



Texas Department of Insurance

2013 Annual Report



Texas Department of Insurance

Commissioner of Insurance, Mail Code 113-1C

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November 20, 2013

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, Speaker of the House

Dear Governors and Speaker:

I am pleased to submit the Annual Report of the Texas Department of Insurance (TDI) for Fiscal Year 2013, 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. Digital copies of this report will be provided to insurance commissioners in other states, as well as to members of the Texas Legislature upon request. This report is also available on TDI's Web site at <http://www.tdi.texas.gov/reports/annual.html>.

As in 2012, TDI's Annual Financial Report is published under separate cover for Fiscal Year 2013.

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

Sincerely,

A handwritten signature in black ink that reads "Julia Rathgeber". The signature is written in a cursive, flowing style.

Julia Rathgeber
Commissioner of Insurance



**138th Annual Report
to the Governor & Legislature**

**For Fiscal Year 2013
ending August 31, 2013**

Julia Rathgeber,
Commissioner of Insurance

Texas Department of Insurance 2013 Annual Report

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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 mission is to protect insurance consumers by:

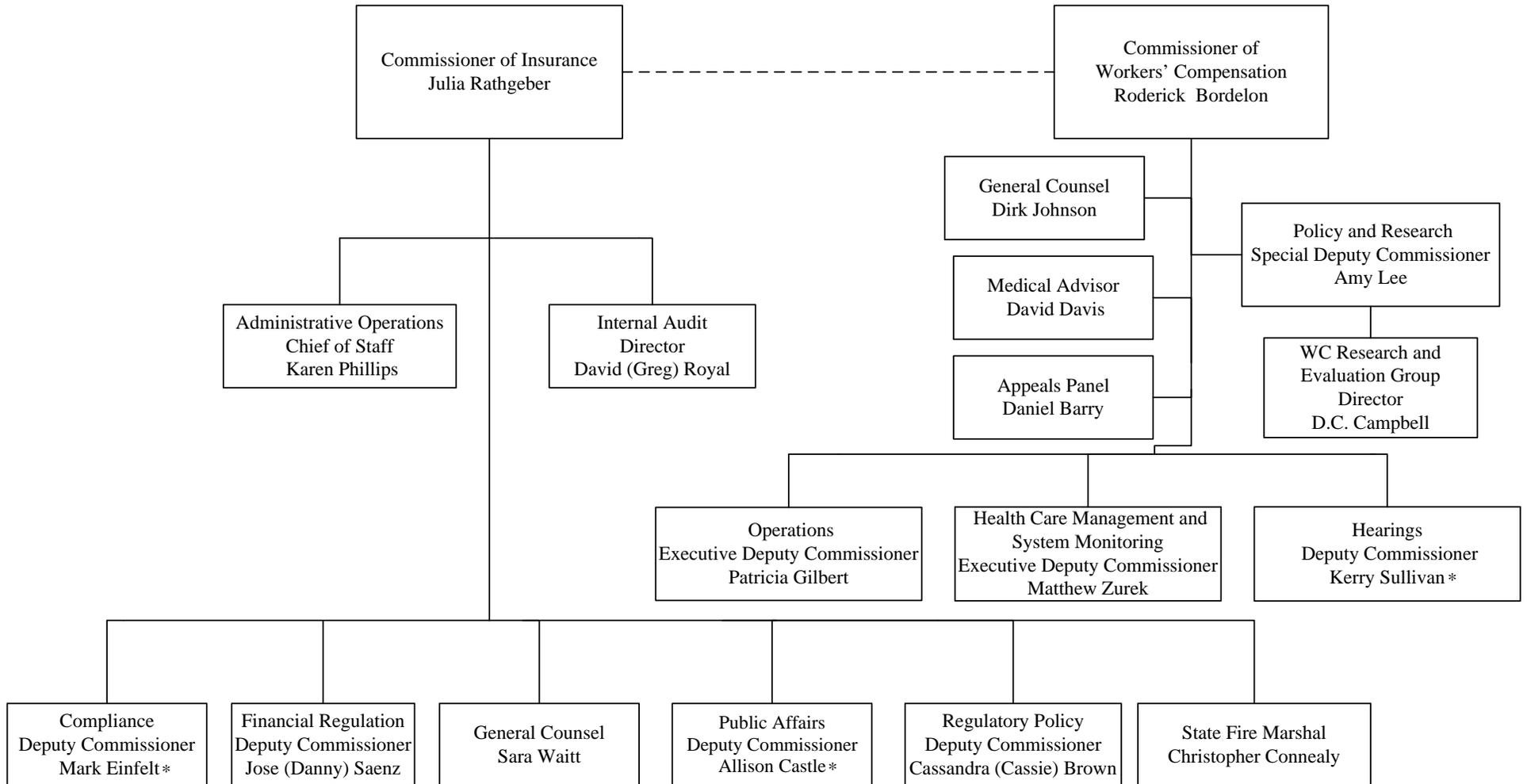
- regulating the insurance industry fairly and diligently,
- promoting a stable and competitive market,
- providing information that makes a difference.

Agency Regulatory Approach

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

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

Texas Department of Insurance
Agency Organization Chart



* Fall 2013

Insurance in Texas: By the Numbers

| Homeowners Insurance | | Top Writers | 2012 Written Premium | Market Share |
|-------------------------------|-------------------|--|---------------------------------|-------------------------|
| Number of Companies* | 119 | STATE FARM IL GROUP | 1,718,784,419 | 27.08% |
| Number of Groups | 59 | ALLSTATE INS GROUP | 757,295,952 | 11.93% |
| Number of New Companies** | 3 | ZURICH INS GROUP (includes FARMERS) | 709,002,487 | 11.17% |
| Policies in Force (2012) | | | | |
| Homeowners | 4,219,374 | UNITED SERVICES AUTOMOBILE ASN GROUP | 554,903,323 | 8.74% |
| Dwelling | 720,745 | LIBERTY MUTUAL INS CO GROUP | 453,524,839 | 7.14% |
| Tenants | 1,116,781 | TRAVELERS GROUP | 280,516,488 | 4.42% |
| 2012 Written Premium | \$6,347,556,862 | NATIONWIDE CORP GROUP | 200,738,952 | 3.16% |
| | | TEXAS FARM BUREAU MUT GROUP | 180,811,353 | 2.85% |
| | | ARX HOLDING CORP GROUP | 143,322,208 | 2.26% |
| | | CHUBB & SON INC GROUP | 127,558,969 | 2.01% |
| Personal Auto | | Top Writers | 2012 Written Premium | Market Share |
| Number of Companies* | 193 | STATE FARM IL GROUP | 2,765,656,071 | 19.45% |
| Number of Groups | 71 | ZURICH INS GROUP (includes FARMERS) | 1,688,428,897 | 11.88% |
| Number of New Companies** | 4 | ALLSTATE INS GROUP | 1,579,995,855 | 11.11% |
| Vehicles in Force (Liability) | 16,540,978 | PROGRESSIVE GROUP | 1,281,032,022 | 9.01% |
| 2012 Written Premium | \$14,215,855,999 | UNITED SERVICES AUTOMOBILE ASN GROUP | 1,068,052,742 | 7.51% |
| | | BERKSHIRE-HATHAWAY GROUP | 1,018,945,397 | 7.17% |
| | | TEXAS FARM BUREAU MUT GROUP | 530,715,030 | 3.73% |
| | | ORPHEUS GROUP | 485,018,383 | 3.41% |
| | | NATIONWIDE CORP GROUP | 483,539,602 | 3.40% |
| | | HOME STATE INS GROUP | 450,042,266 | 3.17% |
| Health Insurance | | Top Writers | 2012 Written Premium | Market Share |
| Number of Companies* | 464 | UNITEDHEALTH GROUP | 8,458,078,003 | 18.31% |
| Number of Groups | 176 | HEALTH CARE SERVICE CORP GROUP | 8,174,931,582 | 17.69% |
| Number of New Companies** | 3 | (includes BLUECROSS & BLUESHIELD of TEXAS) | | |
| Texas Population estimate | 25,592,089 (2011) | HUMANA INC GROUP | 3,867,576,293 | 8.37% |
| Texans with Health Insurance | 19,512,569 (2011) | CENTENE CORP GROUP | 3,296,590,521 | 7.13% |
| Uninsured population | 6,079,519 (2011) | WELLPOINT INC GROUP | 3,730,409,627 | 5.91% |
| 2012 Written Premium | \$46,204,660,745 | AETNA GROUP | 2,716,009,803 | 5.88% |
| | | CIGNA HEALTH GROUP | 2,586,229,717 | 5.60% |
| | | MOLINA HEALTH CARE INC GROUP | 1,265,753,398 | 2.74% |
| | | UNIVERSAL AMER FIN CORP GROUP | 760,414,314 | 1.65% |
| | | SCOTT AND WHITE GROUP | 574,618,966 | 1.24% |
| Life Insurance | | Top Writers | 2012 Written Premium | Market Share |
| Number of Companies* | 459 | METROPOLITAN GROUP | 767,468,654 | 7.57% |
| Number of Groups | 173 | NEW YORK LIFE GROUP | 543,489,117 | 5.36% |
| Number of New Companies** | 2 | NORTHWESTERN MUTL GROUP | 490,863,471 | 4.84% |
| 2012 Written Premium | \$10,144,107,962 | PRUDENTIAL OF AM GROUP | 475,807,767 | 4.69% |
| | | LINCOLN NATIONAL GROUP | 412,902,608 | 4.07% |
| | | STATE FARM IL GROUP | 338,406,094 | 3.34% |
| | | MASS MUTUAL L I C GROUP | 315,027,044 | 3.11% |
| | | AMERICAN INTRNL GROUP | 289,280,207 | 2.85% |
| | | AEGON US HOLDING GROUP | 279,129,361 | 2.75% |
| | | JOHN HANCOCK GROUP | 272,514,149 | 2.69% |

* Number of companies with positive premiums for indicated line of insurance.

** Number of new companies licensed in the prior year.

Insurance in Texas: By the Numbers

| Annuities | | Top Writers | 2012 Written Premium | Market Share |
|---------------------------|------------------|-----------------------------|---------------------------------|-------------------------|
| Number of Companies* | 300 | PRUDENTIAL OF AM GROUP | 2,183,073,854 | 10.47% |
| Number of Groups | 120 | JACKSON NATL GROUP | 1,370,914,606 | 6.57% |
| Number of New Companies** | 2 | AMERICAN INTRNL GROUP | 1,184,404,022 | 5.68% |
| 2012 Written Premium | \$20,857,161,315 | METROPOLITAN GROUP | 1,165,776,043 | 5.59% |
| | | PRINCIPAL FIN GROUP | 1,134,138,656 | 5.44% |
| | | JOHN HANCOCK GROUP | 1,092,074,833 | 5.24% |
| | | LINCOLN NATIONAL GROUP | 944,842,176 | 4.53% |
| | | ING AMERICA INS HOLDING GRP | 890,016,614 | 4.27% |
| | | ALLIANZ INS GROUP | 673,445,551 | 3.23% |
| | | AEGPM US HOLDING GROUP | 672,456,553 | 3.22% |

* Number of companies with positive premiums for indicated line of insurance.

** Number of new companies licensed in the prior year.



Part I
Report of Program Activities

Commissioner's Office

The Commissioner of Insurance, appointed by the Governor with the 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.

The Commissioner reviews and regulates rates for various lines of insurance including those submitted under "file-and-use" provisions of the Texas Insurance Code. The Commissioner also promulgates rates for certain lines such as title insurance.

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

In FY 2013, the Commissioner's Office included Administrative Operations and Internal Audit.

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 (FS), Procurement and General Services (PGS), Information Technology Services (ITS), Human Resources (HR), Employee Ombudsman and Ethics Advisor, and the Office of Strategy Management (OSM).

FY 2013 Highlights: Administrative Operations

Financial Services

- developed and produced the agency's 2014 Operating Budget;
- coordinated more than 420 fiscal notes to the Legislative Budget Board during the 83rd Legislative Session;
- coordinated projects and prepared documents in support of the agency's FY 2014/2015 Legislative Appropriations Request as requested by commissioners, Legislative Budget Board, and Governor's Office of Budget and Planning during the 83rd Legislative Session;
- prepared the FY 2012 Annual Financial Report, Binding Encumbrance and Accounts Payable, and the Non-Tax Collected Revenue reports on behalf of TDI and OIEC;
- developed rates for maintenance taxes, examination/overhead assessment and premium finance assessment;
- provided administrative support to OIEC, such as bill paying, processing travel reimbursements, and development of FY 2014 operating budget;
- provided monitoring and oversight of the agency's and OIEC's expenditures by strategy, object of expense and organizational structure;
- monitored monthly performance measures and reported quarterly performance to the Legislative Budget Board;
- implemented SB 1291 (self-directed functions);
- implemented online conference sign-up and credit card payment processing.

Office of Strategy Management (OSM)

- coordinated the implementation of the balanced scorecard management system;
- coordinated monthly Executive Steering Committee meetings with deputy commissioners and Administrative Operations staff to make decisions about resourcing agency-wide projects;
- developed an operating agreement for the Executive Steering Committee;
- developed standard presentations and templates for reporting balanced scorecard measures and targets;
- developed one page agency “strategic plan” document that includes vision, mission, core values, strategic objectives, goals and includes TDI core responsibilities and core processes;
- established balanced scorecard coordinator role and coordinated monthly meetings;
- developed a balanced scorecard deployment training document;
- established a measure committee to review all measures for consistency, usefulness, and availability of data;
- identified key LBB measures for divisions to consider for balanced scorecard measure and target reporting;
- established project coordinator group;
- established a dialog and approach for discussing current and future projects;
- assisted project managers with their business cases, projects, and questions;
- provided agency-wide project management for all phases of the Sircon for States enterprise project;
- coordinated meetings with the Enterprise Risk Management (ERM) advisor and deputies to assess TDI’s current risk environment, risk philosophy, and desired future state of risk management;
- conducted gap analysis of current risk vs. desired future state of risk and identified actions needed for implementation.

Procurement and General Services

Hobby and Metro Services

- handled 2,126,557 pieces of agency mail;
- received \$7.02 million incoming revenue through Metro mail center services and \$30.5 million incoming revenue through Hobby mail center services;
- completed 2,997,502 copy impressions via quick copy services;
- processed 448 building service orders at Metro Center and 1,229 service orders at the Hobby Building;
- serviced 1,812 customers through the TDI Service Center;
- distributed 168,965 publications;
- microfilmed 221,699 documents and stored 1,579 cubic feet of records through the Texas State Library for record retention;
- disposed of 5,830 cubic feet of obsolete records;
- coordinated and performed 14 field office projects including closing the Bryan and Mt. Pleasant field offices, moving the San Antonio Financial and DWC Houston West field offices and the El Paso construction and reorganization project;
- coordinated and performed 100 facility projects/service orders at Metro Center;
- negotiated four branch office lease renewals by Metro Services and one branch office lease renewal by Hobby Services;
- facilitated the safety program that resulted in 6 of 12 (50%) program areas achieving accident/injury-free status in FY 2013;
- handled 1,997 courier pickups and deliveries.
- saved \$45,129.43 in postage using mail presort services contract;
- shipped 13,218 items via overnight/expedited services vendors;
- achieved 99.9% accuracy rate for annual property inventory.

Purchasing and Contract Administration

- received 3,191 purchase requisitions submitted by programs and processed 2,407 purchase orders;
- posted 17 procurement opportunities on the Electronic State Business Daily;
- tracked and administered 316 contracts;
- hosted purchasing and contract administration training sessions for staff and customers;
- established a new program specialist position to address unique training and customer service requirements related to the CAPPs system;
- filled key Purchasing manager and assistant manager positions;
- maintained the content of the Purchasing intranet site;
- achieved 23.34 percent Historically Underutilized Business (HUB) participation rate in comparison to the statewide rate of 13.42 percent;
- attended four HUB forums;
- hosted a HUB forum event at the Hobby Building.

Information Technology Services

- migrated TDI and OIEC from GroupWise to Microsoft Outlook for e-mail, calendar, and messaging services utilizing the secure data center services infrastructure.
- completed phase three of the Sircon for States enterprise-wide project, that provides integrated, web-enabled third party software service for insurance processing, and initiated phases four through six, of the project to remain on schedule for project completion by August 31, 2014;
- implemented an interface between the Sircon for States system and the legacy workflow / imaging application to provide additional functionality to the business units;
- expanded wireless communications in the Hobby and Metro building to provide network access points for employees working away from their office and implemented Internet access for guests;
- upgraded audio-visual capabilities in selected conference rooms in the Hobby and Metro buildings to improve meeting and presentation services;
- upgraded network access in the three Windstorm field offices to improve access to agency data and functions for employees that resulted in improved customer service;
- refreshed the multi-function device contract with anticipated \$173,000 in annual savings as compared to the initial contract;
- aided the Executive Steering Committee on their approval of the multiyear technology roadmap as part of the strategic planning process;
- participated in the Administrative Operations process improvement project for new employee on-boarding by implementing several time and quality improvements;
- trained 303 staff on security awareness and continued accessibility training;
- completed the mobile technology research and analysis project;
- completed mobile device management software proof of concept;
- designed a new development framework, to be used in future application development projects leveraging reusable assets and current technology;
- completed two external assessments: the VIP technology roadmap assessment that provided data to support the Data Center legislative appropriation requests and the Gartner statewide security assessment that resulted in projects completed in FY13 and investments scheduled for FY14;
- evaluated replacement web content management software through open vendor competition and submitted selection recommendation to management;
- extended language learning services through a new contract with Rosetta Stone;
- continued to work with the new Data Center Services vendor after the transformation completion in FY12 to refresh and enhance the data center environment by:
 - completing a disaster recovery exercise successfully with the data center;
 - completing transition of Oracle environment from virtual to physical servers;
 - migrating from Oracle 10 to 11, where possible;
 - refreshing Windows environment as scheduled;
 - refreshing UNIX operating system environment;
 - upgrading DWC's Compass and TXCOMP WebSphere environment to make it current and in support;

- committed to Information Technology Infrastructure Library (ITIL) concepts, a recognized collection of best practices for information technology, where staff members attend training and test for basic certification;
- upgraded the TeamMate auditing software to a web version facilitating use by both financial examiners and Internal Audit;
- enhanced the designated doctor software application to provide better tracking and scheduling resulting in improved constituent service;
- completed proof-of-concept smart forms initiative with Division of Workers' Compensation.

Human Resources

- processed and tracked 1,739 personnel actions including merit raises, promotions, new hires, transfers, and separations of employment;
- posted 289 jobs;
- processed 9,527 employment applications;
- answered 64,480 switchboard calls;
- delivered 345.5 hours of traditional classroom training and provided 252.5 hours of training online, encompassing new employee orientation and courses on team building, communication, customer service, insurance training, and management training;
- coordinated 22 wellness events;
- participated in the National Association of Insurance Commissioners (NAIC) salary survey;
- participated in six Workforce Commission hearings.

Employee Ombudsman and Ethics Advisor

- responded to requests to provide sexual harassment/discrimination for other state agencies;
- continued presenting mandatory sexual harassment/discrimination course to all agency employees which included visits to all DWC field offices;
- addressed a wide variety of workplace and personnel issues and concerns through coaching; group facilitation, counseling and mediation with agency employees;
- served as co-facilitator for both monthly orientation sessions for new employees and the agency's required training for new managers.

Internal Audit

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 goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance throughout TDI.

