist older Texans and to offer training to benefits counselors in local communities.
- The Governor’s Division of Emergency Management and representatives of the insurance industry in the Texas State Disaster Coalition, which facilitates coordinated responses to disasters.

Figure 40 Total Number of Complaint Cases Closed, FYs 97–07

YEAR	CASES CLOSED
1997	17,650
1998	18,829
1999	22,472
2000	28,005
2001	28,996
2002	34,364
2003	41,294
2004	29,505
2005	24,132
2006	24,122
2007	21,676

Figure 41 Additional Claim Payments to Consumers, FYs 97–07

YEAR	CLAIM PAYMENTS
1997	\$17.0 million
1998	21.3 million
1999	24.4 million
2000	32.0 million
2001	31.4 million
2002	46.6 million
2003	45.9 million
2004	39.0 million
2005	37.6 million
2006	54.6 million
2007	31.3 million

Figure 42 Restitutions/Refunds to Consumers, FYs 97–07

YEAR	RESTITUTION OR REFUNDS
1997	\$1.2 million
1998	1.3 million
1999	1.2 million
2000	1.8 million
2001	*636,000
2002	1.9 million
2003	2.2 million
2004	1.2 million
2005	1.8 million
2006	1.6 million
2007	2.2 million

* Fewer complaints involving large refunds of annuity premiums were received in FY 2001.

State Fire Marshal's Office

The State Fire Marshal's Office (SFMO) works to proactively develop and promote methods of preventing and reducing fire losses. This is accomplished through collaboration with private sector entities, the regulated fire service industry, the Texas fire service, local and state agencies, and the public. Since 1997 the SFMO has been part of the Texas Department of Insurance as directed by SB 371, 75th Legislature. The State Fire Marshal's Office consists of four divisions:

- Fire Industry Licensing Services and Investigations
- Fire Prevention Outreach Services
- Fire Safety Inspection Services, and
- Fire/Arson Investigations

In addition to the service provided by these four divisions, the SFMO is also statutorily responsible for the investigation of firefighter fatalities. The 77th Texas Legislature established this authority and empowers the SFMO to investigate the manner and cause of firefighter line-of-duty deaths. The State Fire Marshal is directed, by statute, to publish a report on the findings of each investigation and an annual report to the Texas Insurance Commissioner.

The **Firefighter Fatality Investigation Program** is multi-disciplinary, involving staff with a broad range of expertise and experience. The SFMO also involves members of the Texas fire service to assist with the fire ground operations review component of the investigation. These volunteers represent numerous organizations and are chosen for their substantial fire ground investigation expertise.

Fire Industry Licensing Services and Investigations Division is divided into two sections:

- **Licensing Administration**

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

- **Investigations**

Fire Industry Investigators respond to complaints concerning the illegal, improper, and unsafe installation of fire alarm, extinguisher and sprinkler systems by licensed entities. They also inspect fireworks retail sites to ensure compliance with adopted laws.

Fire Prevention and Outreach Services Division is responsible for the following activities:

- **Texas Fire Incident Reporting System**

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

- **Fire Safety Education for Children and the Elderly Via Community Based Partnerships**

The SFMO coordinates a variety of fire safety education products for children and the elderly. These include assisting communities in establishing and maintaining Juvenile Firesetter Intervention Programs, providing Fire Safety House presentations to Texas school children in communities around the state, and helping communities implement nationally endorsed community-based education programs, such as Risk Watch and Remembering When.

- **Public Protection Classification Oversight**

The Public Protection Classification Oversight officer assists local fire departments, upon request, with Public Protection Classifications (PPC) and the Insurance Services Office (ISO) Fire Suppression Rating Schedule. Through the authority of the State Fire Marshal, this employee is responsible for approving or disapproving proposed PPC ratings for communities.

Fire Safety Inspection Services Division conducts fire safety inspections of public buildings and private facilities in Texas, including 24-hour care facilities, state buildings, daycare centers, hotels and motels. This division also conducts a comprehensive, multi-year fire safety inspection of all Texas state supported institutions of higher education. Published reports are available on the agency's website. Inspections are conducted based on need or in response to a request or com-

plaint. Upon complaint, inspections of storage, handling and use of flammable liquids also are conducted at retail service stations throughout the state.

Fire/Arson Investigations Division is responsible for the following activities:

- **Fire/Arson Investigations**

Upon request, Fire/Arson Investigations investigates fire scenes throughout the state and provides assistance to local law enforcement authorities. SFMO investigators travel to the fire scene and assist local officials with determining origin and cause, and with criminal investigations when appropriate.

- **Canine Teams**

Canine Teams consist of a handler, who is a certified fire investigator, and a canine that has been certified and trained to detect hydrocarbons. The canines' keen sense of smell helps them identify areas for evidence collection at fire scenes.

- **Forensic Arson Laboratory**

The Forensic Arson Laboratory, based in Austin, provides accelerant testing services and analysis of fire scene debris to law enforcement and public safety organizations. The lab is accredited by the American Society of Crime Laboratories Directors.

Highlights

In Fiscal Year 2007, the State Fire Marshal's Office:

- Designated "Have an Exit Strategy" as the theme for the 2007 Fire Prevention Week. This theme was extended from last year's fire prevention theme to expand the statement to "Have an Exit Strategy Where You Live, Work and Play." The State Fire Marshal's Office, together with local fire departments and fire service organizations, works with families, universities, schools and communities to help people identify potential fire and emergency hazards and show them the benefit of escape plans. The campaign targets both English and Spanish speaking populations through bilingual posters and Public Service Announcements.
- Provided a Train-the-Trainer program, through which Have an Exit Strategy (HAES) training was presented to staff at the Texas Alcoholic Beverage Commission (TABC). Upon completing this training, TABC agents will deliver the HAES training to state employees.
- Provided bill analysis and comment on the Fire Safe Cigarette legislation (HB 2935), which was successfully passed by the Legislature and signed by the Governor, and resulted in an allocation of nine additional SFMO staff for program implementation. Began development of the SFMO Fire Safe Cigarette program, a component of the Fire Prevention and Outreach Services Division, which will certify the sale of fire safe cigarettes. This law will assist in reducing fire loss resulting from unattended cigarettes, a leading cause of fire loss in the State of Texas.
- Completed the recertification of the SFMO's Forensic Arson Laboratory. The Lab is accredited by the American Society of Crime Laboratory Directors Laboratory Accreditation Board.
- Expand the Fire/Arson Investigation Division's customer service by the addition of a fourth canine.
- Continued an aggressive, on-site fire safety inspection project on state university campuses with a special focus on full-campus inspections. SFMO inspectors worked with university officials to remedy any dangerous situation uncovered by the inspections. Inspections have been completed for all state owned university on-campus housing and academic buildings. In FY 2008, SFMO will begin conducting inspections of all university health care centers and hospitals.
- Participated in the post-fire review following the mid-rise Houston fire, which resulted in three fatalities, two of which were state employees. Through this post fire review, the SFMO studied the contributing factors leading to the rapid spread of fire throughout the structure and resulting fatalities. The SFMO shared findings from the study with the State Office of Risk Management and the Texas Facilities Commission (TFC). Additionally, the SFMO inspected all Division of Workers' Compensation (DWC) buildings, some of which were similar to the Houston building, and provided HAES training to DWC staff, at their request following the Houston fire.
- Inspected the Governor's Mansion. The SFMO recommended to TFC that the renovation of the mansion include fire sprinklers and worked with the project contractors to provide options for fire safety improvements.
- Conducted firefighter fatality investigations for two firefighting incidents that resulted in a total of three firefighter deaths.

- Entered into a Memorandum of Understanding with TFC and the State Office of Risk Management (SORM) in order to clarify the role of each agency, pursuant to the Texas Government Code, Section 417, by which the SFMO is responsible for inspecting state owned buildings under the purview of TFC.
- Sponsored an annual State Fire Marshal's Conference in Austin with more than 150 local fire marshals in attendance. The conference focused on continuing education for attendees, emerging fire prevention models, and increasing interaction among fire marshals statewide.
- Re-election of the State Fire Marshal (SFM) for a two-year term on the National Association of State Fire Marshals Board of Directors. The SFM was also appointed as the co-chair of the Communication Committee, tasked with improving communication among members.
- Coordinated the Courage to be Safe Train-the-Trainer Safety Program. The program, in which certified fire instructors train their peers in safety practices, was developed by the National Fallen Firefighter Foundation with the goal of reducing line-of-duty deaths by 25% within 5 years and by 50% within 10 years. Instructors received training that prepared them to train colleagues in their specific area of the state.
- Implemented strategies for improved communication among SFMO staff in response to the Survey of Organizational Excellence, in which internal communication was indicated as an area needing improvement. In response to the survey results, the SFMO generated a follow-up survey, sent to staff to gauge which areas they would prefer to receive more information. The SFMO modified its bi-weekly report to improve communication, and held an all staff meeting to address those interests identified in the second survey.
- Provided PPC Oversight assistance to local communities resulting in approximately 27 on-site visits, 520 phone calls, and responses to 5020 emails and 347 phone messages. PPC scores the fire protection capabilities of a community and factors into the overall property insurance rates for that community. Processed over 95 monthly submissions by the ISO for approval prior to the use of the community ratings in Texas.
- Continued the We're Out To Alarm Texas campaign in partnership with the Insurance Council of Texas and fire departments around the state. Through this program, smoke alarms are provided to fire departments to install, free of charge, to the needy and elderly upon request. The campaign has been in place for three years, and in that time, a total of 3,200 smoke alarms have been delivered to nine communities, and three lives have been saved as a direct result of the program.
- Provided educational programs to seven fire industry trade associations, cities, and other state entities on fire codes and technical standards.

Figure 43 Summary of Activity: Fire Marshal's Office

	FY 2006	FY 2007
TEXFIRS incident reports processed	4,351,851	4,435,956
Fire investigations completed	650	519
Reported value of property fires investigated	\$1,672,387,341	\$307,496,357
Percent of fire investigations found to be incendiary	43%	40%
Number of suspects referred for prosecution	130	115
Percent of referred suspects indicted	96%	75%
Conviction rate of indicted suspects	63%	104%
Samples analyzed in arson laboratory	3,383	2,685
Companies and personnel licensed for Fireworks, Extinguisher, Alarm and Sprinklers	11,786	11,651
Investigations/inspections of complaints against Fire protection equipment/fireworks industries	1,198	1,107
Buildings inspected/re-inspected for fire safety hazards	5,172	4,778
Number of children participating in a Fire Safety House demonstration	5,182	17,233

Administrative Operations

ADMINISTRATIVE OPERATIONS is headed by the agency's Chief of Staff. It performs the agency's internal financial functions and provides operational support ranging from computer and database services to professional development and training. It also provides administrative support to the Office of Injured Employee Counsel (OIEC) and monitors TDI's compliance with oversight requirements set for state agencies by the Legislature. The program consists of six activities.

Financial Services, led by the Chief Financial Officer, maintains the agency's financial records, prepares supporting documents required for a proper audit trail, establishes internal financial controls to detect errors and irregularities, prepares the agency's annual financial report and develops and recommends rates for maintenance taxes and assessments. The division manages budget and planning functions, including the preparation of the agency's Legislative Appropriations Request (LAR), Strategic Plan, annual operating budget, and performance measure reports. In addition, the division monitors expenditures, develops projections to help programs stay within budget, monitors performance against targets in the Strategic Plan, conducts business planning and re-design activities, and monitors compliance with certain Article IX provisions of the General Appropriations Act.

Staff Services manages all building-related services, including space planning and management, security, employee parking, records retention, property inventory and warehousing, and copy services. It also administers the agency's Safety and Risk Management Program. In addition, Staff Services handles, tracks and delivers all mail, including inter-agency memos and correspondence.

Purchasing and Contract Administration is responsible for procuring all goods and services for the agency, managing the agency's Historically Underutilized Business (HUB) Program and administering contracts. The division's primary goal is to meet the needs of its customers by ensuring that they receive the right product or service, at the right price, at the right time.

Information Technology Services (ITS) provides automation and computer support for all agency programs and activities and the Office of Injured Employee Counsel under the direction of the agency's Information Resource Manager (IRM). The primary goals of ITS are to ensure that automation applications and technology are of good quality, are maintainable and available, and meet agency and state standards. ITS supports agency programs by providing advice and assistance in applying technological solutions to business problems; building and maintaining new applications or purchasing applications and systems to meet agency needs; monitoring emerging technologies and support issues, including legislative directives and mandates; working to manage agency data efficiently and effectively, including establishing appropriate access; supplying appropriate and timely technical training to employees; planning and implementing agency wide automation and information technology projects; managing access to agency hardware, software, and telecommunications resources; and providing Help Desk, desktop, and telecommunication technical service in response to requests from agency staff.