The objectives of internal auditing are to provide information to management for decision-making and to assist members of the organization in the effective discharge of their responsibilities. These are accomplished by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

FY 2013 Highlights: Internal Audit

- completed an agency-wide risk assessment that culminated in the establishment of the annual audit plan;
- completed eight financial or performance related audits, with one ongoing at fiscal year-end;
- completed one information technology audit;
- completed four advisory projects resulting in final reports to management and the Commissioners, while three others were ongoing at fiscal year-end;
- completed two updates of management responses on outstanding recommendations from prior audits, which were reported to the Commissioners of Insurance and Workers' Compensation in the Internal Audit Annual Report in October and the mid-year report in March;
- implemented analysis of division area controls using the COSO framework during the fiscal year with internal reports for agency management;
- served as liaison for two SAO audits completed during the fiscal year;
- assisted with the Gartner review of TDI's information security assessment;
- completed four formal fraud investigations.

Figure 1: Comparison of Maintenance Tax Rates FY 2006–FY 2013

| Type | Max Legal Rate | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 |
|-------------------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Motor Vehicle | 0.200 | 0.062 | 0.058 | 0.070 | 0.063 | 0.061 | 0.060 | 0.077 | 0.072 |
| Fire | 1.250 | 0.291 | 0.236 | 0.280 | 0.237 | 0.320 | 0.310 | 0.331 | 0.305 |
| Workers' Compensation | 0.600 | 0.051 | 0.059 | 0.069 | 0.072 | 0.096 | 0.115 | 0.151 | 0.108 |
| Casualty | 0.400 | 0.119 | 0.117 | 0.129 | 0.112 | 0.140 | 0.135 | 0.152 | 0.151 |
| Title | 1.000 | 0.107 | 0.100 | 0.127 | 0.115 | 0.266 | 0.281 | 0.401 | 0.151 |
| Life, Accident, and Health | 0.040 | 0.040 | 0.040 | 0.040 | 0.040 | 0.040 | 0.040 | 0.040 | 0.040 |
| Third-Party Administrators | 0.265 | 0.149 | 0.110 | 0.149 | 0.104 | 0.072 | 0.045 | 0.047 | 0.035 |
| *HMO Multi-Service | 0.265 | 0.149 | 0.110 | 0.149 | 0.104 | 0.072 | 0.045 | 0.047 | 0.035 |
| *HMO Single Service | \$0.44 | \$0.51 | \$0.41 | \$0.41 | \$0.36 | \$0.44 | \$0.42 | \$0.50 | \$0.41 |
| *HMO Limited Service | \$0.44 | \$0.51 | \$0.41 | \$0.41 | \$0.36 | \$0.44 | \$0.42 | \$0.50 | \$0.41 |
| Prepaid Legal | 0.022 | 0.044 | 0.036 | 0.042 | 0.036 | 0.042 | 0.036 | 0.030 | 0.029 |
| Workers' Compensation Evaluation | 0.000 | 0.000 | 0.000 | 0.000 | 0.009 | 0.012 | 0.009 | 0.016 | 0.017 |
| Division of Workers' Comp. | 2.000 | 1.051 | 1.128 | 1.003 | 1.232 | 1.455 | 1.584 | 1.669 | 1.669 |

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

Compliance

The Compliance Division (CD) protects consumers by overseeing insurance companies and agents and their interactions with consumers.

CD has three sections: Consumer Protection, Enforcement, and the Fraud Unit. The division also has a General Management office to direct key activities and provide project management support. The three sections work together to form a compliance continuum that allows consumers, companies, and other interested parties to access the department's resources.

Consumer Protection

Consumer Protection (CP) helps Texans by resolving insurance complaints and by providing insurance information to the public through a toll-free Consumer Help Line, publications, and the Internet. CP comprises four offices: Complaints Resolution, Information Assistance, Public Education, and the Special Assignments Office.

FY 2013 Highlights: Consumer Protection

- helped consumers in West following the April 2013 fertilizer plant fire and explosion;
- helped consumers following a series of tornadoes in Granbury and Cleburne in May 2013;
- returned \$24.7 million to consumers in additional claim payments and refunds as a result of complaints resolution;
- helped resolve more than 21,000 consumer complaints;
- responded to nearly 600,000 consumer inquiries, including phone calls to the Consumer Help Line and written inquiries;
- updated TexasHealthOptions.com, which provides information to help Texans find health coverage, and HelpInsure.com, a comprehensive web resource to help Texans shop for auto and residential property insurance;
- conducted 724 presentations throughout Texas on insurance issues;
- distributed 8.5 million publications to help Texans better understand their insurance coverages and save money on the insurance they need;
- promoted TDI services and enhanced outreach activities through partnerships with:
 - the Children's Hospital of Austin, the Seton Healthcare Network, the City of Austin, and the Travis County Health and Human Services Department to provide information to parents of uninsured children and to people visiting mobile health clinics;
 - county tax assessor-collector offices statewide to distribute rate guides and other insurance information;
 - the Texas Department of Aging and Disability Services, the Texas Legal Services Center, and local Area Agencies on Aging statewide to help older Texans and to train benefits counselors in local communities;
 - the Texas Division of Emergency Management and representatives of the insurance industry in the Texas State Disaster Coalition, which facilitates coordinated responses to disasters;
 - the Texas Windstorm Insurance Association (TWIA) to educate coastal consumers about their TWIA policies and the TWIA claims process.

Summary of Activity: Consumer Protection

| | |
|--|----------------|
| Number of inquiries answered | 591,244 |
| Number of consumer information publications distributed | 8.5 million |
| Number of consumer information presentations made | 724 |
| Number of complaints resolved | 21,034 |
| Dollar amount returned to consumers through complaint resolution | \$24.7 million |
| Number of complaints against HMOs resolved | 871 |
| Average response time (days) to complaints | 50.56 |
| Average response time (days) for HMO complaint resolution | 22.99 |

Enforcement

The Enforcement Section investigates allegations of violations of the law and rules by insurance agents, companies, health maintenance organizations, other entities (both licensed and unlicensed), and workers' compensation system participants. Enforcement receives referrals from multiple areas of the agency, including Consumer Protection and Fraud. Enforcement reviews issues related to unauthorized insurance, unfair methods of competition or unfair or deceptive acts or practices in the business of insurance, unfair claims settlement practices, acts prohibited by the Texas Labor Code regarding workers' compensation, and disaster-related claims handling, among others. Following investigation, Enforcement may bring disciplinary actions that result in

- cease and desist orders;
- license application denials;
- license revocations and suspensions;
- monitored agent probations;
- administrative penalties;
- sanctions of doctors participating in the workers' compensation system; and
- restitution to harmed consumers.

Enforcement also brings actions against companies for excessive rates and participates in hearings to set title insurance rates. The relief sought in these cases may include rate reductions and refunds of excessive premiums paid.

Enforcement refers cases to the Fraud Unit for criminal prosecution. 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 pursues violations of the Labor Code on behalf of Division of Workers' Compensation (DWC).

FY 2013 Highlights: Enforcement

- ordered \$ 1.8 million in restitution for consumers and assessed \$9.7 million in administrative penalties, fines, and forfeitures;
- obtained 156 enforcement orders issued by DWC against all system participants and obtained 50 orders against health care providers;
- issued 25 orders against health care providers based on referrals from DWC's Office of the Medical Advisor;
- completed the handling of 60 referrals on third-party administrators (TPAs) that appeared to be defunct for a variety of reasons. Eight TPAs came into compliance; 24 voluntarily surrendered their certificate of authority; and 28 certificates of authority were revoked by default.
- expedited the voluntary license surrenders of agents who engaged in misconduct to remove them from the business of insurance. Notable examples of agents who voluntarily surrendered their licenses include an agent who double premium financed \$392,152; a father and son who provided fraudulent proofs of errors and omissions coverage to get contracts with numerous insurers; and a managing general agent that had unfairly retained more than \$1 million in advance commissions.

- revoked an agent’s license for stealing a customer’s identity to get a business loan for \$85,000;
- issued a cease and desist order against an unlicensed person who used a license holder’s identity to sell insurance and get licenses in other states;
- revoked an agent’s license for improper insurance advertising and misuse of insurance premiums and reported to the National Association of Insurance Commissioners through Sircon, helping numerous other state insurance departments pursue similar administrative actions against the agent;
- completed its investigation into the race-based pricing and life insurance project, which was a cumulation of 12 years of data. TDI entered into 31 consent order agreements, providing relief for 214,000 Texas policies, and provided more than \$17 million in refunds. TDI has assessed \$814,000 in fines against the companies involved.
- participated in six multistate market conduct settlement agreements concerning identifying owners and beneficiaries of unclaimed proceeds, rate and form filing, producer licensing and appointment, policy fulfillment, vendor management, and other reexamination issues, resulting in \$6.8 million in payments to Texas. The companies included AGC Life Insurance Company, Banker’s Life and Casualty Company, John Hancock Life Insurance Company, Nationwide Life Insurance Company, National Union Fire Insurance Company of Pittsburgh, and TIAA-CREF Life Insurance Company.

Summary of Activity: Enforcement

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|--------------|---------------|---------------|--------------|--------------|
| Cases received | 1,393 | 1,547 | 1,466 | 1,039 | 858 |
| Cases closed | 1,283 | 1,605 | 2,098 | 1,831 | 991 |
| License revocations | 116 | 97 | 111 | 70 | 27 |
| License denials | 30 | 26 | 21 | 19 | 0 |
| License suspensions/ suspensions of writing* | 16 | 6 | 17 | 3 | 0 |
| Cease and desist orders | 9 | 18 | 12 | 8 | 5 |
| Monetary forfeitures/ restitution orders† | 211 | 230 | 324 | 409 | 281 |
| Forfeitures/assessments/ Restitution | \$26,166,080 | \$338,441,866 | \$114,926,427 | \$40,972,950 | \$11,587,740 |

* This includes actions against financially hazardous companies under Chapter 404, Texas Insurance Code and license suspensions with probation.

† This number includes Commissioner and State Fire Marshal orders.

Fraud Unit

The Fraud Unit protects the public from economic harm by investigating allegations of insurance crimes. Its responsibilities include reviewing reports of fraud, conducting criminal investigations, and working with state and federal prosecuting agencies. In addition, the Fraud Unit makes arrests, assists in prosecutions, and educates the industry and consumers on ways to deter insurance fraud in Texas.

The Fraud Unit maintains the toll-free Insurance Fraud Hot Line 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 by consumers or providers against insurance companies, including
 - staged accidents/paper accidents
 - fake burglary and auto theft claims
 - arson for profit
 - claims for medical services not provided or inflated
 - personal injury schemes
 - exaggerated/padded claims
 - organized fraud schemes
 - workers’ compensation claimant and provider fraud

- Agent crimes including
 - issuing fictitious policies
 - conversion of premium payments
 - insurance application fraud
- Insurance company officers and directors fraudulent activities including
 - false financial statements to TDI
 - misuse of company funds
- Unauthorized insurance schemes including
 - insurance products not authorized by the TDI
 - individuals not licensed to do the business of insurance in Texas
 - fraudulent group/individual health plans
- Workers' compensation premium fraud
- Mortgage fraud, including fraud by escrow officers, title insurance agents, and title insurance companies.

The Fraud Unit staff includes commissioned peace officers and civilian investigators, an in-house attorney, prosecutors in the Dallas County, Harris County, and Bexar County district attorney offices, a criminal analyst, administrative staff, and an intake section.

FY 2013 Highlights: Fraud Unit

- hosted the 15th Annual Fraud Conference in February 2013 with 344 attendees from state government, law enforcement, prosecuting agencies, and the insurance industry in attendance;
- made 22 public presentations on insurance fraud;
- 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;
- 29 Fraud Unit staff obtained the Certified Fraud Examiner designation.

Summary of Activity: Fraud Unit

| | |
|--|------------------|
| Reports of Fraud Received | 12,444 |
| Cases Opened | 559 |
| Investigations Referred to Prosecutors | 222 |
| Criminal Indictments | 108 |
| Criminal Judgments | 108 |
| Est. Amt. of Fraud Identified in Referrals | \$10, 319,063.60 |
| Assessments (Fines & Penalties) | \$92,000 |
| Restitution Ordered | \$7,533,941.05 |
| Arrests by Fraud Unit Peace Officers* | 4 |

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

Financial Regulation

The Financial Regulation Division serves as the solvency guardian of the Texas insurance industry. It enforces solvency standards for insurance companies and related entities through their entire life-cycle, including initial formation and licensure, subsequent surveillance activities, and implementing regulatory interventions if needed. The program's goal is to protect consumers by detecting financial and other concerns promptly and taking action to mitigate problems caused by troubled insurers. Financial Regulation seeks to rehabilitate companies that fall short of solvency standards, and through a court-sanctioned receivership process, liquidates the few companies that are not able to be rehabilitated.

Financial Regulation monitors the solvency and market conduct of over 1,900 licensed risk-bearing insurance companies and related entities; this number exceeds 2,200 when carriers with other forms of registration/eligibility are included. Annual statements filed by insurers and HMOs for calendar year 2012 reflected \$121 billion in Texas premiums and \$87 billion in claim payments to Texas claimants. These companies reported aggregate assets of \$7.4 trillion, liabilities of \$6.4 trillion and capital and surplus of \$1.0 trillion.

Financial Regulation also licenses insurance agents, adjusters, and provider representatives and brokers, and registers Discount Health Care Operators.

FY 2013 Highlights: Financial Regulation

Financial Analysis

- implemented an innovative and nationally recognized process for automating quarterly financial statement analysis;
- continued enhancements to the group analysis process for insurance groups that have an entity domesticated in the state and participated in Supervisory Colleges with other domestic and international regulators regarding specific insurance groups;
- coordinated and participated in the 2012 Own Risk Solvency Assessment (ORSA) pilot project. Numerous insurers volunteered to provide their ORSA, a confidential internal assessment of material and relevant risks conducted by the insurer or insurance group, to various states for review and overall understanding of the insurance companies' operations.
- Actively participated in international efforts to enhance global regulation and improve regulator cooperation and communication with internationally active insurance groups, in part by serving as the vice-chair of the IAIS Supervisory Forum and the NAIC representative to the Financial Stability Board's workstream on securities lending and repurchase agreement activities;
- hosted and demonstrated the Financial Analysis processes and procedures to four international interns;
- received another five-year NAIC accreditation status.

Licensing Services

- implemented the Preferred Provider Organization and Commercial Exclusive Provider Benefit Plan rules which provide additional access to affordable healthcare to Texas consumers. The rules have expedited the department's review and the availability of plans and products to Texas consumers.
- changed the vendor of agent and adjuster licensing examinations which created a more distinct interface with the agent licensing database enhancing electronic submission capacity;
- eliminated the requirement for non-admitted companies, including surplus lines carriers, foreign risk retention groups, and accredited reinsurers, to file hard copy financial statements with the

department if they file electronically with the NAIC which created efficiencies in maintaining records for these entities.

Examinations

- participated in 59 coordinated examinations with other states and regulatory agencies including the Department of Banking and the Federal Reserve to increase the efficiency and effectiveness of the examination process;
- transitioned the quality of care examination function to the examinations section on September 1, 2013, and performed 45 examinations of health entities during FY 2013;
- transitioned the quality of care and title examination areas to audit software and processes currently utilized by the Section in order to improve the efficiency and effectiveness of those examination functions;
- held a leadership role on actuarial initiatives including addressing more uniform reserving standards for certain life products with guarantees.

Rehabilitation and Liquidation Oversight

- oversaw \$40.5 million of net asset recoveries through the receivership process, and made distributions of \$41.3 million;
 - Distributions include \$10 million in early access from Lincoln Memorial Life to the National Organization of Life and Health Guaranty Associations
 - Recoveries included a tax refund to AmCare HMO of Texas of \$9.7 million, and a reinsurance recovery in Lincoln Memorial Life of approximately \$9 million
- Amcare HMO of Texas has received approval to pay approximately \$45 million in Class 10 interest to claimants which will be distributed in FY 2014;
- Seven insolvencies were closed in FY 2013, and two are projected to close within the first quarter of FY 2014;
- Three companies were placed in receivership for rehabilitation in FY 2013, and all three companies have been converted to liquidation.

Figure 2: Number of Company Licenses Under Commissioner's Jurisdiction Fiscal Years 2009-2013

| License Type | FY 2009 | FY 2010 | FY 2011 | FY2012 | FY2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Insurance Companies | 1,863 | 1,858 | 1,843 | 1,836 | 1,830 |
| Health Maintenance Organizations | 55 | 52 | 51 | 51 | 53 |
| Premium Finance Companies | 257 | 194 | 194 | 193 | 184 |
| Continuing Care Retirement Communities | 29 | 29 | 31 | 31 | 33 |
| Third Party Administrators | 770 | 782 | 760 | 734 | 683 |
| Total | 2,974 | 2,915 | 2,879 | 2,845 | 2,783 |

Note: Does not include 113 foreign risk-retention groups or 208 foreign surplus lines carriers.

Figure 3: Texas Policyholder Premiums, Claim Payments Calendar Years 2008–2012

| CALENDAR YEAR | CLAIM PREMIUMS | PAYMENTS | PAYMENTS AS A % OF PREMIUM |
|---------------|----------------|--------------|----------------------------|
| 2008 | 101.9 billion | 74.5 billion | 73.1% |
| 2009 | 101.8 billion | 76.6 billion | 75.2% |
| 2010 | 102.9 billion | 70.8 billion | 68.8% |
| 2011 | 108.7 billion | 77.3 billion | 71.1% |
| 2012 | 120.7 billion | 86.7 billion | 71.8% |

Figure 4: Total Capital/Surplus of Insurance Companies Operating in Texas Calendar Years 2008-2012

| CALENDAR YEAR | TOTAL CAPITAL/ SURPLUS |
|---------------|------------------------|
| 2008 | 806.2 billion |
| 2009 | 903.0 billion |
| 2010 | 933.8 billion |
| 2011 | 931.0 billion |
| 2012 | 1.0 trillion |

Figure 5: Number of Financial Analysis Reviews Fiscal Years 2009–2013

| FISCAL YEAR | NUMBER OF REVIEWS |
|-------------|-------------------|
| 2009 | 1,855 |
| 2010 | 1,750 |
| 2011 | 1,790 |
| 2012 | 847* |
| 2013 | 768 |

* In FY 2012, a risk focused process was implemented which reduced the number of financial analyses completed by using an automated review of financial filings to identify entities with a greater risk of solvency issues resulting in less frequent reviews of financially sound entities. The reduction in the number of analyses completed provided the resources to implement the group analysis process.

Figure 6: Number of Financial and Market Conduct Examinations Fiscal Years 2009–2013

| FISCAL YEAR | NUMBER OF EXAMINATIONS |
|-------------|------------------------|
| 2009 | 153 |
| 2010 | 129 |
| 2011 | 139 |
| 2012 | 117 |
| 2013 | 125 |

Figure 7: Summary of Title Examination Activity

| | FY 2012 | FY 2013 |
|---------------------------------|---------------|---------------|
| Annual Escrow Audits Reviewed | 576 | 558 |
| Title Examinations Conducted | 343 | 340 |
| Total Amount in Escrow Accounts | \$167 billion | \$193 billion |

Figure 8: Number of HMO Quality Assurance Examinations Fiscal Years 2009-2013

| FISCAL YEAR | NUMBER OF EXAMINATIONS |
|-------------|------------------------|
| 2009 | 23 |
| 2010 | 28 |
| 2011 | 38 |
| 2012 | 53 |
| 2013 | 46 |

**Figure 9: Texas Guaranty Association Assessments
Calendar Years 2008-2012**

| CALENDAR YEAR | LIFE & HEALTH | PROPERTY & CASUALTY | TITLE | TSIG | TOTAL |
|---------------|---------------|------------------------|-------|---------|--------------|
| 2008 | 0 | 0 | 0 | 100,000 | 100,000 |
| 2009 | 34,998,506 | 0 | 0 | 100,000 | 35,998,506 |
| 2010 | 0 | (47,662,585) | 0 | 100,000 | (47,562,585) |
| 2011 | 62,949,976 | 0 | 0 | 100,000 | 63,049,976 |
| 2012 | 6,855,000* | 0 | 0 | 107,788 | 6,962,788 |

* Includes allocated assessment, \$14,825,000, less a credit refund of prior assessments, (\$7,970,000), which were redistributed to member insurance companies.