Human Resources responds to the needs of agency management and personnel and fulfills a wide range of human resource functions to support agency operations. This division ensures the agency maintains compliance with state and federal employment laws, provides workforce planning, and enforces and reviews the agency performance management system. It also manages the agency hiring process, processes and maintains payroll records and information, maintains agency employment records, reviews and processes personnel actions, reviews and maintains agency time records and leave programs, provides information and assistance to employees regarding insurance, disability, and retirement benefits and programs, conducts and analyzes employee exit interviews, and reports state and federal personnel/payroll information. Human Resources is also responsible for employee professional development. It develops and implements agency programs to maintain high employee satisfaction and conducts management and technical insurance training, new employee orientation, and soft-skills training.

Employee Ombudsman and Ethics Advisor gives employees an outlet to discuss their concerns and problems in private. The ombudsman also is charged with helping encourage positive communication between agency managers and employees, helping resolve workplace complaints, grievances or disputes and helping agency employees with ethics questions.

Highlights

In Fiscal Year 2007, Administrative Operations:

Financial Services

- Developed and produced the agency's FY 2008 Operating Budget.
- Coordinated projects and prepared documents in support of the agency's FY 2008/2009 Legislative Appropriations Request and FY 2007-2011 Strategic Plan as requested by Legislative Budget Board and Governor's Office of Budget and Planning during the 80th Legislative Session.
- Provided administrative support to OIEC, such as bill paying, processing travel reimbursements, development of FY 2008 operating budget.
- Coordinated more than 414 fiscal notes to the Legislative Budget Board during the 80th Legislative Session.
- Monitored and projected agency expenditures by strategy, object of expense and organizational unit.
- Maintained a travel tracking cap system that enabled the agency to operate in compliance with the General Appropriations Act.
- Monitored performance measures monthly to evaluate programs on strategic plan performance measures.
- Implemented self-audits and develop performance measure calculation methodologies within Division of Workers' Compensation (DWC) to establish internal controls, documented performance measure procedures, and evaluated existing measures.
- Prepared three FY 2006 Annual Financial Reports (TDI, DWC, OIEC), which received written recognition and appreciation for thoroughness from CPA's financial reporting analyst.
- Prepared the FY 2006 Binding Encumbrances and Accounts Payable Report for TDI and OIEC.
- Developed maintenance tax rates, examination/overhead assessment and premium finance assessment.
- Assisted in preparation of the quarterly FTE State Employee Reports to the State Auditor's Office (SAO), pursuant to the General Appropriations Act.
- Assisted agency programs with the implementation of the FY 2006-2007 business plan projects by monitoring progress and coordinating agency involvement on projects affecting multiple program areas.
- Redesigned TDI's FY 2008-2009 business planning process to streamline plan development and reporting and incorporated enterprise risk management into business planning process.
- Updated TDI's agency disaster recovery plan to include DWC's disaster response procedures as well as the protocol for field office disaster response activities.
- Conducted disaster recovery exercises to test TDI's ability to respond to disasters affecting TDI's Hobby Building and Metro Center headquarters and identified enhancements for the DWC's program-level disaster recovery plan and TDI's agency disaster recovery plan.
- Coordinated the development of TDI's Self-Evaluation Report to the Sunset Advisory Committee.
- Assessed designated doctor selection and assignment processes and recommended process enhancements to the Commissioner of Workers' Compensation.
- Cooperated with the recovery audit by Horn & Associates in which no duplicate payments were found for TDI or DWC.
- Cooperated with State Auditors' Office audit of six performance measures; five of the six measures were certified.
- Implemented enhanced procedures to improve security measures for the transfer of cash receipts from the program areas to the Cashier's office.

Staff Services

- Handled 1,785,000 pieces of agency mail.
- Microfilmed 2,844,000 documents and stored 1,285 cubic feet of records through the Texas State Library for record retention.

- Processed 1,552 work orders through the Texas Building and Procurement Commission (TBPC) and the Metro Center lessor.
- Facilitated the safety program that resulted in 8 of 15 program areas achieving accident/injury free status in FY 2007.
- Negotiated 13 branch office lease renewals.
- Implemented a security enhancement proposal project for the Hobby Building.

Purchasing and Contract Administration

- Processed 3,023 purchase requests and 2,475 purchase orders.
- Coordinated the contract administration process for 772 contracts.
- Posted 39 procurement opportunities on the Electronic State Business Daily.
- Tracked and administered 560 contracts.
- Attended 5 HUB forums.
- Sponsored one agency HUB forum.
- Achieved 30.7% HUB participation during the first six months of FY 2007.
- Established process of scanning all agency contracts that gave agency staff access to contracts via the automated purchasing system.
- Eliminated employees' social security numbers from the purchasing system vendor database files.
- Participated in internal audit of DWC's procurement card procedures.
- Participated in internal audit of the DWC TMIC grant.
- Achieved excellent results on an audit by the TBPC.

Information Technology Services

- Completed the Business Process Improvement Project in accordance with the modified Charter as submitted to the SAO and the Quality Assurance Team (QAT). The project was resource intensive and focused on approved project priorities: stabilization of the system, processing of Electronic Data Interchange (EDI) submission of Medical Billing Data (837) from external Trading Partners, and reconciling EDI submissions for First Report of Injury (FROI 148) and Subsequent Report of Injury (SROI A49).
- Completed the migration of remaining legacy applications and data from the mainframe environment maintained in San Angelo to an existing UNIX server environment in Austin, resulting in significant cost savings.
- Replaced obsolete servers in DWC field offices with a centralized solution by deploying Citrix technologies.
- Implemented a Secure Shell File Transfer Protocol (SFTP) solution to allow health care providers and insurance carriers to transmit confidential data to TDI securely. Applications or services previously transmitting data using FTP or other transport are scheduled to migrate to the SFTP solution.
- Transitioned TDI's affected data center services to the consolidation vendor, Team for Texas, in accordance with HB 1516 (79th Legislature, 2005). Twenty-three ITS positions transferred to Team for Texas.
- Deployed over 800 new desktop computers as part of the agency's obsolescence plan.
- Reimaged all DWC desktop computers to implement TDI standards and to remove Novell systems.