Figure 10: Summary of Activity: Utilization Review Filings

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------|---------|---------|---------|---------|---------|
| Applications Received | 5 | 18 | 11 | 30 | 323 |
| Registered URAs Approved | 0 | 1 | 0 | 0 | 0 |
| Certified URAs Approved | 9 | 12 | 11 | 15 | 19 |
| Certified URAs Renewed | 5 | 77 | 71 | 87 | 73 |

Figure 11: Summary of Activity: MCQA Inquiries

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------|---------|---------|---------|---------|---------|
| Inquiries Received | 607 | 681 | 685 | 374 | 903 |
| Inquiries Completed | 591 | 687 | 685 | 374 | 903 |

Figure 12: Summary of Activity: IRO Applications

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------|---------|---------|---------|---------|---------|
| IRO Applications Received | 10 | 6 | 2 | 4 | 82 |
| IRO Applications Approved | 9 | 6 | 0 | 4 | 2 |
| IRO Renewals Approved | 35 | 42 | 33 | 38 | 40 |

Figure 13: Summary of Activity: Certified Workers' Compensation Health Care Networks

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------------------|---------|---------|---------|---------|---------|
| Total No. of Certified WC Networks | 33 | 30 | 32 | 30 | 28 |
| No. of SAEs Approved | 7 | 7 | 10 | 7 | 7 |
| No. of Original WCNs Approved | 1 | 1 | 5 | 3 | 1 |
| No. of Counties Served | 234 | 249 | 250 | 250 | 254 |

Figure 14: Number of Agent and Adjuster Licenses, Certificates and Registrations Under Commissioner's Jurisdiction 2009–2013

| LICENSE TYPE | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|----------------|----------------|----------------|----------------|----------------|
| Agents (1) | 319,640 | 327,411 | 341,021 | 352,281 | 361,581 |
| Adjusters | 80,919 | 85,735 | 88,985 | 94,754 | 97,081 |
| Full-Time Home Office Salaried Employees | 496* | 501 | 640 | 645 | 655 |
| Discount Health Care Program Operator (2) | N/A | N/A | N/A | 54 | 61 |
| Specialty - Credit | 3,021 | 2,897 | 2,865 | 2,748 | 2,678 |
| Specialty - Travel | 1,000 | 1,072 | 1,160 | 1,328 | 1,662 |
| Specialty – Rental Car Company | 66 | 58 | 55 | 50 | 53 |
| Specialty - Self Service Storage Facility | 127 | 147 | 153 | 164 | 211 |
| Specialty –Telecommunication Equipment Vendor | 12 | 18 | 15 | 21 | 27 |
| Life and Health Insurance Counselors | 485 | 523 | 542 | 589 | 623 |
| Public Insurance Adjusters | 762 | 850 | 742 | 786 | 764 |
| Risk Managers | 1,133 | 1,135 | 1,133 | 1,155 | 1,154 |
| Re-insurance Intermediary | 1,245 | 1,155 | 1,265 | 1,211 | 1,307 |
| Premium Finance Companies | N/A | N/A | N/A | N/A | N/A |
| Third-Party Administrators | N/A | N/A | N/A | N/A | N/A |
| Title Agent Licenses (3) | | | | | 1,577 |
| Direct Operations Licenses (3) | | | | | 6 |
| Escrow Officer Licenses (3) | | | | | 6,304 |
| Grand Total of Lines Regulated | 408,906 | 421,502 | 438,585 | 455,786 | 475,744 |

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

(2) Discount Health Care Program Operator registration numbers starting in FY 2011.

* FY 2009 reduced number reflects trend in industry of moving away from the use of the Full-Time Home Office Salaried Employee registration in lieu of a Property and Casualty license. Carriers are finding it is better to have their sales staff acquire a Property and Casualty license so that reciprocal licenses can be obtained in other states and the employees/ agents can be utilized to handle multiple states.

(3) FY 2013 figures include Title Licensing's number of licenses.

Figure 15: Summary of Activity: Agent and Adjuster Licensing 2009–2013

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------------------|---------|---------|---------|---------|-----------|
| Total Filings Processed* | 875,772 | 887,616 | 880,474 | 942,852 | 1,076,325 |
| Total Telephone Inquiries Received** | 152,024 | 139,290 | 143,259 | 145,433 | 147,965 |

*Includes Title Filings.

**Licensing uses an Interactive Voice Response (IVR) to improve its ability to respond to calls from companies, agents and the public. The IVR is 24-hour, non-stop source of licensing information.

Figure 16: Summary of Agents License Statistics 2009–2013

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|---------|---------|---------|---------|---------|
| Issued | 72,828 | 63,545 | 69,416 | 73,488 | 71,895 |
| Renewed | 116,022 | 134,064 | 126,439 | 138,176 | 136,828 |
| Total Appointment Transactions | 604,158 | 603,763 | 595,154 | 654,931 | 767,953 |
| Total Current Agent & Adjuster Licenses | 401,321 | 413,996 | 430,748 | 447,821 | 459,426 |
| Other Licenses | 7,585 | 7,506 | 7,837 | 7,965 | 16,318 |
| Grand Total of Licenses Regulated | 408,906 | 421,502 | 438,585 | 455,786 | 475,744 |

Figure 17: Numbers and Types of Agents Licenses 2009–2013

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|----------------|----------------|----------------|----------------|----------------|
| County Mutual | 3,424 | 3,696 | 4,039 | 4,009 | 4,037 |
| General Lines - Life, Accident, Health and HMO | 174,328 | 175,441 | 179,160 | 182,609 | 185,697 |
| General Lines - Property and Casualty | 105,391 | 106,502 | 109,033 | 111,986 | 113,624 |
| Life Only Agent* | - | 17,747 | 21,410 | 24,328 | 26,879 |
| Personal Lines Agent* | - | 7,847 | 10,142 | 11,613 | 13,938 |
| Insurance Service Representative | 1,467 | 1,325 | 1,234 | 1,170 | 1,099 |
| Life not to Exceed \$15,000 | 861 | 831 | 705 | 662 | 712 |
| Limited Lines | 4,672 | 4,576 | 5,584 | 5,952 | 5,382 |
| Managing General Agent | 1,598 | 1,589 | 1,596 | 1,579 | 1,592 |
| Pre-Need | 2,625 | 2,607 | 2,626 | 2,724 | 2,726 |
| Surplus Lines | 5,017 | 5,250 | 5,492 | 5,649 | 5,895 |

* Licenses added beginning FY 2008.

Figure 18: Summary of Title Insurance Licensing Activity

| | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------------|----------------|----------------|----------------|
| Licenses Issued (includes renewals) | 4,713 | 6,337 | 4,933 |
| Licenses Cancelled | 1,958 | 1,721 | 1,328 |

Figure 19: Numbers of Agents/Licenses under Commissioner's Jurisdiction (Title Insurance¹)

| | FY 2012 | FY 2013 |
|----------------------------|----------------|----------------|
| Title Agents | 565 | 565 |
| Title Agent Licenses | 1,505 | 1,532 |
| Direct Operations | 8 | 5 |
| Direct Operations Licenses | 8 | 5 |
| Escrow Officers | 5,574 | 5,563 |
| Escrow Officer Licenses | 5,931 | 6,000 |

1. For FY 2013, Title Licensing's number of licenses is included in Figure 18.

General Counsel

The General Counsel Division provides legal services and advice to the Commissioner of Insurance, the Commissioner of Workers' Compensation, and the other divisions of TDI. The General Counsel Division is headed by the General Counsel and is comprised of the General Counsel's immediate staff, the Chief Clerk's Office, and the Legal Services Section. The division's attorneys are a dynamic team who offer rapid solutions to a variety of regulatory challenges and who have chosen public service, benefitting both the regulated market and consumers. The General Counsel Division has attorneys that are not only experienced in insurance regulatory matters, but also are board certified, certified as fraud examiners, adjunct law professors, CLE presenters and litigation management specialists. The General Counsel Division boasts an attorney who holds a license as a certified public accountant and attorneys with advanced degrees in areas such as health law and public administration.

The General Counsel advises the commissioners on a wide variety of legal matters and topics ranging from application of state and federal law, to commissioner orders and appeals to the commissioner, to setting agency policy. The Chief Clerk's office maintains commissioner orders and dockets, sets cases with the State Office of Administrative Hearing, certifies records, sends rule filings and notices to the Texas Register, maintains bulletins, and provides agency court reporting services.

The Legal Services Section has four offices – Office of Agency Counsel, Office of Policy Development Counsel, Office of Financial Counsel, and Office of Workers' Compensation Counsel. Each of the offices generally provides legal services for a division of TDI.

FY 2013 Highlights: General Counsel

- Rules:
 - Life Settlement Rule: Life settlements are complex financial transactions. Owners of life policies who are considering selling their policies are often an elderly and vulnerable population. This rule provides important consumer protections including a Shopper's Guide, mandatory consumer disclosures, and broker fiduciary duties.
 - PPO Balanced Billing Rule and rules addressing Preferred and Exclusive Provider Plans: These rules reduce the likelihood of patient balance billing by requiring that insurers provide more information to insureds regarding their networks.
 - Non-subscriber Rules: These rules ensure employees obtain timely and accurate workers' compensation insurance coverage information from their employers.
- Attorneys provide immediate response to TDI's financial regulatory staff and propose solutions for addressing troubled companies in fluid environments, including actions such as administrative oversight, supervision, conservatorship, and receivership;
- To ensure protection of the public and a fair and competitive market place, our attorneys interface with industry and are integrated into TDI's dynamic regulatory structure;
- Implemented a plain writing initiative for all TDI rules, bulletins, orders, and forms to reduce legalese and enhance readability;
- Peer reviewed international regulators' compliance with regulatory principles related to their powers and duties;
- Received and processed 11,233 open records requests in fiscal year 2013, referred 81 of the requests to the Office of the Attorney General for an opinion. 41 referrals of those referrals were made because the originator of responsive documents maintained by TDI claimed that the documents were proprietary or otherwise confidential.

Public Affairs

Public Affairs is comprised of Government Relations (GR) and the Public Information Office (PIO). GR serves as TDI's liaison with the Legislature and other governmental entities. Major responsibilities include helping the Commissioner of Insurance and the Commissioner of Workers' Compensation develop legislative recommendations for improving insurance regulation in Texas; reporting information regarding TDI activities and the insurance market to the Legislature; coordinating and tracking agency-wide responses to legislative and constituent inquiries; monitoring, tracking and analyzing legislation affecting the agency; updating agency staff on the status of legislation; selecting, training, and coordinating the availability and presence of appropriate agency staff for resource testimony before various legislative committees; overseeing implementation of legislation; 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, which includes on-going monitoring of such appointments.

PIO serves as the agency's primary contact with the news media. PIO's goal is to advance and protect TDI's institutional identity and reputation through messaging that is timely, factual, and consistent. PIO's primary responsibilities are responding to media inquiries, conducting proactive outreach through the media, supporting TDI's web presence, and providing graphics and print support for the entire agency.

FY 2013 Highlights: Government Relations

- assisted the Commissioner of Insurance and the Commissioner of Workers' Compensation in preparing for and testifying before various committees of the Texas Legislature such as Senate Business and Commerce, Senate Finance, Senate State Affairs, House Appropriations, House Business and Industry, House Insurance, and several other committees considering insurance related issues;
- tracked 723 bills impacting TDI during the 83rd Legislative Session and three called special sessions, and reported to the Legislature on the required implementation activities of the 157 insurance-related bills that passed during the 83rd Legislative Session and three called special sessions;
- drafted and published TDI's Biennial Report to the 83rd Texas Legislature, and visited offices regarding the information contained in the report;
- published and updated bill implementation information on the agency's website;
- worked with bill authors and sponsors of legislation to answer questions, provide subject matter experts to serve as resource witnesses, drafted proposed bills and amendments, and advised of implementation requirements, including stakeholder and working group meetings in the development of rules;
- monitored and attended meetings of various boards and committees, including legislative committees, for the Commissioner of Insurance, the Commissioner of Workers' Compensation and the State Fire Marshal;
- coordinated and prepared presentations by the Commissioner of Insurance, the Commissioner of Workers' Compensation, the State Fire Marshal, and agency staff for interim and regular session legislative committees charged with studying insurance, workers' compensation-related issues, and the explosion in West, Texas;
- continued to maintain a consumer liaison for approximately 1,200 insurance and workers' compensation constituent inquiries;
- assisted TDI staff with appointment and re-appointment of members to 16 advisory committees and boards;

- monitored the continued administrative oversight of the Texas Windstorm Insurance Association and the implementation of HB 3, 82nd Legislature, First Called Special Session and distributed monthly reports to leadership, and bill author and sponsors.

FY 2013 Highlights: Public Information Office

- wrote and coordinated dissemination of 56 press releases, press statements, and media advisories;
- responded to 548 media calls and information requests;
- continued to provide a daily news clipping service, monitoring all major Texas newspapers for insurance-related news;
- published The Bulletin Board, the agency's internal employee newsletter; and TDI's Annual Report;
- designed and produced agency brochures, booklets, fliers, posters, and stationery, as well as web-enterable forms and optimal web images for the TDI website;
- made a number of website improvements, including a web design refresh of the main TDI site, improved the appearance of the online calendar, created a High Value Data Sets directory to comply with SB 701 requirements, updated web page emails to the new tdi.texas.gov domain, and migrated auto and home files to Helpinsure.com;
- assisted with implementation of two new public Life and Health Web applications;
- provided an emergency Web page with continuous updates on the West Fertilizer Plant incident;
- researched and submitted a Request for Offer for a new agency Web Content Management System;
- distributed 112 e-mail updates to more than 6,550 TDI eNews subscribers;
- provided live and archived Internet audio of 15 public hearings/meetings.

Regulatory Policy

The Regulatory Policy Division regulates a wide range of insurance products and related coverages offered by insurance companies. Specifically, the division oversees and manages regulatory matters, researches and collects data, publishes reports to assist policymakers and consumers with insurance-related decisions, and handles special policy initiatives, including the TexasSure and Healthy Texas programs. The division consists of the Property and Casualty (P&C) and Life, Accident, and Health (LAH) Sections. P&C consists of the Data Services and Special Projects Team and four offices: Personal and Commercial Lines, Inspections, Property and Casualty Actuarial, and Workers' Compensation Classification and Premium Calculation. LAH consists of the Regulatory Matters Team, the Research and Policy Initiatives Office, and the Rate and Form Review Office.

FY 2013 Highlights: Property and Casualty

Personal and Commercial Lines

- sent requests for information to fertilizer plants and their insurers following the explosion of the fertilizer plant in West, Texas on April 17, 2013. The Texas House Committee on Homeland Security and Public Safety asked TDI to gather information to develop a set of best practices for risk management and loss control that fertilizer plants may use to reduce risk and promote safety.

Inspections

- referred 140 noncompliant amusement ride operations to the Enforcement Section;
- referred the Dallas National Insurance Company and the Munich Reinsurance Group to the Enforcement Section for noncompliance with Texas' loss control requirements for commercial liability insurers. TDI ordered Dallas National Insurance Company to pay a \$30,000 administrative penalty. The Munich Reinsurance Group case is pending.
- adopted 28 Texas Administrative Code §5.4608, concerning the appointment of engineers as qualified windstorm inspectors, pursuant to the changes in HB 3 (82nd Legislature, First Called Special Session).

Property and Casualty Actuarial

- participated in the February 2013 public rate hearing for Title insurance rates. The Commissioner ordered an increase of 3.8 percent over the current premium rates, effective May 1, 2013.
- participated in the public rate hearing on workers' compensation insurance as required by HB 7 (79th Legislature, Regular Session). Staff provided information about profitability, rates, premiums, and certified health care networks. Rate filings received in advance of the December 2012 hearing suggested that the industry estimates the need for a slight increase in current premium levels to cover losses and expenses and produce targeted profit levels.
- calculated proposed classification relativities for workers' compensation insurance. The commissioner adopted staff's proposal, which resulted in no change overall, but varied by classification by plus or minus 25 percent. The new classification relativities were effective June 1, 2013.

Workers' Compensation Classification and Premium Calculation

- amended rules in the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance to eliminate the provisions that

require TDI to assign workers' compensation classification codes and approve changes to classification codes applicable to businesses.

Data Services and Special Projects

- sent over 1.2 million notices to the owners of registered vehicles that appeared to be uninsured through the TexasSure program during FY 2013. TexasSure has sent over 3.6 million notices since the inception of the uninsured letter process. All 254 county Tax Assessor-Collector offices use TexasSure, and TexasSure is available to law enforcement agencies statewide. The system received an average of 4.86 million insurance verification queries per month during FY 2013.
- appointed a panel of experts to advise TWIA on the extent to which a loss to insurable property was incurred as a result of wind, waves, tidal surges, or rising waters not caused by tidal surges as required by Insurance Code §2210.578. The panel held its first public meeting August 22, 2013.

FY 2013 Highlights: Life, Accident, and Health

Research and Policy Initiatives

- coordinated multiple data calls, drafted related reports, and responded to requests for health insurance market data and analysis;
- monitored the impact of federal health reform on the Texas market;
- responded to legislative, consumer, and other stakeholder requests for information about anticipated 2014 market changes and created consumer and carrier resource pages on TDI's website to broadly communicate;
- continued to oversee Healthy Texas after enrollment cap of 15,000 enrollees was reached in August 2012;
- administered the Three-Share grant program.

Rate and Form Review

- reviewed and approved rates for Healthy Texas and the Texas Health Insurance Pool;
- completed several customer and consumer focused initiatives, including upgrades to TDI's website to provide information about health insurance rate increases and modifying letter templates to use plain language;
- updated procedures and realigned staff, workflow, and operations in the Accident and Health and Life, Annuity, and Credit programs to increase efficiency and consistency, and account for long-term trends in workloads;
- conducted an analysis of factors that shape health insurance premiums with the University of Texas Health Science Center;
- participated in the transition to implement the Rate and Form Filing Module in SIRCON for States, which will serve as an agency-wide data sharing platform;
- participated with Consumer Protection on the development of a Life Policy Locator program.

Regulatory Matters

- coordinated LAH efforts in the proposal or adoption of rules pertaining to Health Insurance Coordination of Benefits; Utilization Reviews for Health Care Provided Under a Health Plan or Health Insurance Policy; Preferred and Exclusive Provider Plans; Licensing of Life Settlement Brokers and Providers, Regulation of Life Settlement Contracts and Annual Data Reporting Requirements; Consumer Credit Bill of Rights; and Health Care Collaboratives;
- coordinated LAH efforts for preliminary drafting on rules being considered for proposal pertaining to Arbitration; Individual Accident and Health Policies; Continuation and Conversion; Submission of Clean Claims; Change of TDI's Email Addresses or Website Domain; Electronic Transactions; Health Group Cooperatives; General Account, Separate Account; and Consumer Choice Plans;
- participated in numerous stakeholder meetings relating to LAH issues and rules;
- received and responded to numerous questions from issuers, agents, consumer advocates, and the media on the impact of federal health reform and TDI's role in implementation.