In addition to the major initiatives described above, ITS:

- Supported agency staff and external customers by responding to 24,000 Help Desk calls.
- Participated in the state's Web portal effort, TexasOnline, by supporting two applications, Insurance Licensing Search and Renewal, and Attorney Fee Processing System.
- 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.
- Promoting the use of TDI's website. Monthly "hits" increased to an average of 3,500,000 per month, up 156,000 per month from 2006 averages.
- Offering insurance agents the ability to renew licenses online, including paying their renewal fees and allowing citizens and businesses to search for information about insurance agents. Each month, over 871,000 queries were executed to obtain license information, an increase of

45% from FY 2006. Also, more than 8,000 license renewals were performed online, an increase of 20% from equivalent renewals in FY 2005.

- 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 and 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 workers 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.
- Refined information security at TDI by:
 - Updating antivirus, e mail filtering, and firewall software to strengthen agency security.
 - Providing informational articles and material to agency personnel regarding best security practices.
 - Providing information security training classes for new employees as part of the agency New Employee Orientation program and providing refresher training courses for current agency staff.

Completed business unit information technology initiatives, including:

- Developing an automated solution for tracking and reporting the certification of workers' compensation networks.
- Assisting in analysis, selection, and implementation of a software application to track fraud.
- Modifying internal applications to allow the State Fire Marshal's Office to participate in the State's Consolidated Business Application initiative by offering fireworks licensing online.
- Providing technology support for the creation and collocation of TDI's Complaint Resolution and Customer Services (CRCS) section with existing Consumer Protection, Agents Licensing, and Human Resource TDI call centers. ITS modified the existing paperless complaint tracking used by Health and Workers' Compensation Network and Consumer Protection to accommodate the CRCS workflow.
- Developing an online Web-based Independent Review Organizations (IRO) request form to allow Utilization Review Agents (URAs) and insurance carriers to enter data online.
- Providing technology support for agency staff who moved when their divisions were reorganized.
- Providing technology support for agency field offices that made physical moves or needed assistance as a result of weather or emergency situations.

Human Resources

- Processed and tracked 2,100 personnel actions including merit raises, promotions, new hires, transfers, and separations of employment. In addition to this number, 117 personnel actions were processed for OIEC.
- Met 100% of all payroll reporting deadlines.
- Processed 5,694 job applications.
- Answered 76,809 switchboard calls.
- Delivered 801 hours of traditional classroom training and 379 hours of training provided online through video-streaming, video or CD-Rom. Training included new employee orientation and courses on teambuilding, communication, customer service, defensive driving, insurance training and management training.
- Coordinated an additional 30 hours of training using traditional classroom methods and 12 hours of online training for managers and employees.
- Delivered 15 Wellness events.

Employee Ombudsman and Ethics Advisor

- Created and conducted Team Building classes for numerous agency program areas.
- Responded to and answered a wide variety of ethics questions from agency employees.
- Designed a new sexual harassment/discrimination course and began presenting it to agency employees.

Figure 44 Comparison of Maintenance Tax Rates FYs 2000-07

TYPE	MAX LEGAL RATE	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Motor Vehicle	0.2	0.055	0.057	0.060	0.053	0.035	0.036	0.062	0.058
Fire	1.25	0.358	0.352	0.401	0.330	0.188	0.184	0.291	0.236
Workers' Compensation	0.6	0.055	0.060	.069	.051	.030	0.027	0.051	0.059
Casualty	0.4	0.200	0.186	0.210	0.180	0.091	0.073	0.119	0.117
Title	1.0	0.144	0.086	0.111	0.073	0.045	0.037	0.107	0.100
Life, Accident and Health	0.04	0.040	0.040	0.040	0.040	0.026	0.026	0.040	0.040
Third-Party Administrators	1.0	0.218	0.237	0.330	0.265	0.150	0.125	0.149	0.110
*HMO Multi-Service	\$2.00	\$1.08	\$1.11	1.10	\$1.32	\$0.89	\$1.02	\$1.53	\$1.23
*HMO Single Service	\$2.00	\$0.36	\$0.37	\$0.37	\$0.44	\$0.30	\$0.34	\$0.51	\$0.41
*HMO Limited Service	\$2.00	\$0.36	\$0.37	\$0.37	\$0.44	\$0.30	\$0.34	\$0.51	\$0.41
Prepaid Legal	1.000	0.030	0.020	0.030	0.022	0.022	0.022	0.044	0.036
Division of Workers' Comp.	N/A	1.71	1.67	1.51	.01125	.9200	1.051	1.051	1.128

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

Division of Workers' Compensation

The Texas Department of Insurance, Division of Workers' Compensation (Division) was established on September 1, 2005 when the former Texas Workers' Compensation Commission was abolished (HB 7, 79th Legislature).

The primary duties of the Division are to regulate and administer the business of workers' compensation in Texas; and ensure that the Texas Workers' Compensation Act and other laws regarding workers' compensation are implemented and enforced. The basic goals of the Texas workers' compensation system are as follows:

- Each employee shall be treated with dignity and respect when injured on the job.
- Each injured employee shall have access to a fair dispute resolution process.
- Each injured employee shall have access to prompt, high-quality medical care within the framework established by the Texas Labor Code; and
- Each injured employee shall receive services to facilitate the employee's return to employment as soon as it is considered safe and appropriate by the employee's health care provider.

The Commissioner of Workers' Compensation is appointed by the Governor, with the advice and consent of the Senate, to administer the Division within the Texas Department of Insurance (TDI). Commissioner Betts was confirmed by the Senate during the 80th Legislative Session. The Commissioner oversees Division regulatory functions and has the authority to adopt rules to implement and enforce the Texas Workers' Compensation Act and the Texas Labor Code. The Commissioner may sanction parties up to and including preventing them from participating in the workers' compensation system.

The Commissioner makes recommendations to the Legislature regarding changes to state workers' compensation laws, appoints individuals to advisory committees and serves as a member of the Texas Certified Self-Insurer Guaranty Association. The Commissioner has the authority to approve Certificates of Authority to Self-Insure for workers' compensation claims for certain eligible employers with employees in Texas.

The Division consists of a Commissioner's Administration area and five major sections: Operations, Legal Services, Hearings, Policy & Research and the Medical Advisor. A General Counsel advises the Commissioner on legal matters affecting the DWC and may conduct public hearings, review litigation, provide support for compliance efforts and coordinate policy issues.

Operations

The Executive Deputy Commissioner for Operations provides Division-wide operational support in the areas of Business Process Improvement and Communications, Field Operations, Records Management and Support, Self-Insurance Regulation, Workplace Safety and Special Projects support to the Commissioner.

Business Process Improvement and Communications supports the mission of the Division by finding process-oriented solutions to streamline and increase the effectiveness of service delivery. This area also provides communications support for the agency's internal and external written communications, web-based information, forms management, translation services, budget and performance measures.

A **Commissioners' Ombudsman** responds to inquiries and complaints brought to the Commissioner's attention by system participants.

Self-Insurance Regulation administers a program of certified self-insurance for private employers that have operations in Texas. Self-Insurance receives and processes applications from private employers that request to self-insure their workers' compensation liabilities and monitors the withdrawn certified self-insurers. The program evaluates the companies' financial strength and liquidity, calculates and accepts security deposits, reviews claims administration plans and excess

insurance, conducts safety program plan inspections, performs on-site benefit delivery examinations as needed, and bills the self-insurance regulatory fee and maintenance taxes. Approval as a Certified Self-Insurer affords the applicant company protection under the Texas Workers' Compensation Act.

Field Operations delivers customer assistance and claims service in 24 field offices located throughout the state. Field Offices assist system participants by providing information about Texas Workers' Compensation and establishing a local venue for them to attend Benefit Review Conferences (BRCs) and Contested Case Hearings (CCHs). The offices provide both a toll-free line to answer questions and give walk-in customers face-to-face assistance in answering questions and in filling out forms. Field Operations also oversees processing of official actions such as requests for change of treating doctors, requests for required medical exams, contributions, income benefit accelerations, benefit advances and supplemental income benefit first quarter entitlements. Field offices assist with Designated Doctor appointment rescheduling and questions and provide injured employees with a single point of contact and return-to-work information. Field Operations coordinates closely with the Office of Injured Employee Counsel (OIEC) to refer unrepresented injured employees who need assistance with a claim dispute. Field offices are also responsible for managing docketing and for setting proceedings, including processing requests for BRCs. Field offices are also involved in community outreach, conducting Brown Bag seminars on workers' compensation topics.

Records Management and Support (RMS) provides system participants with information about their rights and responsibilities as well as expertise regarding claims handling. The section is comprised of four program areas:

- Project Knowledge and Support provides training, quality control and support to the other RMS program areas. Customer Service provides information and claims services to the public through a toll-free Customer Service Line.
- Designated Doctor Processing analyzes requests received via DWC Form-32, Request for Designated Doctor, and selects the appropriate Designated Doctor for appointment coordination.

The Records Center activities include:

- Safe storage and maintenance of injured employee claim files and employer insurance coverage files according to the DWC Records Retention Schedule and established quality standards.
- Providing paper copies and information pertaining to injured worker or coverage files to internal and external customers.
- Coordinating Open Records requests for claim file information in accordance with the Texas Public Information Act.
- Serving as the focal point for records management support and guidance to the Division.

Records Processing consists of three sections:

- Document Claims Processing receives, creates and updates claims from paper source documents by scanning into TXCOMP, the Division's automated system for claim information.
- Electronic Data Interchange (EDI) Claims Processing processes claims information received from EDI transactions and provides customer service to insurance carriers/trading partners.
- Insurance Coverage Processing updates the insurance coverage database with information received from insurance carriers and employers and provides customer service for inquiries on insurance coverage.

Workplace Safety provides Texas employers and employees with health and safety resources and services to prevent occupational injuries and illnesses. Programs administered by Workplace Safety include:

- Accident Prevention Services (APS) Program inspects insurance companies to ensure that they are providing required accident prevention services to their policyholders.
- Rejected Risk (RR) Program works with companies needing safety and health assistance as identified by Texas Mutual Insurance Company. Inspections of these employers are conducted to confirm implementation of accident prevention plans.
- Safety Violations Hotline is a 24-hour, toll-free hotline (800-452-9595) to report violations of workplace health and safety laws.
- Safety Information Systems (SIS) Program collects, analyzes, and distributes occupational injury, illness, and fatality information for the state of Texas. Data collection programs include

the Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses, the BLS Census of Fatal Occupational Injuries, and the annual Occupational Safety and Health Administration (OSHA) survey.

The Occupational Safety and Health Consultation (OSHCON) Program provides safety consultations to smaller employers in high-hazard industries. The program is largely funded by a grant from OSHA, but is non-regulatory in nature.

Workplace safety also educates system participants through regional seminars administration training, safety and health videos and publications, and other forms of outreach.

Legal Services

The Division's Deputy Commissioner for Legal Services oversees two sections, Regulation and Policy Counsel and Enforcement.

Regulation and Policy Counsel provides legal support for the Division. This includes:

- Advising Division program staff and management regarding the interpretation and application of the Texas Workers' Compensation Act, Division rules, policies and procedures, and other applicable laws.
- Assisting Division program staff in all aspects of the rulemaking process (development, drafting, tracking, coordination, publication, and adoption).
- Drafting and reviewing Division contracts, memoranda of understanding, memoranda of agreement, and related documents.
- Advising and providing legal assistance to Division staff regarding requests for information pursuant to the Public Information Act and other laws.
- Administering the Subsequent Injury Fund, with responsibilities including:
 - Reimbursing insurance carriers for benefits paid on a decision or order that is reversed or modified.
 - Reimbursing insurance carriers for benefits paid to injured employees based on wages earned at other jobs held at time of injury.
 - Paying lifetime income benefits to eligible injured employees.
- Providing litigation support to the Office of the Attorney General in its representation of the Division in court proceedings and providing recommendations to management regarding agency intervention in court proceedings.

Enforcement takes action against system participants who violate Division rules or statute regarding such areas as preauthorization, timely payment of medical bills and income benefits, failure to comply with a Division Order and timely filing of documents with the Division.

Hearings

The Deputy Commissioner for Hearings oversees the various indemnity Dispute Resolution Processes. Hearings staff includes Benefit Review Officers, Hearing Officers and Proceedings employees located both at Metro Center and in the field offices.