Figure 20: Summary of Activity: Property and Casualty Intake Program Filings Received/Processed

| RATE FILINGS | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|----------------|----------------|----------------|-----------------|------------------|
| Personal Liability/Umbrella | 40 | 42 | 51 | 57 | 28 |
| Bond and Misc. Lines | 251 | 372 | 315 | 331 | 294 |
| Commercial Automobile | 489 | 524 | 703 | 687 | 850 |
| General Liability | 830 | 926 | 1,037 | 941 | 1,278 |
| Homeowners | 268 | 297 | 282 | 274 | 233 |
| Interline Filing | 45 | 61 | 53 | 76 | 35 |
| Inland Marine | 160 | 277 | 154 | 239 | 252 |
| Identity Theft | 1 | 2 | 1 | 0 | 0 |
| Intake Unit | 0 | 0 | 0 | 0 | 0 |
| Commercial Multi-Peril | 699 | 892 | 998 | 1,067 | 815 |
| Personal Automobile | 602 | 676 | 985 | 744 | 631 |
| PC (Other Personal & Commercial Lines)* | 5 | 5 | 5 | 6 | 4 |
| Professional Liability | 217 | 202 | 206 | 203 | 193 |
| Commercial Property | 319 | 372 | 343 | 562 | 505 |
| Workers' Compensation | 471 | 412 | 486 | 607 | 575 |
| Total | 4,397 | 5,060 | 5,619 | 5,794 | 5,693 |
| POLICY FORM, ENDORSEMENT, AND RULE FILINGS | | | | | |
| Personal Liability/Umbrella | 67 | 88 | 90 | 126 | 47 |
| Bond and Misc. Lines | 593 | 500 | 538 | 466 | 567 |
| Commercial Automobile | 925 | 798 | 1,417 | 1,306 | 1,377 |
| General Liability | 2,759 | 2,410 | 2,294 | 2,674 | 3,495 |
| Homeowners | 310 | 345 | 353 | 405 | 265 |
| Interline Filing | 483 | 220 | 375 | 280 | 327 |
| Inland Marine | 586 | 498 | 446 | 591 | 772 |
| Identity Theft | 1 | 13 | 4 | 0 | 2 |
| Intake Unit | 3 | 2 | 0 | 0 | 0 |
| Commercial Multi-Peril | 3,238 | 3,235 | 3,578 | 3,605 | 2,737 |
| Personal Automobile | 540 | 498 | 821 | 634 | 536 |
| PC (Other Personal & Commercial Lines)* | 9 | 14 | 10 | 19 | 6 |
| Professional Liability | 764 | 661 | 642 | 641 | 657 |
| Commercial Property | 1,171 | 877 | 765 | 825 | 1,152 |
| Workers' Compensation | 187 | 269 | 437 | 232 | 290 |
| Total | 12,806 | 10,428 | 11,770 | 11,804 | 12,230 |
| Total P&C Filings Received | 17,203 | 15,488 | 17,389 | **17,598 | ***17,923 |
| Intake Unit Filings Processed | 197 | 175 | 140 | 336 | 794 |

* Effective 09/03/2009, PC Category shows combined totals.

** Total Includes 16,927 SERFF Filings.

*** Total Includes 17,565 SERFF Filings.

Figure 21: Property and Casualty Actuarial Office Rate Filings Completed

| TYPE OF INSURANCE | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Personal Liability/Umbrella | 36 | 60 | 45 | 56 | 36 |
| Bond and Misc. Lines | 321 | 417 | 334 | 315 | 287 |
| Commercial Automobile | 542 | 473 | 564 | 758 | 814 |
| General Liability | 790 | 936 | 999 | 918 | 1,443 |
| Homeowners | 301 | 287 | 288 | 266 | 232 |
| Interline Filing | 44 | 56 | 62 | 63 | 47 |
| Inland Marine | 195 | 274 | 158 | 197 | 283 |
| Identity Theft | 3 | 2 | 1 | 1 | 0 |
| Intake Unit | 0 | 0 | 0 | 0 | 0 |
| Commercial Multi-Peril | 769 | 993 | 992 | 1,094 | 825 |
| Personal Automobile | 652 | 664 | 879 | 706 | 688 |
| Personal Casualty | 6 | 6 | 4 | 4 | 5 |
| Professional Liability | 98 | 364 | 185 | 124 | 313 |
| Commercial Property | 358 | 451 | 345 | 573 | 511 |
| Workers' Compensation | 658 | 196 | 554 | 417 | 673 |
| Total | 4,773 | 5,179 | 5,410 | 5,492 | 6,157 |

Figure 22: Property and Casualty Personal and Commercial Lines Office Form Filings Completed

| TYPE OF INSURANCE | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Personal Liability/Umbrella | 64 | 90 | 93 | 136 | 48 |
| Bond and Misc. Lines | 601 | 487 | 542 | 466 | 591 |
| Commercial Automobile | 978 | 764 | 1,335 | 1,464 | 1,354 |
| General Liability | 2,816 | 2,220 | 2,299 | 2,670 | 3,644 |
| Homeowners | 310 | 351 | 321 | 404 | 296 |
| Interline Filing | 490 | 232 | 332 | 323 | 334 |
| Inland Marine | 617 | 479 | 426 | 607 | 787 |
| Identity Theft | 3 | 11 | 5 | 1 | 2 |
| Intake Unit | 3 | 2 | 0 | 2 | 0 |
| Commercial Multi-Peril | 3,547 | 3,291 | 3,521 | 3,746 | 2,726 |
| Personal Automobile | 562 | 505 | 725 | 768 | 528 |
| Personal Casualty | 11 | 14 | 9 | 16 | 10 |
| Professional Liability | 693 | 713 | 645 | 636 | 726 |
| Commercial Property | 1,238 | 856 | 749 | 867 | 1,100 |
| Workers' Compensation | 227 | 266 | 438 | 242 | 248 |
| Total | 12,160 | 10,281 | 11,440 | 12,348 | 12,394 |

Figure 23: Summary of Activity: Commercial Property Oversight Inspections

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Property Inspections Conducted | 1,199 | 1,200 | 800 | 100 | *0 |
| Residential/Special Inspections | 2 | 3 | 2 | 0 | 0 |
| VIP Licenses/Certificates Issued | 189 | 138 | 146 | 114 | 103 |

* In June 2012, TDI repealed the rule to continue oversight of commercial property and oversight inspections.

Figure 24: Summary of Activity: Windstorm Operations

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Applications Processed | 77,499 | 38,688 | 35,801 | 31,717 | 37,228 |
| Inspections Completed | *39,988 | **11,223 | 9,343 | 7,308 | 9,401 |
| Certificates of Compliance Issued | 66,831 | 39,226 | 36,481 | 32,177 | 36,990 |

* This is a combined total of both TDI (14,981) and TWLA (25,007) inspections.

** This is a combined total of both TDI (8,410) and TWLA (2,813) inspections.

Figure 25: Summary of Activity: Engineering Services

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--|----------------|----------------|----------------|----------------|----------------|
| Building Code Interpretations Provided | 5,902 | 3,701 | 3,056 | 3,843 | 4,868 |
| Product Evaluations Evaluated | 2,100 | 1,460 | 2,003 | 1,867 | 2,229 |

Figure 26: Summary of Activity: Loss Control

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Evaluations Completed | 208 | 202 | 202 | 201 | 205 |
| Companies Rated Adequate | 204 | 201 | 193 | 199 | 198 |
| Companies Rated Less than Adequate | 1 | 1 | 9 | 2 | 7 |
| Companies Evaluated for Licensure | 10 | 11 | 8 | 7 | 2 |
| Loss Control Representative | 129 | 168 | 231 | 218 | 204 |

Figure 27: Summary of Activity: Amusement Ride Safety and Insurance Act

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Inspection Certificates Approved | 2,405 | 2,683 | 5,242 | 6,618 | 7,558 |
| Injuries Reported | 78 | 54 | 64 | 87 | 53 |

Figure 28: Summary of Activity: Workers' Compensation Classification/Premium Calculation Office

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|----------------|----------------|----------------|----------------|----------------|
| Experience Rating Modifiers Reviewed | 624 | 469 | 485 | *351 | **n/a |
| Responses to Written CIS Inquiries (Non Complaints) | 1,379 | 1,433 | 1,126 | 1,175 | ***223 |
| Groups Certified | 70 | 70 | 69 | 64 | ****58 |

* Ceased reviewing experience modifiers April 2012, as there is no statutory requirement for this review.

** No longer perform this function as it is not required by statute.

*** Ceased responding to written inquiries about workers' compensation classifications based on rule change.

**** Group certification transferred to the Property and Casualty Personal and Commercial Lines Office.

Figure 29: Data Services and Special Projects: Other Statistical Reports Collected

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Title Insurance Agents | 634 | 615 | 585 | 563 | 577 |
| Title Insurance Underwriters | 21 | 21 | 17 | 16 | 17 |

Figure 30: Summary of Activity: Life/Health Filings

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Filed | 24,831 | 19,884 | 19,787 | 21,274 | 23,304 |
| Accepted | 23,858 | 18,732 | 18,457 | 19,739 | 21,767 |
| Approved | 8,161 | 6,642 | 6,579 | 7,570 | 8,315 |
| Disapproved | 2,993 | 1,800 | 2,058 | 1,410 | 1,379 |
| Exempt | 4,898 | 4,149 | 4,832 | 5,658 | 5,404 |

Figure 31: Summary of Activity: HMO Filings

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Filings Received | 1,438 | 1,760 | 1,481 | 1,417 | 1,823 |

State Fire Marshal's Office

The State Fire Marshal's Office (SFMO) develops and promotes methods of preventing and reducing fire losses. This responsibility is carried out through fire cause and origin investigations, building inspections, code enforcement, the regulation of fire service industries, and the development and promotion of fire prevention programs. Through a strategy incorporating the principles of Engineering, Enforcement, and Education, the SFMO seeks to create communities well prepared to protect themselves against fire.

The SFMO consists of: Texas Fire Incident Reporting System (TEXFIRS); Outreach, Policy, and Research (OPR); Licensing Administration and Licensing Investigations; Fire Investigations; Public Protection Classification (PPC) Oversight; and Fire Safety Inspections.

FY 2013 Highlights: SFMO

TEXFIRS

- continued partnership with the Insurance Council of Texas on the “We’re Out to Alarm Texas” campaign to distribute smoke alarms to those most in need, the elderly and low income residents;
- processed 4,667,788 fire and non-fire incident reports.

Outreach, Policy, and Research

- held the 14th Annual Texas Fire Marshals’ Conference in conjunction with the Texas Fire Marshals’ Association, attended by approximately 250 fire marshals and fire prevention educators from across the state;
- applied for the DJ-Edward Byrne Memorial Justice Assistance Grant, via the Texas Governor’s Office;
- applied for the CD-Coverdell National Forensic Sciences Improvement Act Grant, via the Texas Governor’s Office;
- created “Three Little Words: Everyone Goes Home” theme song, which will coincide with the “Three Little Words: Everyone Goes Home” educational campaign to reduce the frequency of Line-of-Duty firefighter deaths. This is a joint effort of the State Fire Marshal’s Office, Texas Fire Marshals’ Association, Texas A&M Forest Service, Texas A&M Engineering Extension Service (TEEX), Texas Commission on Fire Protection, Texas Fire Chiefs Association, and State Firemen’s and Fire Marshals’ Association;
- attended the National Fire Protection Association’s annual conference in Chicago;
- completed re-branding of SFMO, which included a re-design of the SFMO web site, seal, and badge;
- TDI and the SFMO finalized a map of Texas where ammonium nitrate (AN) facilities are located. A citizen can type in their zip code and if there is an AN facility within their zip code, an icon with surrounding major roadways will be shown and a note to contact their local fire department to get information on that facility. If no facility exists in that zip code, a message will appear stating that fact. The map was completed in November 2013.
- SFMO is planning outreach events, with other appropriate state agencies, for the 81 counties that have AN facilities. State officials will meet with AN facility management, local first responders, members of the county’s local emergency planning committee (LEPC), and county leaders to share best practices for storage of AN, potential blast zone information for that facility and surrounding structures, review best practices for firefighter response to these facilities, identify needed training, and answer questions by attendees.

Industry Licensing

- conducted 215 licensing investigations, of which 20 percent were referred to enforcement;
- effected over \$37,000 in repairs that were made by involved companies at no additional cost to the property owner;
- issued 13,872 licenses, registrations, and permits to the fire alarm, extinguisher, sprinkler, and fireworks industries, a six percent increase from the previous year. As of August 31, 2013, there are 2,969 licensed and registered firms and 11,462 licensed and permitted individuals. In addition, SFMO issued 596 display permits and 4,185 retail fireworks permits.
- issued 43 Fire Marshal Consent Orders relating to enforcement of fire extinguisher, alarm, sprinkler, and fireworks statute and rules, generating over \$88,000 in administrative penalties.

Fire Investigations

- coordinated three fire investigation forums across Texas and three Science Advisory Workgroup (SAW) meetings:
 - approximately 350 fire investigators across the state attended the forums
 - retroactive review of five arson cases has been completed by the SAW group
- training for fire investigators has increased 100 percent since FY 2012;
- SFMO canine teams and SFMO arson lab chemists, in conjunction with the North American Police Work Dog Association (NAPWDA) and the Dallas Fire Department, hosted an annual canine certification class in Dallas, in which 13 canine teams from across the country received recertification for accelerant detection purposes;
- conducted 19 Firefighter Fatalities (FFF) investigations: one occurred during training; one was medical, one was a motor vehicle accident, and 16 involved fire ground operations;
- SFMO was the lead investigating agency at the West Fertilizer Plant explosion. SFMO staff spent 38 days in West, Texas conducting the origin and cause investigation and the Line of Duty Death (LODD) investigation. The investigation is ongoing. SFMO and ATF provided more than 20,000 personnel hours on the West Fertilizer Plant explosion;
- through realignment efforts, SFMO hired a criminal intelligence analyst and a forensic engineer. Their services are available to all public safety agencies who are investigating fire cases.

PPC Oversight

- continued meeting with members of the Texas Fire Chief's Association (TFCA) to discuss the proposed changes to the Fire Suppression Ratings Schedule (FSRS), the survey instrument used to rate a community's Public Protection Classification (PPC) score, and hear any related concerns;
- met with 47 communities in Texas to discuss ISO classification and provide assistance to improve grading; 219 communities improved their ISO rating in FY 2013. Fifteen communities were presented with an award at a city council meeting for achieving a Class 1 or Class 2 ISO rating.

Fire Safety Inspections

- performed 205 inspections of facilities that are leased by Texas Facilities Commission (TFC) for occupation by state agencies;
- Performed 17 inspections of state owned buildings;
- Performed 44 inspections of Texas Department of Criminal Justice facilities;
- At the request of the Texas House of Representatives Homeland Security and Public Safety Committee, the SFMO reviewed the following databases to ascertain how many Ammonium Nitrate (AN) facilities are located in Texas that store 10,000 pounds or more of this product: Office of the State Chemist, Department of State Health Services Tier II database, Department of Homeland Security AN identified sites, and the Bureau of Alcohol, Tobacco, Firearms, & Explosives – explosive licensing database. The four databases were condensed into one comprehensive list, removing any duplicate companies. A list of facilities was identified and the SFMO initiated voluntary inspections to confirm what was reported. Inspectors found some of the facilities no longer carried AN. The SFMO continued further due diligence in identifying

how many facilities are in the state by contacting regional distributors that sell AN in Texas. After completing this research and confirming the data with voluntary inspections, there are 109 AN facilities in Texas.

- began a three year cycle of inspections of Texas Department of Criminal Justice facilities around the state;
- based on recommendations from the 2011 Sunset report, SFMO began charging fees for inspections conducted on buildings that are not state owned or state leased, or in a community that does not have a local certified inspector;
- during the first and second special sessions of the 83rd Texas Legislature, the SFMO provided numerous fire inspectors and peace officers to assist with developing, maintaining, and managing a safe fire and life safety environment at the Capitol during the proceedings related to SB 1.

Figure 32: Summary of Activity: Fire Marshal's Office

| | FY 2012 | FY 2013 | ANNUAL TARGET |
|---|----------------|----------------|----------------------|
| Fire investigations completed | 483 | 364 | 507 |
| Samples analyzed in arson laboratory | 2,566 | 2,965 | 2,300 |
| Investigations/inspections of complaints against fire protection equipment/fireworks industries | 702 | 640 | 1,100 |
| Buildings inspected/re-inspected for fire safety hazards | 5,274 | 5,471 | 4,650 |
| Number of communities or community partners accepting an SFMO fire prevention program or initiative | 105* | 23 | 40 |

** Note: The target number for this measure is 40. SFMO was able to double that number in FY 2012 because of the office's receipt of the Have an Exit Strategy (HAES) grant, which allowed the implementation of the HAES program on private university campuses and community college campuses in the state.*

Division of Workers' Compensation

The primary duties of TDI-DWC are to regulate and administer the business of workers' compensation in Texas; and ensure that the Texas Workers' Compensation Act, Texas Labor Code, and other laws regarding workers' compensation are implemented and enforced. The basic goals of the Texas workers' compensation system are:

- Each employee shall be treated with dignity and respect when injured on the job.
- Each injured employee shall have access to a fair and accessible dispute resolution process.
- Each injured employee shall have access to prompt, high-quality medical care within the framework established by the Texas Labor Code.
- 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.

Governor Rick Perry appointed Rod Bordelon as Commissioner of Workers' Compensation and he assumed those duties in September 2008. During the 2013 Legislative Session, Commissioner Bordelon was re-appointed by the Governor and confirmed by the Senate.

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

TDI-DWC consists of a Commissioner's Administration area and four major programs: Operations, Hearings, Office of the Medical Advisor, and Health Care Management and System Monitoring. The Commissioner's Administration includes the Office of the General Counsel, the Special Deputy Commissioner for Policy and Research, and the Appeals Panel.

The General Counsel advises the Commissioner of Workers' Compensation on legal matters affecting TDI-DWC, reviews litigation, and coordinates legal analysis of policy issues. The office of the General Counsel also includes the Subsequent Injury Fund and Self-Insurance Regulation sections. The Subsequent Injury Fund pays authorized income benefits to injured employees who qualify for Lifetime Income Benefits as a result of a subsequent work-related injury and distributes reimbursements to eligible insurance carriers for overpayment of benefits.

The Special Deputy Commissioner for Policy and Research provides policy guidance to the Commissioner of Workers' Compensation and directs the rule-making process that implements legislative changes. The Special Deputy also oversees the Workers' Compensation Research and Evaluation Group, which conducts professional studies on the operational effectiveness of the Texas workers' compensation system.

Operations

The Executive Deputy Commissioner for Operations is responsible for Designated Doctor Outreach and Oversight, Field Operations, Information Management Systems, Records Management and Support, Outreach Planning and Coordination and Operations Support for TDI-DWC.

Designated Doctor Outreach and Oversight provides education, training, resources, and direction to designated doctors and other system participants to ensure injured employees are evaluated by qualified

doctors. The program area also oversees test development and administration to designated doctors and other doctors authorized to certify maximum medical improvement and impairment rating.

Field Operations delivers customer assistance and claims service in 21 field offices located throughout the state as well as through centralized functions in the Austin headquarters. Injured employees and other system participants who need information and assistance may visit a local field office or contact field offices via a toll-free telephone number that routes calls to the local field office. Field office staff assist system participants by:

- providing information about the Texas workers' compensation system;
- providing injured employees with a single point of contact at TDI-DWC for claims assistance and return-to-work information;
- providing local venues for conducting Benefit Review Conferences and Contested Case Hearings;
- processing approximately 21,000 official actions per year, such as requests for change of treating doctors, requests for Required Medical Examinations, and Supplemental Income Benefit first quarter entitlement determinations;
- conducting quarterly education sessions with system stakeholders on workers' compensation topics, such as designated doctor and pharmacy closed formulary rules. These sessions were conducted at 61 locations with 575 attendees in FY 2013.

Information Management Systems maintains the processes for retrieval of system billing and claim data into useable formats for various reports based on requests from internal and external customers.