Hearings provides indemnity dispute resolution for benefit disputes regarding compensability or eligibility for, or the amount of, income, death, or burial benefits. The three-tier administrative system for indemnity benefit dispute resolution consists of a benefit review conference, benefit contested case hearing, and appeal to the Appeals Panel. Spinal surgery disputes also proceed through a benefit contested case hearing and appeal to the Appeals Panel. Benefit review conferences and contested case hearings are held at Division field offices throughout the state. Beginning September 1, 2007, Hearings conducts medical dispute contested case hearings to resolve medical fee disputes and retrospective medical necessity disputes, subject to certain monetary amounts, and prospective and concurrent medical necessity disputes.

Policy & Research

The Executive Deputy Commissioner for Policy & Research provides Division-wide operational support in the areas of Policy, System Oversight and Information Management. This support is provided by five areas: Policy Implementation and Outreach, Health Care Policy including Medical Fee Dispute Resolution (MFDR), Information Management, System Monitoring & Oversight and the Policy Advisor.

Policy Implementation and Outreach provides internal and external training on such subjects as Return to Work and Disability Management. This section partners with other state agencies to seek way to provide needed services to injured employees.

Healthcare Policy monitors and regulates the delivery of medical benefits to control medical costs and to ensure that injured employees receive reasonable, necessary and quality health care, and establishes fee guidelines, health care administration policies and procedures. This program area also oversees MFDR. MFDR manages disputes related primarily to the reimbursement of a service provided. MFDR staff are the point of intake for all requests, calls, and documentation related to medical, manage the processing of disputes, and support the auditing staff in their process to resolve medical fee disputes. Auditing staff utilize the law, rules, and fee guidelines to make a determination toward resolving the dispute.

System Monitoring & Oversight is responsible for monitoring compliance of system participants, identifying non-compliance, and making referrals to Enforcement. The Complaint Resolution section processes complaints and reports of violations of the Texas Workers' Compensation Act, the Texas Labor Code, the Texas Administrative Code, and Division rules as well as complaints about quality of care. System Monitoring & Oversight is responsible for the Performance Based Oversight program which creates tiered assessments of the performance of carriers operating in the workers' compensation system.

Information Management oversees the management of electronic data that is reported by system participants and maintains the processes of retrieval of the data in a useable form for various reports and requests from internal and external parties.

The Policy Advisor provides guidance to the Division on matters of policy development and implementation. This area drives the rulemaking process which implements legislation and is available to advise all other program areas regarding process flow and procedure.

Medical Advisor

The Medical Advisor advises the Division regarding the adoption of rules and policies. The Medical Advisor monitors and regulates the delivery of medical benefits to ensure that injured employees receive reasonable, necessary and quality health care, reviews complaints on quality of care, and oversees operation of the Medical Quality Review Panel. The panel reviews the actions of doctors, other health care providers, insurance carriers, utilization review agents, and independent review organizations in the workers' compensation system.

Highlights

Rulemaking

- Improved rulemaking process allows for earlier participation by system stakeholders.
- Adopted the following rules:
 - Medical Preauthorization
 - Medical Dispute Resolution
 - HB 251 (exchange of claims data to allow group health carriers to identify claims that may involve a workers' compensation claim)
 - Disability Management (includes: disability management concept, disability management guidelines, treatment guidelines, and return-to-work guidelines)
- Rights and Responsibilities:
 - Amended § 120.2 to comply with Section 409.005 of the Labor Code and to provide for the distribution of the Notice of Injured Employee Rights and Responsibilities in the Texas Workers' Compensation System (Notice of Rights and Responsibilities) contemplated by Labor Code § 404.109.
- Required Treatment Planning:
 - Adopted Emergency Rule eliminating the need for health care providers to develop treatment plans.
 - Repealed § 137.300, Required Treatment Planning, health care providers will not be required to submit treatment plans for health care services provided.

Return to Work

- Field staff began a new initiative, calling injured employees after TDI-DWC sends an automated referral to the Department of Assistive and Rehabilitative Services (DARS.) The calls create an opportunity for TDI staff to talk to injured employees about their recovery process and

return-to-work plans; these contacts also provide injured employees with an opportunity to discuss other issues they may have about workers' compensation.

- During FY 2007, completed its first Return-to-Work Plan, in support of the agency's mandate to improve return-to-work outcomes. The plan addresses statutory return-to-work requirements and encompasses strategies aimed at all workers' compensation system participants.
- Coordinated with DARS and the Texas Workforce Commission (TWC) management to identify the return-to-work assistance that DARS and TWC can provide. Return-to-work staff visited a TWC Workforce Center to learn more about what TWC can do for injured employees, such as employment locator services and resume/interview training. Many of the Workforce Centers provide daycare for attendees.
- Partnered with the Texas Health and Human Services Commission to distribute information about the state's "211 Texas" program whereby injured employees can connect with community-based services for needs such as housing assistance and childcare. TDI-DWC has registered with this service as a resource for injured employees and has begun distribution of 211 information through the field offices.
- Return-to-work has met regularly with the TDI Workers' Compensation Research and Evaluation Group (REG) to assess their return-to-work research and identify ways to improve outcomes.
- Provided training to field office staff on how to communicate with injured employees about the importance of talking to their employers and doctors about returning to work. Field office staff began a new initiative, calling injured employees after TDI-DWC sends an automated referral to DARS. The calls create an opportunity for staff to talk to injured employees about their recovery process and return-to-work plans; these contacts also provide injured employees with an opportunity to discuss other issues they may have about workers' compensation.
- Administered the Small Business Return-to-Work Pilot Program. During the FY 2006/2007 biennium, TDI-DWC aggressively marketed this program, through direct contact with employers and through chambers of commerce, business publications, TWC, Small Business Administration and many other organizations across the state. New legislation (HB Bill 886, 80th Legislature, effective May 17, 2007) allows small business owners to obtain pre-authorization for workplace modification to increase surety of payment and confidence in the program. TDI-DWC FY08/FY09 marketing plan for this program will emphasize the pre-authorization enhancement.

Medical Care

- Appointed Dr. Howard Smith as Medical Advisor for TDI-DWC.
- The Office of the Medical Advisor and the Quality Monitoring and Enforcement Team adopted a revised Medical Quality Review Policy in May 2007. The revised policy features the use of multiple reviewers and more opportunity for doctors under review to respond, including opportunities to meet staff to explain their actions.
- The Office of the Medical Advisor reviewed the quality of care activity of specific health care providers, which included designated doctors, peer review doctors and Independent Review Organizations (IROs), and complaints. Twelve peer reviewers and 18 designated doctors are currently under review based upon information from the REG.
- The Associate Medical Advisor reviewed 300 IRO findings which provided the basis for IRO reviews required in FY 2008 and reviewed all quality of health care complaints, which resulted in 151 letters of concern and several expanded quality reviews.
- The Office of the Medical Advisor submitted a Quality Review Plan for FY 2008 that includes a minimum of 18 Designated Doctor reviews, 12 Peer Reviewer reviews and 18 IRO reviews. The plan adds 12 reviews of the effects of long-term use of narcotics, which will be based on pharmacy billing data prepared by the REG.
- The Medical Advisor educated health care providers throughout Texas on the Medical Quality Review Panel (MQRP) by participating in a seminar series hosted by Texas Medical Association (TMA).
- Disability Management rules became effective on May 1, 2007. These rules adopted the Official Disability Guidelines as treatment guidelines, and Medical Disability Advisor, Workplace Guidelines for Disability Duration as return-to-work guidelines.
- Reviewed health care availability (access to care) in Texas counties to determine underserved workers' compensation areas.

- Created the “Clean Claim and Electronic Medical Billing and Payment Employees’ Compensation Companion Guides.”
- Developed the eBill Waiver Request process, which allows insurance carriers and health care providers to submit a request based on unreasonable financial burden. Approved requests will be posted on the Department website.
- The Medical Advisor, in conjunction with TMA, conducted training for doctors around Texas on disability management.
- Reviewed and changed the MQRP process to make process more transparent.
- Identified and addressed provider concerns about “hassle factors” through ongoing improvements in communication with providers and provider training in the application of new rules.
- Consolidated IRO processes so network and non-network medical disputes are resolved through similar processes.
- Approved and coordinated new Designated Doctor training on the expanded role of designated doctors;
- Centralized Designated Doctor scheduling process to ensure consistency of review and scheduling.

Fee Guidelines

- Surveyed other states to obtain information to use in the development of fee guidelines.
- Contracted with a vendor to index current Texas employees’ compensation payments to Medicare payments for use in the development of Hospital Facility Fee Guidelines.
- Formed the Data Methodology Committee (DMC), whose members were recommended by the hospital and insurance industries, to assist with technical aspects of developing the hospital fee guidelines. Nine DMC meetings were held.
- Posted informal drafts of the Medical Fee Guideline and Hospital Fee Guidelines for comment and held a stakeholder meeting regarding the Inpatient and Outpatient Medical Fee Guidelines.
- Conducted research and drafted a report of closed pharmacy formularies, which includes the recommendation of a three-step education plan and proposed rulemaking activity.
- Reviewed Workers’ Compensation Research Institute (WCRI) information for Medical Fee Guideline development.
- Medical Fee Guideline and Hospital Fee Guideline proposed for formal rulemaking and comment.

Medical Dispute Resolution

- Issued memo outlining expectations regarding insurance carrier payment for emergency room services for injured employees.
- Issued Commissioners’ Bulletin B-0009-07 in May 2007 encouraging settlements and requesting additional documentation for pending hospital outpatient disputes regarding fair and reasonable reimbursement amounts.
- Issued Commissioners’ Bulletin B-0028-07 in July 2007 regarding Preauthorization for Inpatient Admissions and Physical Therapy to prevent the denials of preauthorized services. The Bulletin reminded stakeholders that insurance carriers cannot review the medical necessity of a treatment or service that has received preauthorization, and it suggested steps parties may take to reduce the likelihood of a dispute.
- The Medical Fee Dispute Resolution (MFDR) section is referring medical disputes where the insurance carrier denied preauthorized services to TDI Legal and Compliance for enforcement purposes as they are identified.
- Contracted with the University of Texas Center for Public Policy and Dispute Resolution to perform mediation of hospital outpatient disputes beginning September 1, 2007.
- Increased the number of low level dispute resolution meetings and communication via telephone with parties (involving professional fee disputes, not hospital services) to resolve disputes at the lowest level possible, which has resulted in more than 200 withdrawals.
- Created process for health care providers seeking to resolve denied medical bills to allow for the transfer of medical disputes, involving disputes over compensability and/or extent of injury issues, from the MFDR section to the Hearings program area.
- Commissioner Betts met with attorneys representing parties involved in hospital fee disputes and strongly urged them to settle by using State Office of Administrative Hearings Alternative Dispute Resolution process or through settlement discussions.
- Encouraged parties involved in hospital fee disputes to settle informally through meetings with representatives of the parties, bulletins and responding to requests from the parties for information regarding their disputes to facilitate settlements.

Workers' Compensation Health Care Networks

- By end of FY 2007 there were 29 active certified networks, with 2 pending original applications. Two certified networks are inactive due to their purchase by another company and issuance of new certifications.
- Networks are available in 213 counties in the state.
- Network report cards were published in September 2007 by REG.
- TDI's Health and Workers' Compensation Network section will initiate quality of care examinations of networks beginning in early FY 2008.

Compliance and Enforcement

- Developed a Performance Based Oversight (PBO) position paper on the proposed rule and process, and solicited input at June 22 stakeholder meeting.
- Announced PBO tier assessment for insurance carriers and health care providers.
- Posted enforcement actions on the agency website.
- Initiated a total of 266 enforcement cases, which include a total of 587 violations during FY 2007.
- Implemented quarterly insurance carrier meetings to discuss emergent and ongoing compliance concerns.
- Began enforcement management conferences with system participants to discuss possible fines and penalties.
- Reorganized the Enforcement and Audits programs to enhance efficiency and effectiveness of each program.
- Enforcement has given priority to violations involving timeliness of medical bill payments, compliance with TDI-DWC orders and payment of income benefits and failure to pay for services previously preauthorized.
- Created a new complaint handling process modeled on the TDI process. Complaint Resolution staff now use TDI's existing automated Complaint Information System.