Records Management and Support maintains records associated with injured employee claim files and insurance coverage information. The section:

- stores and maintains injured employee claim files and employer insurance coverage files according to TDI-DWC records retention schedule and established quality standards;
- provides information pertaining to injured employees or coverage files to internal and external customers;
- receives and updates claims information from source documents;
- processes claims information received from Electronic Data Interchange (EDI) transactions and provides EDI customer service to insurance carriers/trading partners;
- receives and processes required forms (DWC Form-005 and DWC Form-007) submitted by employers that do not have workers' compensation coverage (non-subscribers).

This section also coordinates the scheduling of designated doctor examinations.

Outreach Planning and Coordination oversees delivery of educational opportunities to system participants through education and compliance conferences, coordination of speaking engagements, facilitating rule implementation efforts, managing agency calendars and providing logistical support for internal and external training, meetings and special projects.

Operations Support enhances the mission of TDI-DWC through the efforts of three specialized areas: Business Process Improvement, Communications, and Automation and Project Management.

- **Business Process Improvement** creates and implements process-oriented solutions to streamline and increase the effectiveness of service delivery.
- **Communications** provides support for TDI-DWC internal and external written communications, web-based information, forms management, and translation services.
- **Automation and Project Management** provides automated solutions to business process needs of TDI-DWC and system participants.

Hearings

The Deputy Commissioner for Hearings oversees various dispute resolution processes. It is the intent of TDI-DWC to resolve disputed issues at the lowest level of dispute resolution, thereby ensuring prompt medical care and payment of workers' compensation income benefits to injured employees and prompt payment of medical fees to health care providers.

Indemnity Dispute Resolution

The Hearings program provides indemnity dispute resolution for benefit disputes regarding compensability or eligibility for, or the amount of, income, death, or burial benefits. The multi-tiered administrative system for indemnity benefit dispute resolution consists of Benefit Review Conferences (BRC), Contested Case Hearings (CCH), and Appeals Panel reviews. Recent legislation includes more stringent requirements regarding canceling and rescheduling a BRC. If a party fails to attend a BRC and does not show good cause, the party that failed to attend shall forfeit the right to that BRC. BRCs and CCHs are held at TDI-DWC field offices and other sites throughout the state.

Medical Dispute Resolution

- **Medical Necessity Disputes:** Hearings conducts Medical Contested Case Hearings (MCCH) as an appeal process for resolving medical necessity disputes, i.e., appeal of an Independent Review Organization (IRO) decision, for non-network claims and claims receiving benefits in accordance with Section 504.053(b)(2) of the Texas Labor Code. Effective June 2012, Hearings began resolving appeals of all IRO decisions, including decisions involving certified network claims. Texas Labor Code, Section 413.031 allows a party to appeal any IRO decision by requesting an MCCH.
- **Non-network Medical Fee Disputes:** For medical fee disputes received by the TDI-DWC on or after June 1, 2012, Hearings is responsible for conducting BRCs regarding the appeal of a medical fee dispute decision issued by the TDI-DWC for non-network claims. If a non-network medical fee dispute is not resolved at a BRC, the parties may proceed to binding arbitration or to a State Office of Administrative Hearings (SOAH) contested case hearing. In appeals of medical fee disputes at SOAH, the non-prevailing party, other than an injured employee, is responsible for paying SOAH's hearing costs. Fee disputes received by the TDI-DWC before June 1, 2012 are appealed either to a TDI-DWC CCH or to SOAH.
- **Certified Network Medical Fee Disputes:** Per Insurance Code, Chapter 1305, medical fee disputes between certified network health care providers and insurance carriers are resolved contractually and appeals are handled internally by the networks through their complaint processes.
- **First Responder Medical Disputes:** The Texas Labor Code provides for the expedited provision of medical benefits (i.e., an accelerated dispute process) for certain work-related injuries sustained by a first responder employed by a political subdivision with the intent to ensure that the injured first responder's claim for medical benefits is expedited by the political subdivision, insurance carrier, and TDI-DWC to the full extent authorized by law.

Other Dispute Resolution

Sections 1305.103 and 1305.451 of the Insurance Code provide that the dispute resolution process in Chapter 410 of the Texas Labor Code applies to disputes of whether an insurance carrier or employer properly provided an employee certain information regarding workers' compensation networks as required by Chapter 1305 of the Insurance Code. Hearings also resolves disputes regarding official actions taken by TDI-DWC. A party may request an expedited CCH in these cases.

Appeals Panel

The Appeals Panel reviews decisions on indemnity disputes appealed from the Contested Case Hearing (CCH) level. The Appeals Panel issues a written decision to reverse the hearing officer's decision or remand the case to CCH, and may issue a written decision on an affirmed case under certain conditions (for example, on an issue of first impression).

Judicial Review

Parties dissatisfied with a final dispute resolution decision (other than an arbitration decision) may appeal to a court of law. For indemnity decisions, review by the court is on a modified *de novo* basis. For medical and other dispute resolution decisions, review by the court is based on substantial evidence.

Office of the Medical Advisor

The TDI-DWC Medical Advisor monitors the quality of health care in the workers' compensation system by conducting reviews of health care providers and other system participants. The Medical Advisor also recommends to the Commissioner of Workers' Compensation rules and policies regarding medical care and medical delivery systems and determines which doctors meet the qualifications to serve as designated doctors.

Health Care Management and System Monitoring

The Executive Deputy Commissioner for Health Care Management and System Monitoring provides guidance and support in the areas of Health Care Policy and Implementation, Health Care Business Management, System Monitoring and Oversight, Workplace Safety, and Return to Work.

Health Care Policy and Implementation researches and analyzes economic factors and treatment protocols that form the basis for advising the Commissioner of Workers' Compensation regarding development of medical rules and guidelines for medical fees, medical treatments, and return to work. This program area's primary purpose through rule and guideline development is to help ensure the quality and appropriateness of health care and injury-specific treatment while also achieving effective medical cost containment and encouraging the prompt and appropriate return to work of injured employees. In developing or revising these rules and guidelines, Health Care Policy and Implementation may seek input from system participants.

Health Care Business Management provides support, regulates, and facilitates activities in the areas of Health Care Quality Review, Medical Fee Dispute Resolution, and Provider Support.

- **Health Care Quality Review** supports the functional operation of the Medical Advisor and the Medical Quality Review Panel (MQRP). The MQRP reviews the actions of doctors, other health care providers, insurance carriers, utilization review agents, and independent review organizations in the workers' compensation system and makes recommendations to the Medical Advisor.
- **Medical Fee Dispute Resolution (MFDR)** resolves disputes over the amount of payment for services determined to be medically necessary and appropriate for the treatment of a compensable injury.
- **Provider Support** provides internal and external training on medical benefits as well as outreach efforts to encourage non-participating health care providers to become involved in the Texas workers' compensation system. Provider Support also provides services to external customers through *Comp Connection for Health Care Providers*, an educational outreach program which provides a toll-free telephone number and e-mail address for health care providers to make inquiries about workers' compensation rules, policies, and procedures, including questions about billing and dispute resolution.

System Monitoring and Oversight is responsible for monitoring system compliance by analyzing system data, identifying non-compliance, making referrals to Enforcement, and administering the Performance-Based Oversight (PBO) program. These goals are accomplished through the following activities:

- **Monitoring and Analysis** oversees the PBO program, reviews internal data for compliance issues, makes outreach calls to system participants regarding compliance and potential compliance issues, monitors the management of electronic data that is reported to TDI-DWC by system participants, and provides support for successful EDI processing.

- **Complaint Resolution** reviews and resolves complaints, resulting in thousands of dollars of additional payments to system participants each year.
- **Audits and Investigations** conducts audits on system participants who are deemed poor performers as a result of PBO assessments or identified through complaints and/or internal data. This section also investigates and prepares cases for possible enforcement action.

Workplace Safety provides Texas employers and employees with health and safety resources and services to prevent occupational injuries and illnesses through the following activities: Federal Data Collection, Occupational Safety and Health Consultations, and Safety Training and Inspections. Workplace Safety also coordinates annual safety conferences.

- **Federal Data Collection 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) Survey of Occupational Injuries and Illnesses, the BLS Census of Fatal Occupational Injuries, and the annual Occupational Safety and Health Administration (OSHA) Data Initiative. These collection programs are funded in part or wholly through grants from BLS and OSHA. This program also analyzes workers' compensation claims data to identify causes of injury and illness.
- **Occupational Safety and Health Consultation (OSHCN) Program** provides free assistance to employers with 250 or fewer employees on-site and no more than 500 employees nationwide in high-hazard industries to help them better understand and comply with federal OSHA safety regulations. Limited assistance is available to larger employers. The program is largely funded by a grant from OSHA, but is non-regulatory in nature. The program also maintains a free safety and health training DVD loan library, which houses over 4,000 safety training materials.
- **Safety Training and Inspections** consists of four programs that administer its services:
 - **Safety Training Program** educates employees and employers across the state about safe and healthy work practices through on-site, company training; regional seminars; an annual statewide safety conference; safety and health publications; and other forms of outreach.
 - **Accident Prevention Services Program** inspects insurance companies that write workers' compensation in Texas to ensure that they are providing required accident prevention services to their policyholders.
 - **Rejected Risk Program** works with companies needing safety and health assistance as identified by the Texas Mutual Insurance Company. Inspections of these employers are conducted to confirm implementation of effective accident prevention plans.
 - **Safety Violations Hotline** is a tool for Texans to report violations of workplace safety and health laws. This 24-hour confidential, bilingual, toll-free hotline can be used by anyone wishing to report suspected violations.

Return to Work provides internal and external training on return to work and administers the Return-to-Work Program for Small Employers, including the intake and processing of applications for reimbursement for workplace modifications that facilitate an employee's return to work. In addition, Return to Work maintains a list of private providers of vocational rehabilitation as a resource for insurance carriers and injured employees.

In addition to the TDI-DWC major program areas discussed above, the following agency programs provide essential services to TDI-DWC.

Workers' Compensation Counsel

Workers' Compensation Counsel provides services to TDI-DWC in the areas of rulemaking, open records, and specific legal issue support to program areas. Workers' Compensation Counsel operates under the direction of the Commissioner of Workers' Compensation through the TDI Associate Commissioner of the Legal Section, General Counsel Division.

Enforcement

Enforcement investigates alleged violations of the Texas Labor Code and agency rules, issues notices of violation, and pursues enforcement actions according to priorities set by the Commissioner of Workers' Compensation. The Workers' Compensation Litigation Office operates under the direction of the Commissioner of Workers' Compensation through the TDI Associate Commissioner of the Enforcement Section, Compliance Division.

Workers' Compensation Research and Evaluation Group

The Workers' Compensation Research and Evaluation Group (WCREG), overseen by the Special Deputy Commissioner for Policy and Research, conducts research projects on system-wide issues in the state such as medical costs and utilization of care trends, return-to-work outcomes for injured employees, and employer participation in the workers' compensation system. The WCREG 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. The Commissioner of Insurance reviews and adopts the WCREG's annual research agenda in accordance with Section 405.0026, Texas Labor Code.

Rulemaking Highlights

Non-Subscriber Reporting: ensures clarity with TDI-DWC processes regarding non-subscriber reporting; employer notices to employees; and employer reporting of occupational injuries, illnesses, and fatalities. Additionally, a new rule establishes a process under which a self-insured political subdivision will notify the TDI-DWC if the political subdivision provides medical benefits in accordance with Texas Labor Code §504.053(b)(2). Adopted July 13, 2012 (amends 28 TAC §§110.1, 110.101, 160.2 and 160.3; adds new §110.105 and §160.1), effective January 1, 2013; (new §110.7 and §110.103), effective August 2, 2012. (Texas Labor Code §§406.006, 406.008, 406.009, 504.018, and 504.053(b)(2)).

Designated Doctor Credentialing and General Procedures: addresses provisions of HB 2605, 82nd Texas Legislature, Regular Session (2011), regarding designated doctor scheduling, certification, and qualifications. Adopted July 9, 2012 (amends 28 TAC §§127.1, 127.5, 127.10, 127.20, 127.25, 180.23, repeals §130.6 and §180.21, and adds new §§127.100, 127.110, 127.120, 127.130, 127.140, 127.200, 127.210 and 127.220), effective September 1, 2012. (Texas Labor Code §408.0041 and §408.1225).

Accident Prevention Services: regulates accident prevention services provided by insurance carriers to their policyholders. Adopted March 11, 2013 (amends 28 TAC §§166.1, 166.3, 166.5, repeals §§166.2, 166.4, 166.6 – 166.9, and adds new §166.2), effective October 1, 2013. (Texas Labor Code §§411.061, 411.063-411.068, and 413.021).

Medical Quality Review Panel: addresses provisions of HB 2605, 82nd Texas Legislature, Regular Session (2011), that require the Commissioner of Workers' Compensation to adopt rules concerning the operation of the Medical Quality Review Panel (MQRP). Adopted October 17, 2012. (adds new 28 TAC §§180.60, 180.62, 180.64, 180.66, 180.68, 180.70, 180.72, 180.74, 180.76 and 180.78), effective January 1, 2013. (Texas Labor Code §§413.0511, 413.05115, 413.0512, 413.05121, 413.05122, 413.0513, 413.0514, and 413.0515).

Post Designated Doctor Examination: addresses provisions of HB 2605, 82nd Texas Legislature, Regular Session (2011), regarding an injured employee's request for a post designated doctor examination to be performed by the treating doctor or a referral doctor on an issue, other than maximum medical improvement or impairment rating, decided by the designated doctor. Adopted December 17, 2012. (adds new 28 TAC §126.17), effective January 6, 2013. (Texas Labor Code §408.0041 (f-4)).

Medical State Reporting: allows for the submission of International Classification of Diseases (ICD) 10 codes for medical bill and payment reporting by insurance carriers to TDI-DWC. The ICD 10 codes are being implemented by the Centers for Medicare and Medicaid Services (CMS) for CMS billing on

October 1, 2014. Adopted January 28, 2013. (amends 28 TAC §§134.803 and 134.807), effective February 17, 2013. (Texas Labor Code §§413.007, 413.008, and 413.011).

Impairment Rating: clarifies that an impairment rating based on an injured employee's condition on a date that is not the date of maximum medical improvement is invalid. Adopted July 13, 2012 (amends 28 TAC §130.1), effective August 25, 2013.

Joint TDI/TDI-DWC Rulemaking Projects

Utilization Review Agent (URA): repeals and replaces Subchapters R and U of 28 TAC Chapter 19 with new rules to implement HB 4290, 81st Texas Legislature, Regular Session (2009), which amended provisions of the Insurance Code and Texas Labor Code relating to utilization review to determine the experimental or investigational nature of a health care service and retrospective utilization review. Adopted January 31, 2013. (repeals 28 TAC §§19.1701 – 19.1724; 19.2001 – 19.2021, and adds new §§19.1701 – 19.1719; 19.2001 – 19.2017). Effective February 20, 2013.

URA Companion Project: will synchronize key portions of workers' compensation bill processing, voluntary certification, pre-authorization, and concurrent review with the URA rules in 28 TAC Chapter 19 adopted on January 31, 2013. (amends 28 TAC §§133.2, 133.240, 133.250, 133.305 and 134.600). Anticipated adoption early 2014.

FY 2013 Highlights: Division of Workers Compensation

Health Care Quality Review

- performed 116 quality of care reviews based on complaints, plan based audits, or monitoring based reviews of health care providers, designated doctors, peer review doctors, Independent Review Organization (IRO) doctors, utilization review agents, and insurance carriers;
- performed 218 quality of care reviews based on Performance-Based Oversight assessments of health care providers;
- investigated 211 quality of care complaints of health care providers, designated doctors, peer review doctors, IRO doctors, utilization review agents, and insurance carriers;
- after seeking stakeholder input, approved and adopted the Annual Audit Plan for CY 2013;
- after seeking stakeholder input, adopted and initiated plan-based audits of health care providers prescribing opioids, designated doctors, and insurance carriers/utilization review agents;
- proposed and sought stakeholder input on a legacy claim pain management plan based-audit;
- TDI-DWC Medical Advisor reached out to the following licensing boards to obtain a list of nominees to serve on the MQRP as required by Texas Labor Code §413.0512(b):
 - Texas Medical Board
 - Texas Board of Chiropractic Examiners
 - Texas State Board of Dental Examiners
- TDI-DWC Medical Advisor reached out to the following labor, business, and insurance organizations to obtain a list of nominees to serve on the MQRP:
 - Texas Medical Association
 - Texas Osteopathic Medical Association
 - Texas Podiatric Medical Association
 - Texas Orthopedic Association
 - Texas Dental Association
 - Texas Association of Neurological Surgeons
 - Texas Pharmacy Business Council
 - Travis County Medical Association
 - Harris County Medical Society
 - Bexar County Medical Society
 - Texas Pain Society
 - Texas Society of Anesthesiologists
 - Texas Hospital Association
 - Texas Pharmacy Association

- American Insurance Association
- Texas Association of Business
- Texas AFL-CIO
- Insurance Council of Texas
- Property Casualty Insurers Association of America

Enforcement

- assessed \$1,002,870 in administrative penalties;
- obtained 156 enforcement orders issued by TDI-DWC against all system participants;
- obtained 50 enforcement orders issued by TDI-DWC against health care providers;
- issued 25 orders against health care providers based on referrals from the Office of the Medical Advisor;
- held several informal settlement conferences for health care providers who were subjects of MQRP reviews;
- continued to implement the Commissioner of Workers' Compensation's directive to resolve all cases or set them for informal settlement conference or hearing within 180 days of receipt.

Medical Fee Dispute Resolution

- decreased the backlog and reduced pending fee disputes from 17,054 in August of 2009 to 3,241 as of September 2013; "fair and reasonable" and "stop loss" fee disputes made up most of the closures;
- provided education on rules and statutes to requesters, respondents, and internal staff with implementation of amended 28 TAC §133.307, effective for disputes received on or after June 1, 2012.

Hearings

- held 15,755 benefit review conferences;
- held 7,438 contested case hearings;
- issued 3,009 Appeals Panel decisions;
- docketed 966 cases with SOAH.

Audits, Complaints and Compliance

- completed 65 Performance Reviews (Audits) on insurance carriers;
- handled more than 4,100 complaints, resulting in the return of over \$531,000 to system participants;
- issued more than 640 warning letters to system participants and referred more than 430 violations to Enforcement;
- conducted quarterly insurance carrier meetings to discuss emergent and ongoing compliance concerns in the Texas workers' compensation system.

Performance-Based Oversight

- conducted assessments on 110 insurance carriers;
- finalized and published tier results of the insurance carriers in December 2012;
- issued preliminary findings for the 2013 Health Care Provider Assessment in August 2013.

Designated Doctors

- approved 36,835 designated doctor examinations;
- performed outreach to injured employees by sending 243 Injured Employee Surveys;
- produced two issues of *Designated Doctor Update Newsletter* and distributed them to 1,300 recipients;
- applied a more comprehensive designated doctor certification process for applications received on or after January 1, 2013, and approved 252 new certifications and 272 re-certifications based on the revised standards;

- initiated and implemented automation changes in the processing of requests for designated doctor examinations;
- developed statutorily required changes to TDI-DWC rules affecting the designated doctor process;
- developed and presented outreach material to designated doctors and other system participants regarding statutory and TDI-DWC rule changes affecting the designated doctor process;
- developed and presented designated doctor workshops to provide indepth practical training for new designated doctors;
- contracted with a test development entity and worked with subject matter experts to develop the first TDI-DWC-owned and administered designated doctor test.