Hearings

- Implemented a pilot program in the El Paso field office to reduce the time for scheduling a BRC from 40 days to 30 days of receipt of a request for a BRC. The goal was to provide stakeholders greater access to dispute resolution. Although this pilot project was meant for 90 days, the El Paso field office continues to docket within 30 days without any challenges.
- Developed processes and trained staff for implementation of the new statutory provision allowing presiding benefit review officers to issue interlocutory orders at benefit review conferences.
- Hosted bi-monthly attorney focus group meeting to solicit input from system participants to improve processes for dispute resolution.
- Completed the Appeals Panel precedent manual.
- Held an Indemnity Dispute Resolution Conference for benefit review officers and hearing officers on new legislation, revised policies and procedures, current court decisions, and disability management and conducted ethics training.
- Initiated a new training program for Field Services staff. The program included benefit review officers delivering face-to-face training and administration of competency testing for field office employees on a variety of workers' compensation topics.
- Benefit review officer surveys are now mailed to injured employees' attorneys and insurance carrier representatives who participate in BRCs. The results of the surveys are used to identify training needs and address process concerns.

Self-Insurance Regulation

- Certified qualified companies to self-insure; 46 renewals and 2 new.
- Performed on-site safety programs inspections of 17 companies at 33 locations.
- Performed one reserve audit.

Workplace Safety

- Texas recorded 486 work-related fatalities in 2006, a slight decrease from 495 fatalities in 2005.
- Reported 246,000 nonfatal injuries and illnesses in private industry workplaces in Texas during 2005, resulting in a rate of 3.6 cases per 100 equivalent full-time workers. This is below the national rate of 4.6. The Texas occupational injury and illness rate has been lower than the national rate since data collection for Texas began in 1990.

- Inspected 29 insurance group facilities representing 101 insurance companies.
- Conducted 294 policyholder inspections.
- Presented training on OSHCON program and construction safety to hard-to-reach employers in the construction industry through the Hispanic Contractors Association on February 19, 2007 and March 17, 2007.
- Represented TDI-DWC at the national On-Site Consultation Training Conference, April 10-13, 2007: recognized with the Distinguished Consultation Project of the Year Award for FY 2006; OSHCON Program Manager was elected as the OSHA Region VI consultation state representative on the OSHCON Board of Directors.
- Texas was selected as one of the pilot states to participate in the OSHA e-Grants online application pilot, August 15, 2007.
- Streamlined several processes within the Survey of Occupational Injuries and Illnesses and Census of Fatal Occupational Injuries, which has resulted in more efficient document processing, timely contact with employers responding to the survey, improved case file establishment and completion and workload reduction.
- Met or exceeded federally-established deadlines and response rates.

Figure 45 Fatal Occupational Injuries

	CY 2003	CY 2004	CY 2005	CY 2006*
Texas	491	440	495	486

* Based on data collected by the Division for the Bureau of Labor Statistics Census of Fatal Occupational Injuries.

Figure 46 Occupational Injury/Illness Rates Per 100 Full-time Workers

	CY 2003	CY 2004	CY 2005
Texas	4.0	3.7	3.6
United States	5.0	4.8	4.6

Incidence rate indicates the number of injuries and illnesses per 100 full-time workers in private sector based on data collected by the Division for the Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses. 2006 rates released October 16, 2007.

Reduction of Administrative Burdens

- Converted all TDI-DWC forms to a file version that can be filled out on-line and saved, thereby allowing customers to submit information electronically.
- Increased security of confidential information in the workers' compensation system by revising TDI-DWC forms to require only the last four digits of the injured employee's Social Security Number. The nine-digit Social Security Number will continue to be required on the forms used to establish agency records.
- Reduced complexity and length of commonly used workers' compensation forms.
- Hosted a stakeholder meeting on May 18, 2007 to obtain input on amendments and related potential changes to the TXCOMP provider system, and other transition issues.
- Reduced paper in the proceedings process by discontinuing the process of sending paper copies of hearing officer decisions and benefit review officer reports to the TDI-DWC field offices. The decisions and reports are now available to field offices and the OIEC ombudsman electronically.
- Eliminated potential delays in the dispute resolution process by identifying and contacting parties with a dispute involving both medical fee disputes and compensability disputes. The parties are advised on the best path to take in the dispute resolution system.
- Enhanced customer service within the designated doctor appointment process by providing a centralized e-mail and telephone line for customer service.

Communication with Injured Employees and Other External System Participants

- Re-designed the web pages for injured employee, employer, insurance carrier and health care provider and deployed the re-design to the agency website.
- Hosted 84 Brown Bag seminars in the 24 field offices in FY 2007 covering such topics as: Overview of Legislative Changes, Medical Dispute Resolution, Steps that TDI-DWC is Taking to Streamline BRCs, Subclaimants' Role in Dispute Resolution, Disability Management and Return to Work.
- Participated in educational events and seminar partnerships with TMA, the Insurance Council of Texas and several Small Business Development Centers.
- Formed a communications group to review and develop methods to deliver information and educational materials in both English and Spanish to system participants.
- Received approximately 7,000 calls from injured employees to their Single Point of Contact (SPOC) in field offices since January 1.

Figure 47 Workers' Compensation Coverage

CY 2004	CY 2006
62% subscribers (year round employers)	63% subscriber (year round employers)
38% non-subscriber (year round employers)	37% non-subscriber (year round employers)
76% employees covered	77% employees covered
24% employees not covered	23% employees not covered

* Next survey of coverage will be in 2008.

Source: *Employer Participation in the Texas Workers' Compensation System: 2006 Estimates*, Workers' Compensation Research and Evaluation Group, 2006.

Organizational Efficiency

- Reorganized TDI-DWC into the following program areas effective June 1:
 - Operations
 - Policy and Research
 - Hearings
 - Legal Services
 - Office of Medical Advisor
- Created the Office of the Policy Advisor to coordinate rule development and implementation and rule development teams assignments. This new function will improve the rulemaking process by centralizing policy/system issues.
- Transferred twenty-five dispute resolution officer positions from TDI-DWC to OIEC on September 1, 2007 to allow for earlier assistance to unrepresented injured employees by OIEC.
- As part of the TXCOMP project, migrated COMPASS electronic applications from a main-frame to a server-based environment. This migration is expected to reduce costs associated with maintaining claim data, streamline the process for claim data submission, and increase available information technology support resources.
- Reviewed medical fee dispute resolution processing and staffing resources to determine ways to enhance training for staff, efficiency of processing, possible automation needs and potential issues for policy review.
- The Audits and Investigations section merged with the System Monitoring section in order to allow immediate access to compliance data and system monitoring information and more efficiently refer matters for enforcement. Audits and Investigations refer justified complaints to Enforcement to take action on possible violations of the Labor Code or the Texas Administrative Code.

The Department of Insurance Division of Workers' Compensation

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