Outreach

- conducted 315 presentations (speeches, training, exhibits, seminars, teleconferences, webinars and staff participation in industry meetings) made by TDI-DWC staff for external consumers groups;
- hosted two Workers' Compensation Compliance Conferences in Austin and Houston, providing information to 609 attendees;
- provided updates to medical associations regarding rule development, public information announcements, and notification of training and other events; encouraged retention of health care providers in the system by providing prompt resolution of questions about such subjects as billing and reimbursement;
- provided answers and resources through the *Comp Connection for Health Care Providers* help line for approximately 5,803 issues related to billing, fee disputes, compensability, extent of injury, pre-authorization, fee guidelines, denials, workers' compensation rules, policies, and compliance; additionally provided answers to 471 questions received via e-mail;
- made 577 contacts to health care providers about misfiled medical bills to assist them in understanding how to properly file medical bills with workers' compensation insurance carriers;
- conducted 61 education sessions for system participants at field offices, attended by 575 people, covering topics such as pharmacy formulary and new designated doctor rules.
- provided customer assistance to approximately 200,000 system participants through the virtual call center;
- provided face-to-face customer service to approximately 7,000 injured employees as walk-in customers at 21 field office locations across the state;
- in conjunction with receiving assistance, approximately 37,000 injured employees were assigned a Single Point of Contact to assist them with their claims.

Workplace Safety

- conducted 2,532 OSHCON consultations with employers, identifying 7,339 occupational hazards;
- conducted 64 inspections representing 150 insurance companies for compliance with provision of required loss control services, which included on-site safety visits and phone consultations with 365 policyholders;
- processed 206 safety-related calls through the Safety Violations Hotline; of these, established 30 safety violations cases, eliminating 118 safety and health hazards in workplaces;
- provided safety and health educational products and services to 9,104 employers and 85,040 employees, including:
 - conducted nine Regional Safety Summits across the state that provided information to target industries on preventing the leading causes of fatal occupational injuries, including transportation incidents, violence and other injuries by persons or animals, and contact with objects and equipment, as well as common workplace safety issues associated with emergency preparedness and disaster recovery; injury reporting and recording compliance; and the new OSHA Hazard Communication Standard;
 - conducted 46 free OSHA 10-Hour Construction Seminars in either English or Spanish;

- conducted 27 on-site customized safety training sessions at employer worksites;
- hosted the 17th Annual Health and Safety Conference, the *Texas Safety Summit*, in May 2013 in Austin;
- maintained the Resource Center Library of over 4,000 audiovisual safety training materials available for Texas employers and employees to check out for free;
- maintained an online library of safety and health publications, which were accessed from the web site 3,268,393 times.
- sent educational materials about workplace safety and return to work to 187,629 injured employees for whom workers' compensation claims were established and 41,689 of their employers;
- received national recognition from OSHA for obtaining a perfect score for overall performance and data quality during the 2011 OSHA Data Initiative data collection completed in FY 2013;
- OSHCON Program Manager served on the National OSHCON Board of Directors as the Region VI representative, representing New Mexico, Texas, Oklahoma, Louisiana, and Arkansas at the national level;
- continued OSHCON program participation in regional oil and gas safety networks;
- continued a radio advertising campaign for the OSHCON program to promote the service to Texas employers in targeted markets.

Self-Insurance Regulation

- continued to oversee the Certified Self-Insurers (CSI) program, which accounts for 6.93% of the market share based on total written premium for workers' compensation in Texas; as of August 31, 2013, there were 41 active Certified Self-Insurers covering 237 companies that employ 130,331 employees;
- made presentations to the Commissioner of Workers' Compensation and Board at the Texas Certified Self-Insurer Guaranty Association public meetings which approved two initial applications, 44 renewal applications, 56 status reports on withdrawn CSIs, and four special requests for security deposit reductions;
- monitored 56 withdrawn CSIs, including two impaired employers and one non-renewal; there were no new entrants into the self-insurance program in FY 2013 and one company withdrew from the program;
- managed security deposits totaling \$525,535,691 (includes both active and withdrawn companies) and consisting of \$148,500,000 in Letters of Credit, \$369,065,691 in Surety Bonds and \$7,970,000 in cash;
- collected \$2,000 in application fees, \$520,499.43 in regulatory fees along with \$1,010,484.18 in maintenance taxes and \$10,004.29 in research maintenance taxes, totaling \$1,542,987.90;
- completed and approved 27 on-site safety program inspections.

Workers' Compensation Research and Evaluation Group

- completed the following seven research projects and posted reports/results to agency website:
 - *Setting the Standard: An Analysis of the Impact of the 2005 Legislative Reforms on the Texas Workers' Compensation System, 2012 Results*
 - *Return-to-Work in the Texas Workers' Compensation System, 2006-2010*
 - *Return-to-Work Outcomes of Texas Injured Employees, 2013*
 - *2012 Workers' Compensation Network Report Card*
 - *Health Care Cost and Utilization in the Texas Workers' Compensation System, 1998 – 2011*
 - *Impact of the Texas Pharmacy Closed Formulary* (three preliminary reports updated quarterly)
 - *Income Benefit Adequacy in the Texas Workers' Compensation System, 2000-2011*
- presented current research findings at TDI-DWC compliance conferences held in Austin and Houston;
- presented current research findings to the Texas Medical Association, Workers' Compensation Research Group, insurance carriers, and labor union representatives;
- presented *2012 Workers' Compensation Network Report Card* to ten networks;
- provided data/statistical support for the Office of the Medical Advisor IRO reviews;
- completed several ad hoc analyses requested by the legislature;

- conducted annual insurance carrier survey to measure the participation of employers in workers' compensation networks;
- completed one network data call and currently conducting an injured employees survey in support of the 2013 annual network report card;
- completed one formulary data call in support of a new rule effective September 1, 2013, and currently conducting a second formulary data call;
- provided data to the Health and Workers' Compensation Networks Certification and Quality Assurance and Enforcement divisions in support of enforcement referrals.

Business Process Improvement

- worked with Hearings to document and improve processes related to conducting Benefit Review Conferences and Contested Case Hearings, including case reading activities and work-load reporting;
- partnered with Designated Doctor Outreach and Oversight staff to implement the new Designated Doctor Certification Test with a test administration vendor;
- implemented a streamlined process for gathering automation requirements, currently in use on the TXCOMP Provider Rewrite project;
- implemented phase one automation for filing of the DWC Form-020SI *Self-Insured Governmental Entity Coverage* Information for non-subscribing Texas employers and self-insured governmental entities;
- monitored the Health Care Quality Review process to ensure compliance with approved procedures.

Return to Work

- conducted return-to-work training at TDI-DWC's 17th Annual Health and Safety Conference, the *Texas Safety Summit*;
- made 36 return-to-work presentations to employers across the state reaching approximately 6,200 attendees;
- approximately 9,700 employers received return-to-work training and information (not counting web-hits) through seminars, consultations and/or printed information;
- distributed more than 3,400 hard copies of the guide for employers titled *Making Return-to-Work Work for Your Business and Your Employees* at speaking engagements, by request, and as a follow-up to small employers receiving OSHCON consultations and residual market inspections;
- provided the guide and other return-to-work information on the TDI website, which was accessed approximately 25,000 times.



Part II
Summary of Company Data

10-Year History-Certificate of Authority

| | FY 04 | FY 05 | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Life/Health insurers | | | | | | | | | | |
| Texas | 196 | 190 | 186 | 175 | 170 | 161 | 161 | 157 | 153 | 149 |
| Non-Texas | 561 | 552 | 546 | 529 | 520 | 514 | 504 | 499 | 485 | 483 |
| Non-U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 6 |
| Sub-Total | 757 | 742 | 732 | 704 | 690 | 675 | 665 | 656 | 645 | 638 |
| Property & Casualty insurers | | | | | | | | | | |
| Texas | 245 | 250 | 248 | 252 | 250 | 250 | 243 | 238 | 236 | 225 |
| Non-Texas | 915 | 917 | 926 | 932 | 942 | 948 | 948 | 947 | 935 | 948 |
| Non-U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18 | 17 |
| Sub-Total | 1,160 | 1,167 | 1,174 | 1,184 | 1,192 | 1,198 | 1,191 | 1,185 | 1,189 | 1,190 |
| Other entities | | | | | | | | | | |
| Texas | 348 | 352 | 341 | 341 | 348 | 353 | 350 | 332 | 324 | 301 |
| Non-Texas | 462 | 479 | 485 | 471 | 486 | 504 | 515 | 512 | 487 | 464 |
| Non-U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 6 |
| Sub-Total | 810 | 831 | 826 | 812 | 834 | 857 | 865 | 844 | 818 | 771 |
| Grand Total | 2,727 | 2,740 | 2,732 | 2,700 | 2,716 | 2,730 | 2,721 | 2,685 | 2,652 | 2,599* |

Life/Health includes: Stock life, mutual life, life port of entry, government-created life and health, stipulated premium, retirement system & pension (formerly, non-profit life insurance), fraternal, multiple employer welfare arrangements, local mutual aid, local mutual burial, exempt associations, and non-profit hospital service corporations. Due to a database conversion that occurred during FY 2012, non-U.S. life and health insurers can be reported.

Property & Casualty includes: Stock fire, mutual fire, stock fire and casualty, mutual fire and casualty, stock casualty, mutual casualty, government-created fire & casualty, mortgage guaranty, Mexican casualty, Lloyds, reciprocals, title, domestic risk retention groups, joint underwriting associations, workers' compensation self insurance groups, county mutuals, and farm mutuals. Due to a database conversion that occurred during FY 2012, non-U.S. property and casualty insurers can be reported.

Other includes: Non-profit legal services corporations, third party administrators (TPAs), continuing care retirement communities (CCRCs) and health maintenance organizations (HMOs). CCRCs were added to the category in Fiscal Year 1988 and TPAs were added in Fiscal Year 1989. Due to a database conversion that occurred during FY 2012, non-U.S. other entities can be reported.

* FY 2013 Grand Total includes 1,830 licensed insurance companies, 53 HMOs, 33 CCRCs, and 683 TPAs. It does not include 184 premium finance companies and their 13 branch offices.

Reconciliation

| | |
|--|-------|
| Companies Licensed as of August 31, 2012 | 2,652 |
| Companies Organized or Licensed During Year | 64 |
| Less Companies Reinsured, Merged, Withdrawn, Canceled, Dissolved, Redomesticated, Domesticated or Placed In Permanent Receivership During Year | 117 |
| Companies Licensed as of August 31, 2013 | 2,599 |

Types and Totals of Entities Licensed in Texas as of August 31, 2013

| | TEXAS | NON-TEXAS | NON-US | TOTAL |
|---------------------|-------|-----------|--------|-------|
| Property & Casualty | 225 | 948 | 17 | 1,190 |
| Life | 149 | 483 | 6 | 638 |
| Other | 301 | 464 | 6 | 771 |
| Total | 675 | 1,895 | 29 | 2,599 |

Other includes: Non-Profit Legal Services Corporations, HMOs, TPAs, and CCRCs.

Types and Totals of Entities Authorized to Write Business in Texas
as of August 31, 2013

| | TEXAS | NON-TEXAS | NON-US | TOTAL |
|---|------------|--------------|-----------|--------------|
| Mutual Life Insurance Companies | 1 | 27 | 0 | 28 |
| Life Port of Entry | 0 | 0 | 1 | 1 |
| Government Created Life Insurance Companies | 1 | 0 | 0 | 1 |
| Retirement System & Pension | 0 | 1 | 0 | 1 |
| Stock Life Insurance Companies | 99 | 429 | 4 | 532 |
| Stipulated Premium Life Insurance Companies | 27 | 0 | 0 | 27 |
| Non-Profit Hospital Service Corporations | 1 | 0 | 0 | 1 |
| Mutual Fire Insurance Companies | 1 | 0 | 0 | 1 |
| Stock Fire Insurance Companies | 1 | 3 | 0 | 4 |
| Mutual Casualty Insurance Companies | 1 | 9 | 0 | 10 |
| Stock Casualty Insurance Companies | 13 | 154 | 0 | 167 |
| Mutual Fire & Casualty Insurance Companies | 2 | 46 | 1 | 49 |
| Stock Fire & Casualty Insurance Companies | 95 | 677 | 3 | 775 |
| Government Created Fire & Casualty Companies | 3 | 0 | 0 | 3 |
| Mortgage Guaranty Insurance Companies | 2 | 23 | 0 | 25 |
| Mexican Casualty Insurance Companies | 0 | 0 | 13 | 13 |
| Lloyds | 48 | 0 | 0 | 48 |
| Reciprocal Exchanges | 7 | 16 | 0 | 23 |
| Joint Underwriting Associations | 0 | 2 | 0 | 2 |
| Risk Retention Groups | 1 | 0 | 0 | 1 |
| County Mutual Fire Insurance Companies | 23 | 0 | 0 | 23 |
| Fraternal Benefit Societies | 6 | 25 | 1 | 32 |
| Title Insurance Companies | 5 | 18 | 0 | 23 |
| Non-Profit Legal Services Corporation | 2 | 0 | 0 | 2 |
| Basic Health Maintenance Organizations | 33 | 4 | 0 | 37 |
| Single Service Health Maintenance Organizations | 14 | 0 | 0 | 14 |
| Limited Health Maintenance Organizations | 2 | 0 | 0 | 2 |
| Local Mutual Aid Associations | 2 | 0 | 0 | 2 |
| Local Mutual Burial Associations | 2 | 0 | 0 | 2 |
| Exempt Associations | 6 | 0 | 0 | 6 |
| Farm Mutual Fire Insurance Companies | 17 | 0 | 0 | 17 |
| Total | 415 | 1,434 | 23 | 1,872 |
| Continuing Care Retirement Communities | 29 | 4 | 0 | 33 |
| Multiple Employer Welfare Arrangements | 4 | 1 | 0 | 5 |
| Workers' Compensation Self Insurance Groups | 6 | 0 | 0 | 6 |
| Third Party Administrators | 221 | 456 | 6 | 683 |
| Total | 260 | 461 | 6 | 727 |
| Grand Total | 675 | 1,895 | 29 | 2,599 |

New Companies Organized or Admitted to Texas between September 1, 2012 and August 31, 2013

| | TEXAS | NON-TEXAS | NON-US | TOTAL |
|---|-----------|-----------|----------|-----------|
| Stock Life Insurance Companies | 0 | 5 | 1 | 6 |
| Fraternal | 0 | 2 | 0 | 2 |
| Stock Fire & Casualty Insurance Companies | 0 | 9 | 0 | 9 |
| Mutual Casualty Insurance Companies | 0 | 1 | 0 | 1 |
| Stock Casualty Insurance Companies | 0 | 5 | 0 | 5 |
| Mortgage Guaranty Insurance Companies | 0 | 1 | 0 | 1 |
| Continuing Care Retirement Communities (CCRC) | 2 | 0 | 0 | 2 |
| Health Maintenance Organization | 0 | 2 | 0 | 2 |
| Third Party Administrators | 14 | 22 | 0 | 36 |
| Total | 16 | 47 | 1 | 64 |

Canceled Certificate of Authority Report

Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated, Domesticated or Placed in Receivership between September 1, 2012 and August 31, 2013

| | REINSURED OR MERGED | DISSOLVED, WITHDRAWN OR CANCELLED | REDOMESTICATED OR DOMESTICATED | *PERMANENT RECEIVERSHIP | TOTAL |
|---------------------------------------|------------------------|---|-----------------------------------|----------------------------|------------|
| Texas Companies | | | | | |
| Stock Life | 2 | 0 | 0 | 0 | 2 |
| Mutual Life | 1 | 0 | 0 | 0 | 1 |
| Stipulated Premium | 1 | 0 | 0 | 1 | 2 |
| Stock Fire & Casualty | 5 | 1 | 0 | 1 | 7 |
| Lloyds | 1 | 1 | 0 | 0 | 2 |
| Third Party Administrators | 0 | 39 | 0 | 0 | 39 |
| Total | 10 | 41 | 0 | 2 | 53 |
| Non-Texas Companies | | | | | |
| Life Port of Entry | 1 | 0 | 0 | 0 | 1 |
| Stock Life | 8 | 0 | 0 | 0 | 8 |
| Stock Fire & Casualty | 1 | 3 | 0 | 0 | 4 |
| Stock Casualty | 1 | 1 | 0 | 0 | 2 |
| Multiple Employer Welfare Arrangement | 0 | 1 | 0 | 0 | 1 |
| Third Party Administrators | 0 | 48 | 0 | 0 | 48 |
| Total | 11 | 53 | 0 | 0 | 64 |
| Grand Total | 21 | 94 | 0 | 2 | 117 |

*The numbers in this column represent Certificates of Authority that have been canceled because an entity was placed into receivership. The Certificate of Authority of a company that is placed in permanent receivership is not automatically canceled. Therefore, these numbers do not reconcile to the number of receiverships for FY 2013. Only the companies that had their Certificates of Authority canceled are included in this section.

Rehabilitations and Liquidation Oversight Report

Companies Under Supervision, Conservation, 404 Orders and Administrative Oversight

Activity for Fiscal Year 2013

| BEGINNING BALANCE | NEW ACTIONS | RELEASED TO MANAGEMENT | DISSOLVED | ACQUIRED | MERGED OR BANKRUPTCY | PLACED IN RECEIVERSHIP | YEAR END BALANCE |
|-------------------|-------------|------------------------|-----------|----------|----------------------|------------------------|------------------|
| 8 | 3 | 5 | 0 | 0 | 0 | 2 | 4 |

Balance at End of FY 12

| ACTION | DATE | COMPANY NAME |
|-------------|----------|--------------------------------------|
| 404 | 05/17/10 | North America Life Insurance Company |
| 404 | 10/09/12 | San Antonio Indemnity Company |
| Oversight | 02/28/11 | Texas Windstorm Insurance Assoc. |
| Supervision | 05/24/13 | *Confidential* |

Receiverships by Fiscal Year

Fiscal Years 2009-2013

| FISCAL YEAR | BEGINNING BALANCE | NEW RECEIVERSHIPS | RECEIVERSHIPS CLOSED |
|-------------|-------------------|-------------------|----------------------|
| 2009 | 30 | 10 | 1 |
| 2010 | 39 | 3 | 1 |
| 2011 | 41 | 0 | 3 |
| 2012 | 38 | 0 | 4 |
| 2013 | 34 | 3 | 7 |

Open Receiverships at Year-end FY 2013

Employers Casualty Company
 AmCare Health Plans of Texas, Inc., and
 AmCare Management, Inc.
 Millers Insurance Company (The)
 Western Indemnity Insurance Company
 Good Samaritan Life Insurance Company
 Highlands Insurance Company
 Financial Insurance Company of America
 Universal Insurance Exchange, and
 Universal Paratransit Ins. Services Group
 Vesta Fire Insurance Corporation
 Shelby Casualty Insurance Company
 The Shelby Insurance Company
 Texas Select Lloyds Insurance Company
 Select Insurance Services, Inc.
 Vesta Insurance Corporation
 Family Life Insurance Company of America
 Lone Star Life Insurance Company

Peters Burial Association
 American Founders Financial Corporation
 Lincoln Memorial Life Insurance Company
 Memorial Service Life Insurance Company
 National Pre-arranged Services, Inc.
 Austin Indemnity Lloyds Insurance Company, and
 Austin Indemnity Management Co., LLC
 Southern Star Title Company, LLC
 Mi Tierra Title, LLC
 National Charity Title
 W.I.N. Association; and
 Healthshare America, LLC; and
 Chamberhealth USA, and
 Healthshare Marketing, LLC
 Texas Nations Title Agency, Inc.
 Gramercy Insurance Company
 Santa Fe Auto Insurance Company
 Universal HMO of Texas, Inc.

Overview: Texas Insurance Market

Grand Total: Texas Insurance Market – All Admitted & Alternative Carriers subject to TDI Licensing/Eligibility/Registration Requirements:

Total Texas Market – 2012

| TYPE OF BUSINESS | TEXAS PREMIUMS |
|---------------------|---------------------------|
| Life | \$ 10,144,107,962 |
| Annuity | 20,857,161,315 |
| Accident & Health | 28,391,173,859 |
| Property & Casualty | 41,955,915,016 |
| HMO | 17,930,342,027 |
| Title | 1,431,228,819 |
| Other | * 5,139,953 |
| Grand Total | \$ 120,715,068,951 |

| | | |
|---------------|---------------------------------|--------------------------|
| <i>Recap:</i> | <i>Total Admitted Market</i> | \$116,416,316,084 |
| | <i>Total Alternative Market</i> | ** 4,298,752,867 |
| | <i>Grand Total</i> | \$120,715,068,951 |

* Includes: Local Mutual Aid Associations, Local Mutual Burial Associations, Exempt Associations and Non-Profit Legal Service Companies.

** Included with Property & Casualty.

Admitted Market–

Carriers holding a Certificate of Authority (License) issued by TDI:

Total Admitted Market - 2012

| Type of Business | Texas Insurance Companies | Non-Texas Insurance Companies | Total Admitted Market |
|---------------------|---------------------------|-------------------------------|--------------------------|
| Life | \$ 877,715,035 | \$9,266,392,927 | \$10,144,107,962 |
| Annuity | 1,877,693,570 | 18,979,467,745 | 20,857,161,315 |
| Accident & Health | 2,773,647,902 | 25,617,525,957 | 28,391,173,859 |
| Property & Casualty | 18,595,223,285 | 19,061,938,864 | 37,657,162,149 |
| HMO | 17,667,190,857 | 263,151,170 | 17,930,342,027 |
| Title | 418,496,517 | 1,012,732,302 | 1,431,228,819 |
| Other | * 5,139,953 | | * 5,139,953 |
| Total | \$42,215,107,119 | \$74,201,208,965 | \$116,416,316,084 |

Alternative Market–

Carriers that are Eligible or Registered or hold some other form of approval issued by TDI:

Alternative Market - 2012

| | |
|-------------------------------|---------------------------|
| Surplus Lines Insurers | *** \$4,015,885,951 |
| Foreign Risk Retention Groups | 92,671,877 |
| Certified Self Insurers | 177,147,960 |
| Self Insurance Group | 13,047,079 |
| Total | ** \$4,298,752,867 |

* Includes: Local Mutual Aid Associations, Local Mutual Burial Associations, Exempt Associations and Non-Profit Legal Service Companies.

** Included with Property & Casualty.

*** The vast majority of this business is Property & Casualty insurance. However, the surplus lines market includes some Accident & Health business.

**Financial Statement System
Summary of Information from Annual Statements Texas Premium Summary–
Property and Casualty 2011-2012**

| | AS OF DECEMBER 31, 2011 | AS OF DECEMBER 31, 2012 |
|--------------------------------|-------------------------|-------------------------|
| Primary Lines | | |
| Automobile | 15,506,793,468 | 16,250,821,867 |
| Workers' Compensation | 2,163,990,743 | 2,445,279,924 |
| Homeowners | 5,974,451,903 | 6,347,556,862 |
| Fire & Allied Lines | 5,670,152,326 | 6,212,220,751 |
| Liability | 4,576,745,995 | 4,762,039,725 |
| Medical Professional Liability | 226,007,323 | 215,047,833 |
| * All Other Lines | 1,470,494,368 | 1,588,457,270 |
| Total | 35,588,636,126 | 37,821,424,232 |

** Does not include \$586,641,301 in Accident & Health premiums for 2011 and \$644,913,718 in Accident & Health premiums for 2012 written by Property & Casualty companies that are included in total Accident & Health premiums reflected in the exhibit below.*

**Financial Statement System
Summary of Information from Annual Statements Texas Premium Summary–
Life, Annuity and Accident & Health 2011-2012**

| | AS OF DECEMBER 31, 2011 | AS OF DECEMBER 31, 2012 |
|------------------------|-------------------------|-------------------------|
| Life | | |
| Ordinary | 7,487,185,471 | 7,743,044,781 |
| Group | 2,191,283,055 | 2,299,260,811 |
| Industrial | 1,508,153 | 1,422,180 |
| Credit | 94,184,969 | 100,380,197 |
| | 9,774,161,648 | 10,144,107,969 |
| Annuity | | |
| Annuities | 15,327,675,969 | 15,985,873,419 |
| Other Considerations | 3,230,669,190 | 3,122,522,346 |
| Deposit Type Contracts | 1,593,468,500 | 1,748,765,550 |
| Total | 20,151,813,659 | 20,857,161,315 |
| *Accident & Health | 24,253,488,910 | 23,391,173,859 |
| Total | 54,179,464,217 | 59,392,443,143 |

** Includes \$586,641,301 in Accident & Health premiums for 2011 and \$644,913,718 in Accident & Health premiums for 2012 written by Property & Casualty companies not included in All Other Lines reflected in the exhibit above.*

Top 40 Insurers/Accident and Health

Based on 2012 Texas Written Premium with Percentage of Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--|--|------|-----------------------|----------------|
| 70670 | Blue Cross and Blue Shield of Texas, A Division of Health Care Service Corporation | 1 | 7,905,348,832 | 27.84% |
| 79413 | Unitedhealthcare Insurance Company | 2 | 3,695,173,874 | 13.02% |
| 73288 | Humana Insurance Company | 3 | 2,386,212,907 | 8.40% |
| 60054 | Aetna Life Insurance Company | 4 | 1,789,762,803 | 6.30% |
| 71013 | Superior Healthplan Network | 5 | 1,691,893,103 | 5.96% |
| 12558 | Care Improvement Plus of Texas Insurance Company | 6 | 625,077,088 | 2.20% |
| 62308 | Connecticut General Life Insurance Company | 7 | 578,051,493 | 2.04% |
| 81396 | Delta Dental Insurance Company | 8 | 525,454,635 | 1.85% |
| 65978 | Metropolitan Life Insurance Company | 9 | 420,498,451 | 1.48% |
| 12307 | Dentaquest USA Insurance Company, Inc. | 10 | 416,450,504 | 1.47% |
| 14063 | MCNA Insurance Company | 11 | 351,087,661 | 1.24% |
| 60380 | American Family Life Assurance Company of Columbus | 12 | 341,561,947 | 1.20% |
| 14078 | Amerigroup Insurance Company | 13 | 326,108,322 | 1.15% |
| 62235 | UNUM Life Insurance Company of America | 14 | 253,650,622 | 0.89% |
| 67660 | Pennsylvania Life Insurance Company | 15 | 205,116,763 | 0.72% |
| 60069 | Texas Health Insurance Pool | 16 | 204,752,203 | 0.72% |
| 69868 | United of Omaha Life Insurance Company | 17 | 199,253,140 | 0.70% |
| 64246 | Guardian Life Insurance Company of America, The | 18 | 187,096,143 | 0.66% |
| 67369 | Cigna Health and Life Insurance Company | 19 | 172,092,517 | 0.61% |
| 62286 | Golden Rule Insurance Company | 20 | 147,381,539 | 0.52% |
| 69477 | Time Insurance Company | 21 | 145,959,181 | 0.51% |
| 70815 | Hartford Life and Accident Insurance Company | 22 | 141,049,286 | 0.50% |
| 90328 | First Health Life & Health Insurance Company | 23 | 137,791,403 | 0.49% |
| 65498 | Life Insurance Company of North America | 24 | 136,948,638 | 0.48% |
| 39616 | Vision Service Plan Insurance Company | 25 | 131,351,590 | 0.46% |
| 70025 | Genworth Life Insurance Company | 26 | 121,874,006 | 0.43% |
| 80802 | Sun Life Assurance Company of Canada | 27 | 115,038,528 | 0.41% |
| 12902 | Healthspring Life & Health Insurance Company, Inc. | 28 | 107,318,604 | 0.38% |
| 25178 | State Farm Mutual Automobile Insurance Company | 29 | 107,036,218 | 0.38% |
| 13778 | Molina Healthcare of Texas Insurance Company | 30 | 103,677,985 | 0.37% |
| 68241 | Prudential Insurance Company of America, The | 31 | 102,296,169 | 0.36% |
| 65676 | Lincoln National Life Insurance Company, The | 32 | 102,030,925 | 0.36% |
| 69019 | Standard Insurance Company | 33 | 97,849,444 | 0.34% |
| 65838 | John Hancock Life Insurance Company (U.S.A.) | 34 | 88,653,122 | 0.31% |
| 61301 | Ameritas Life Insurance Corp. | 35 | 86,391,737 | 0.30% |
| 70580 | Humanadental Insurance Company | 36 | 85,393,840 | 0.30% |
| 67105 | Reliastar Life Insurance Company | 37 | 85,239,598 | 0.30% |
| 62049 | Colonial Life and Accident Insurance Company | 38 | 84,369,282 | 0.30% |
| 78611 | HCSC Insurance Services Company | 39 | 82,265,798 | 0.29% |
| 19445 | National Union Fire Insurance Company Of Pittsburgh, Pa. | 40 | 81,948,432 | 0.29% |
| Total Top 40 Accident & Health Premiums | | | 24,566,508,333 | 86.53% |
| All Other Accident & Health Premiums | | | 3,824,665,526 | 13.47% |
| Total Accident & Health Premiums | | | 28,391,173,859 | 100.00% |

Top 40 Insurers/Annuities

Based on 2012 Texas Written Premium with Percentage of Market Share

| NAIC # | Insurance Company | Rank | Written Premium | %of Market |
|--------|---|------|-----------------------|----------------|
| 65056 | Jackson National Life Insurance Company | 1 | 1,370,914,606 | 6.57% |
| 79227 | Pruco Life Insurance Company | 2 | 1,148,961,330 | 5.51% |
| 61271 | Principal Life Insurance Company | 3 | 1,134,138,656 | 5.44% |
| 65838 | John Hancock Life Insurance Company (U.S.A.) | 4 | 1,092,074,833 | 5.24% |
| 65676 | Lincoln National Life Insurance Company, The | 5 | 943,801,847 | 4.53% |
| 68241 | Prudential Insurance Company of America, The | 6 | 904,861,139 | 4.34% |
| 60488 | American General Life Insurance Company | 7 | 857,748,480 | 4.11% |
| 61050 | Metlife Investors USA Insurance Company | 8 | 764,885,318 | 3.67% |
| 86509 | ING Life Insurance and Annuity Company | 9 | 741,178,863 | 3.55% |
| 90611 | Allianz Life Insurance Company of North America | 10 | 673,445,551 | 3.23% |
| 62944 | AXA Equitable Life Insurance Company | 11 | 625,286,874 | 3.00% |
| 88072 | Hartford Life Insurance Company | 12 | 610,880,846 | 2.93% |
| 86231 | Transamerica Life Insurance Company | 13 | 490,283,615 | 2.35% |
| 65935 | Massachusetts Mutual Life Insurance Company | 14 | 450,064,593 | 2.16% |
| 91596 | New York Life Insurance and Annuity Corporation | 15 | 438,974,938 | 2.10% |
| 66869 | Nationwide Life Insurance Company | 16 | 432,191,224 | 2.07% |
| 61689 | Aviva Life and Annuity Company | 17 | 376,849,468 | 1.81% |
| 67466 | Pacific Life Insurance Company | 18 | 373,397,121 | 1.79% |
| 69345 | Teachers Insurance and Annuity Association of America | 19 | 334,626,809 | 1.60% |
| 70238 | Variable Annuity Life Insurance Company, The | 20 | 325,212,695 | 1.56% |
| | College Retirement Equities Fund | 21 | 323,995,067 | 1.55% |
| 65978 | Metropolitan Life Insurance Company | 22 | 319,291,344 | 1.53% |
| 68675 | Security Benefit Life Insurance Company | 23 | 299,996,367 | 1.44% |
| 65005 | Riversource Life Insurance Company | 24 | 269,668,225 | 1.29% |
| 68322 | Great-West Life & Annuity Insurance Company | 25 | 249,533,057 | 1.20% |
| 92738 | American Equity Investment Life Insurance Company | 26 | 242,881,665 | 1.16% |
| 60895 | American United Life Insurance Company | 27 | 215,257,782 | 1.03% |
| 68136 | Protective Life Insurance Company | 28 | 196,520,750 | 0.94% |
| 69663 | USAA Life Insurance Company | 29 | 194,315,287 | 0.93% |
| 65528 | Life Insurance Company of the Southwest | 30 | 186,805,375 | 0.90% |
| 93696 | Fidelity Investments Life Insurance Company | 31 | 186,271,835 | 0.89% |
| 69019 | Standard Insurance Company | 32 | 168,462,321 | 0.81% |
| 67172 | Ohio National Life Insurance Company | 33 | 163,175,768 | 0.78% |
| 63274 | Fidelity & Guaranty Life Insurance Company | 34 | 154,992,741 | 0.74% |
| 56014 | Thrivent Financial for Lutherans | 35 | 141,012,316 | 0.68% |
| 70688 | Transamerica Financial Life Insurance Company | 36 | 134,563,813 | 0.65% |
| 66915 | New York Life Insurance Company | 37 | 128,503,597 | 0.62% |
| 63312 | Great American Life Insurance Company | 38 | 113,725,038 | 0.55% |
| 80942 | ING USA Annuity And Life Insurance Company | 39 | 113,254,537 | 0.54% |
| 66044 | Midland National Life Insurance Company | 40 | 110,502,268 | 0.53% |
| | Total Top 40 Annuity Premium | | 18,002,507,959 | 86.31% |
| | All Other Annuity Premium | | 2,854,653,356 | 13.69% |
| | Total Annuity Premium | | 20,857,161,315 | 100.00% |

Top 40 Health Maintenance Organization/Accident and Health

Based on 2012 Texas Written Premium with Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--------|--|------|-----------------------|----------------|
| 95314 | Amerigroup Texas, Inc. | 1 | 2,375,319,248 | 13.25% |
| 95174 | Unitedhealthcare Benefits of Texas, Inc. | 2 | 2,280,564,360 | 12.72% |
| 95647 | Superior Healthplan, Inc. | 3 | 1,580,722,781 | 8.82% |
| 12902 | Healthspring Life & Health Insurance Company, Inc. | 4 | 1,419,788,321 | 7.92% |
| 11141 | Unitedhealthcare Community Plan of Texas, L.L.C. | 5 | 1,186,356,216 | 6.62% |
| 95024 | Humana Health Plan of Texas, Inc. | 6 | 1,167,851,690 | 6.51% |
| 10757 | Molina Healthcare of Texas, Inc. | 7 | 1,162,075,413 | 6.48% |
| 95329 | Texas Children's Health Plan, Inc. | 8 | 745,989,232 | 4.16% |
| 95490 | Aetna Health Inc. | 9 | 711,975,100 | 3.97% |
| 95615 | Community Health Choice, Inc. | 10 | 631,091,051 | 3.52% |
| 10096 | Selectcare of Texas, Inc. | 11 | 614,712,892 | 3.43% |
| 95099 | Scott and White Health Plan | 12 | 566,424,688 | 3.16% |
| 95414 | Parkland Community Health Plan, Inc., A Program of Dallas County Hospital District | 13 | 517,449,845 | 2.89% |
| 95138 | SHA, L.L.C. | 14 | 418,583,923 | 2.33% |
| 11494 | Physicians Health Choice of Texas, LLC | 15 | 413,008,650 | 2.30% |
| 95809 | Driscoll Children's Health Plan | 16 | 291,064,060 | 1.62% |
| 95248 | Community First Health Plans, Inc. | 17 | 260,831,745 | 1.45% |
| 12827 | KS Plan Administrators, LLC | 18 | 259,633,530 | 1.45% |
| 95822 | Cook Children's Health Plan | 19 | 239,791,461 | 1.34% |
| 12964 | Wellcare of Texas, Inc. | 20 | 156,140,401 | 0.87% |
| 12151 | Arcadian Health Plan, Inc. | 21 | 139,820,700 | 0.78% |
| 52635 | El Paso First Health Plans, Inc. | 22 | 126,624,576 | 0.71% |
| 70670 | Blue Cross And Blue Shield of Texas, A Division of Health Care Service Corporation | 23 | 110,342,829 | 0.62% |
| 95383 | Cigna Healthcare Of Texas, Inc. | 24 | 96,791,263 | 0.54% |
| 95799 | Valueoptions of Texas, Inc. | 25 | 73,330,347 | 0.41% |
| 10768 | Selectcare Health Plans, Inc. | 26 | 53,954,575 | 0.30% |
| 13636 | Universal HMO of Texas, Inc. | 27 | 47,062,118 | 0.26% |
| 95240 | Seton Health Plan, Inc. | 28 | 41,099,091 | 0.23% |
| 95910 | Aetna Dental Inc. | 29 | 36,479,290 | 0.20% |
| 95161 | Denticare, Inc. | 30 | 32,796,555 | 0.18% |
| 95037 | Cigna Dental Health of Texas, Inc. | 31 | 32,311,862 | 0.18% |
| 14151 | Sendero Health Plans, Inc. | 32 | 22,040,057 | 0.12% |
| 14154 | Christus Health Plan | 33 | 17,943,854 | 0.10% |
| 95251 | National Pacific Dental, Inc. | 34 | 15,079,296 | 0.08% |
| 12282 | Humana Regional Health Plan, Inc. | 35 | 12,987,641 | 0.07% |
| 95051 | Safeguard Health Plans, Inc. | 36 | 11,168,406 | 0.06% |
| 95387 | Block Vision of Texas, Inc. | 37 | 11,090,949 | 0.06% |
| 12346 | Valley Baptist Insurance Company | 38 | 10,432,120 | 0.06% |
| 95163 | Alpha Dental Programs, Inc. | 39 | 9,025,159 | 0.05% |
| 95142 | United Dental Care of Texas, Inc. | 40 | 8,363,327 | 0.05% |
| | Total Top 40 Health Maintenance Organizations | | 17,908,118,622 | 99.88% |
| | All Other Health Maintenance Organizations | | 22,223,405 | 0.12% |
| | Total Health Maintenance Organizations | | 17,930,342,027 | 100.00% |

Top 40 Insurers/Life

Based on 2012 Texas Written Premium with Percentage Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--------|---|------|-----------------------|----------------|
| 65978 | Metropolitan Life Insurance Company | 1 | 587,200,405 | 5.79% |
| 67091 | Northwestern Mutual Life Insurance Company, The | 2 | 490,863,471 | 4.84% |
| 66915 | New York Life Insurance Company | 3 | 413,396,840 | 4.08% |
| 65676 | Lincoln National Life Insurance Company, The | 4 | 398,406,739 | 3.93% |
| 69108 | State Farm Life Insurance Company | 5 | 338,406,094 | 3.34% |
| 68241 | Prudential Insurance Company of America, The | 6 | 313,316,232 | 3.09% |
| 65935 | Massachusetts Mutual Life Insurance Company | 7 | 296,635,950 | 2.92% |
| 60488 | American General Life Insurance Company | 8 | 281,655,714 | 2.78% |
| 65838 | John Hancock Life Insurance Company (U.S.A.) | 9 | 272,403,991 | 2.69% |
| 66168 | Minnesota Life Insurance Company | 10 | 233,896,922 | 2.31% |
| 67466 | Pacific Life Insurance Company | 11 | 219,611,166 | 2.16% |
| 86231 | Transamerica Life Insurance Company | 12 | 177,640,678 | 1.75% |
| 79227 | Pruco Life Insurance Company | 13 | 162,168,740 | 1.60% |
| 63177 | Farmers New World Life Insurance Company | 14 | 149,783,627 | 1.48% |
| 65919 | Primerica Life Insurance Company | 15 | 148,412,560 | 1.46% |
| 60739 | American National Insurance Company | 16 | 138,784,799 | 1.37% |
| 62944 | AXA Equitable Life Insurance Company | 17 | 137,127,131 | 1.35% |
| 65498 | Life Insurance Company of North America | 18 | 135,225,399 | 1.33% |
| 62235 | Unum Life Insurance Company of America | 19 | 134,016,362 | 1.32% |
| 67105 | Reliastar Life Insurance Company | 20 | 130,006,042 | 1.28% |
| 68896 | Southern Farm Bureau Life Insurance Company | 21 | 125,730,194 | 1.24% |
| 68136 | Protective Life Insurance Company | 22 | 125,395,790 | 1.24% |
| 64246 | Guardian Life Insurance Company of America, The | 23 | 125,272,613 | 1.23% |
| 91596 | New York Life Insurance and Annuity Corporation | 24 | 124,255,675 | 1.22% |
| 65595 | Lincoln Benefit Life Company | 25 | 120,477,419 | 1.19% |
| 69868 | United of Omaha Life Insurance Company | 26 | 119,909,236 | 1.18% |
| 69663 | USAA Life Insurance Company | 27 | 116,230,231 | 1.15% |
| 66044 | Midland National Life Insurance Company | 28 | 114,681,060 | 1.13% |
| 71153 | Hartford Life and Annuity Insurance Company | 29 | 111,004,301 | 1.09% |
| 61050 | Metlife Investors USA Insurance Company | 30 | 110,055,241 | 1.08% |
| 80802 | Sun Life Assurance Company of Canada | 31 | 94,122,208 | 0.93% |
| 65005 | Riversource Life Insurance Company | 32 | 90,355,446 | 0.89% |
| 71129 | Dearborn National Life Insurance Company | 33 | 89,972,671 | 0.89% |
| 65536 | Genworth Life and Annuity Insurance Company | 34 | 87,982,194 | 0.87% |
| 61689 | Aviva Life and Annuity Company | 35 | 86,308,267 | 0.85% |
| 65056 | Jackson National Life Insurance Company | 36 | 83,138,556 | 0.82% |
| 69019 | Standard Insurance Company | 37 | 80,778,334 | 0.80% |
| 70815 | Hartford Life and Accident Insurance Company | 38 | 80,243,949 | 0.79% |
| 61271 | Principal Life Insurance Company | 39 | 79,743,410 | 0.79% |
| 68357 | Reliable Life Insurance Company, The | 40 | 79,639,659 | 0.79% |
| | Total Top 40 Life Premium | | 7,204,255,316 | 71.02% |
| | All Other Life Premium | | 2,939,852,646 | 28.98% |
| | Total Life Premium | | 10,144,107,962 | 100.00% |

Top 40 Insurers/Private Passenger Auto

Based on 2012 Texas Written Premium with Percentage of Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--|--|------|-----------------------|----------------|
| 25178 | State Farm Mutual Automobile Insurance Company | 1 | 2,510,789,443 | 17.66% |
| 24392 | Farmers Texas County Mutual Insurance Company | 2 | 1,311,817,937 | 9.23% |
| 29203 | Progressive County Mutual Insurance Company | 3 | 1,279,812,827 | 9.00% |
| 29688 | Allstate Fire and Casualty Insurance Company | 4 | 738,564,952 | 5.20% |
| 22063 | Government Employees Insurance Company | 5 | 686,416,911 | 4.83% |
| 29378 | Old American County Mutual Fire Insurance Company | 6 | 485,018,383 | 3.41% |
| 29297 | Home State County Mutual Insurance Company | 7 | 450,042,266 | 3.17% |
| 25941 | United Services Automobile Association | 8 | 420,907,469 | 2.96% |
| 19240 | Allstate Indemnity Company | 9 | 400,621,975 | 2.82% |
| 29262 | Colonial County Mutual Insurance Company | 10 | 346,931,876 | 2.44% |
| 25968 | USAA Casualty Insurance Company | 11 | 342,014,538 | 2.41% |
| 19544 | Liberty County Mutual Insurance Company | 12 | 304,595,354 | 2.14% |
| 29246 | Consumers County Mutual Insurance Company | 13 | 284,466,588 | 2.00% |
| 26816 | State Farm County Mutual Insurance Company of Texas | 14 | 254,862,862 | 1.79% |
| 13004 | Texas Farm Bureau Casualty Insurance Company | 15 | 248,421,583 | 1.75% |
| 29335 | Allstate County Mutual Insurance Company | 16 | 244,152,354 | 1.72% |
| 11198 | Loya Insurance Company | 17 | 230,371,738 | 1.62% |
| 27863 | Southern County Mutual Insurance Company | 18 | 227,494,571 | 1.60% |
| 25380 | Texas Farm Bureau Mutual Insurance Company | 19 | 218,751,507 | 1.54% |
| 29254 | Foremost County Mutual Insurance Company | 20 | 195,384,429 | 1.37% |
| 22055 | Geico Indemnity Company | 21 | 191,768,053 | 1.35% |
| 29327 | AAA Texas County Mutual Insurance Company | 22 | 163,762,894 | 1.15% |
| 18600 | USAA General Indemnity Company | 23 | 158,586,327 | 1.12% |
| 21253 | Garrison Property and Casualty Insurance Company | 24 | 146,892,189 | 1.03% |
| 10807 | ACCC Insurance Company | 25 | 143,737,027 | 1.01% |
| 23787 | Nationwide Mutual Insurance Company | 26 | 111,991,685 | 0.79% |
| 11521 | Germania Select Insurance Company | 27 | 111,726,613 | 0.79% |
| 13938 | Metropolitan Lloyds Insurance Company of Texas | 28 | 107,152,226 | 0.75% |
| 34789 | 21st Century Centennial Insurance Company | 29 | 100,337,692 | 0.71% |
| 19976 | Amica Mutual Insurance Company | 30 | 95,883,480 | 0.67% |
| 17230 | Allstate Property and Casualty Insurance Company | 31 | 88,873,337 | 0.63% |
| 26441 | Dairyland County Mutual Insurance Company of Texas | 32 | 74,170,360 | 0.52% |
| 29351 | Unitrin County Mutual Insurance Company | 33 | 73,670,525 | 0.52% |
| 27820 | Farm Bureau County Mutual Insurance Company of Texas | 34 | 63,541,940 | 0.45% |
| 13820 | Infinity County Mutual Insurance Company | 35 | 62,610,704 | 0.44% |
| 29394 | Mercury County Mutual Insurance Company | 36 | 60,201,328 | 0.42% |
| 25127 | State Auto Property & Casualty Insurance Company | 37 | 57,291,075 | 0.40% |
| 40150 | MGA Insurance Company, Inc. | 38 | 52,652,312 | 0.37% |
| 19232 | Allstate Insurance Company | 39 | 49,323,685 | 0.35% |
| 19011 | Driver's Insurance Company | 40 | 48,287,043 | 0.34% |
| Total Top 40 Private Passenger Auto Premium | | | 13,143,900,058 | 92.46% |
| All Other Private Passenger Auto Premium | | | 1,071,955,941 | 7.54% |
| Total Private Passenger Auto Premium | | | 14,215,855,999 | 100.00% |

Top 40 Insurers/Workers' Compensation

Based on 2012 Texas Written Premium with Percentage of Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|---|---|------|----------------------|----------------|
| 22945 | Texas Mutual Insurance Company | 1 | 906,404,860 | 37.07% |
| 16535 | Zurich American Insurance Company | 2 | 93,593,122 | 3.83% |
| 42404 | Liberty Insurance Corporation | 3 | 71,328,183 | 2.92% |
| 23841 | New Hampshire Insurance Company | 4 | 63,528,287 | 2.60% |
| 43389 | Service Lloyds Insurance Company | 5 | 59,618,584 | 2.44% |
| 19429 | Insurance Company of the State of Pennsylvania, The | 6 | 53,497,854 | 2.19% |
| 30104 | Hartford Underwriters Insurance Company | 7 | 51,373,266 | 2.10% |
| 40142 | American Zurich Insurance Company | 8 | 48,925,690 | 2.00% |
| 25658 | Travelers Indemnity Company, The | 9 | 41,488,094 | 1.70% |
| 19410 | Commerce and Industry Insurance Company | 10 | 39,830,703 | 1.63% |
| 22667 | Ace American Insurance Company | 11 | 37,988,378 | 1.55% |
| 19038 | Travelers Casualty and Surety Company | 12 | 33,892,649 | 1.39% |
| 23035 | Liberty Mutual Fire Insurance Company | 13 | 32,606,629 | 1.33% |
| 20281 | Federal Insurance Company | 14 | 27,518,820 | 1.13% |
| 25682 | Travelers Indemnity Company of Connecticut, The | 15 | 24,238,782 | 0.99% |
| 43575 | Indemnity Insurance Company of North America | 16 | 23,505,082 | 0.96% |
| 37478 | Hartford Insurance Company of The Midwest | 17 | 23,308,358 | 0.95% |
| 29424 | Hartford Casualty Insurance Company | 18 | 23,186,883 | 0.95% |
| 26042 | Wausau Underwriters Insurance Company | 19 | 19,540,236 | 0.80% |
| 24171 | Netherlands Insurance Company, The | 20 | 19,350,653 | 0.79% |
| 23396 | Amerisure Mutual Insurance Company | 21 | 18,948,586 | 0.77% |
| 40134 | Castlepoint National Insurance Company | 22 | 16,292,525 | 0.67% |
| 19488 | Amerisure Insurance Company | 23 | 14,492,651 | 0.59% |
| 20508 | Valley Forge Insurance Company | 24 | 14,383,950 | 0.59% |
| 10166 | Accident Fund Insurance Company of America | 25 | 14,290,242 | 0.58% |
| 25615 | Charter Oak Fire Insurance Company, The | 26 | 13,866,789 | 0.57% |
| 25666 | Travelers Indemnity Company of America, The | 27 | 13,601,769 | 0.56% |
| 11150 | Arch Insurance Company | 28 | 13,577,924 | 0.56% |
| 23043 | Liberty Mutual Insurance Company | 29 | 13,525,749 | 0.55% |
| 38970 | Markel Insurance Company | 30 | 13,465,078 | 0.55% |
| 22357 | Hartford Accident and Indemnity Company | 31 | 12,186,174 | 0.50% |
| 31895 | American Interstate Insurance Company | 32 | 12,172,698 | 0.50% |
| 12777 | Chubb Indemnity Insurance Company | 33 | 11,992,110 | 0.49% |
| 30120 | Znat Insurance Company | 34 | 11,611,340 | 0.47% |
| 25623 | Phoenix Insurance Company, The | 35 | 11,478,829 | 0.47% |
| 11000 | Sentinel Insurance Company, Ltd. | 36 | 11,351,217 | 0.46% |
| 19682 | Hartford Fire Insurance Company | 37 | 11,313,262 | 0.46% |
| 21458 | Employers Insurance Company of Wausau | 38 | 11,176,705 | 0.46% |
| 13269 | Zenith Insurance Company | 39 | 11,091,636 | 0.45% |
| 20478 | National Fire Insurance Company of Hartford | 40 | 10,812,965 | 0.44% |
| Total Top 40 Workers' Compensation Premium | | | 1,956,357,312 | 80.01% |
| All Other Workers' Compensation Premium | | | 488,922,612 | 19.99% |
| Total Workers' Compensation Premium | | | 2,445,279,924 | 100.00% |

Top 40 Insurers/Homeowners

Based on 2012 Texas Written Premium with Percentage of Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--|---|------|----------------------|----------------|
| 43419 | State Farm Lloyds | 1 | 1,718,809,632 | 27.08% |
| 21695 | Texas Farmers Insurance Company | 2 | 574,690,714 | 9.05% |
| 26530 | Allstate Texas Lloyd's | 3 | 443,608,197 | 6.99% |
| 11120 | USAA Texas Lloyd's Company | 4 | 291,540,622 | 4.59% |
| 25941 | United Services Automobile Association | 5 | 263,362,701 | 4.15% |
| 29688 | Allstate Fire and Casualty Insurance Company | 6 | 242,818,681 | 3.83% |
| 11215 | Safeco Insurance Company of Indiana | 7 | 209,823,341 | 3.31% |
| 41564 | Travelers Lloyds of Texas Insurance Company | 8 | 159,852,328 | 2.52% |
| 11059 | ASI Lloyds | 9 | 143,322,208 | 2.26% |
| 27774 | Chubb Lloyds Insurance Company of Texas | 10 | 127,578,755 | 2.01% |
| 42404 | Liberty Insurance Corporation | 11 | 118,095,353 | 1.86% |
| 27998 | Travelers Home and Marine Insurance Company, The | 12 | 113,716,948 | 1.79% |
| 25380 | Texas Farm Bureau Mutual Insurance Company | 13 | 106,928,744 | 1.68% |
| 41688 | Foremost Lloyds of Texas | 14 | 105,339,324 | 1.66% |
| 37877 | Nationwide Property and Casualty Insurance Company | 15 | 100,716,091 | 1.59% |
| 10896 | Amica Lloyd's of Texas | 16 | 74,014,382 | 1.17% |
| 25399 | Texas Farm Bureau Underwriters | 17 | 73,882,609 | 1.16% |
| 11543 | Texas Fair Plan Association | 18 | 72,202,203 | 1.14% |
| 13938 | Metropolitan Lloyds Insurance Company of Texas | 19 | 69,052,718 | 1.09% |
| 11008 | Auto Club Indemnity Company | 20 | 68,395,657 | 1.08% |
| 42110 | Nationwide Lloyds | 21 | 62,097,087 | 0.98% |
| 15474 | National Lloyds Insurance Company | 22 | 57,288,745 | 0.90% |
| 11041 | Liberty Lloyds of Texas Insurance Company | 23 | 49,553,749 | 0.78% |
| 21652 | Farmers Insurance Exchange | 24 | 45,183,987 | 0.71% |
| 12536 | Homeowners of America Insurance Company | 25 | 41,394,495 | 0.65% |
| 22608 | National Specialty Insurance Company | 26 | 40,946,280 | 0.65% |
| 25127 | State Auto Property & Casualty Insurance Company | 27 | 40,395,446 | 0.64% |
| 11578 | Cypress Texas Lloyds | 28 | 39,980,059 | 0.63% |
| 34690 | Property and Casualty Insurance Company of Hartford | 29 | 39,311,101 | 0.62% |
| 23035 | Liberty Mutual Fire Insurance Company | 30 | 38,408,739 | 0.61% |
| 19208 | Republic Lloyds | 31 | 37,346,183 | 0.59% |
| 10759 | Universal North America Insurance Company | 32 | 34,031,582 | 0.54% |
| 23760 | Nationwide General Insurance Company | 33 | 27,567,771 | 0.43% |
| 20230 | Central Mutual Insurance Company | 34 | 27,545,339 | 0.43% |
| 11000 | Sentinel Insurance Company, Ltd. | 35 | 24,169,507 | 0.38% |
| 22390 | Wellington Insurance Company | 36 | 24,156,063 | 0.38% |
| 40703 | Unitrin Safeguard Insurance Company | 37 | 21,463,077 | 0.34% |
| 19232 | Allstate Insurance Company | 38 | 21,042,935 | 0.33% |
| 21881 | National Surety Corporation | 39 | 20,907,862 | 0.33% |
| 44369 | Imperial Fire and Casualty Insurance Company | 40 | 20,661,127 | 0.33% |
| Total Top 40 Homeowners Premium | | | 5,791,202,342 | 91.24% |
| All Other Homeowners Premium | | | 556,354,520 | 8.76% |
| Total Homeowners Premium | | | 6,347,556,862 | 100.00% |

Top Insurers/Title

Based on 2012 Texas Written Premium with Percentage Market Share

| NAIC # | Insurance Company | Rank | Written Premium | % of Market |
|--------|--|------|----------------------|----------------|
| 50814 | First American Title Insurance Company | 1 | 308,342,976 | 21.54% |
| 50121 | Stewart Title Guaranty Company | 2 | 261,066,883 | 18.24% |
| 51586 | Fidelity National Title Insurance Company | 3 | 211,168,186 | 14.75% |
| 50229 | Chicago Title Insurance Company | 4 | 186,402,478 | 13.02% |
| 50520 | Old Republic National Title Insurance Company | 5 | 100,754,678 | 7.04% |
| 50016 | Title Resources Guaranty Company | 6 | 87,416,205 | 6.11% |
| 50598 | Alamo Title Insurance | 7 | 58,232,313 | 4.07% |
| 50083 | Commonwealth Land Title Insurance Company | 8 | 40,689,521 | 2.84% |
| 12309 | Alliant National Title Insurance Company, Inc. | 9 | 36,553,472 | 2.55% |
| 51152 | Wfg National Title Insurance Company | 10 | 32,960,173 | 2.30% |
| 51020 | National Title Insurance Of New York, Inc. | 11 | 30,763,969 | 2.15% |
| 50377 | National Investors Title Insurance Company | 12 | 25,451,717 | 1.78% |
| 50050 | Westcor Land Title Insurance Company | 13 | 19,035,297 | 1.33% |
| 50130 | North American Title Insurance Company | 14 | 14,895,321 | 1.04% |
| 14240 | First National Title Insurance Company | 15 | 9,680,418 | 0.68% |
| 50026 | Premier Land Title Insurance Company | 16 | 5,680,120 | 0.40% |
| 12591 | Sierra Title Insurance Guaranty Company | 17 | 2,100,698 | 0.15% |
| 50792 | Southern Title Insurance Corporation | 18 | 34,394 | 0.00% |
| | Total Top Title Premium | | 1,431,228,819 | 100.00% |

Top 40 Premium Finance

Based on 2012 Texas Written Premium with Percentage of Market Share

| Premium Finance Company | Rank | Written Premium | % of Market |
|---|------|----------------------|---------------|
| IPFS dba Premium Financing Specialists Corp. | 1 | 608,019,760 | 23.28% |
| First Insurance Funding Corp. | 2 | 317,477,705 | 12.15% |
| Aon Premium Finance LLC | 3 | 229,570,952 | 8.79% |
| Premium Assignment Corporation | 4 | 173,065,913 | 6.63% |
| AFCO Premium Credit LLC | 5 | 168,570,346 | 6.45% |
| Talbot Premium Financing, LLC | 6 | 151,823,771 | 5.81% |
| Prime Rate Premium Finance Corporation, Inc. | 7 | 80,615,607 | 3.09% |
| AFCO Credit Corporation | 8 | 73,442,575 | 2.81% |
| AFS/IBEX Financial Services, Inc. | 9 | 65,926,446 | 2.52% |
| Camden Premium Finance, LLC | 10 | 56,697,361 | 2.17% |
| Meridian Credit Services, Inc. | 11 | 56,199,807 | 2.15% |
| Capital Premium Financing, Inc. | 12 | 54,778,068 | 2.10% |
| CAA Premium Finance Company, L.L.C. | 13 | 53,141,990 | 2.03% |
| Inserve, Inc. | 14 | 29,424,173 | 1.13% |
| Premium Funding Associates, Inc. | 15 | 25,911,330 | 0.99% |
| Banner Premium Finance, Inc. | 16 | 24,993,443 | 0.96% |
| Impact Finance Corporation | 17 | 24,130,236 | 0.92% |
| Insurors Group, L.L.C. | 18 | 23,866,629 | 0.91% |
| Wellington Premium Finance, Inc. | 19 | 21,543,741 | 0.82% |
| The Brand Baking Company | 20 | 19,211,112 | 0.74% |
| Ideal Premium Finance, Inc. | 21 | 16,352,501 | 0.63% |
| Goto Premium Finance.Com, LLC | 22 | 14,846,460 | 0.57% |
| Western Commerce Bank | 23 | 14,001,170 | 0.54% |
| Pronote, Inc. | 24 | 11,731,438 | 0.45% |
| Affirmative Premium Finance, Inc. | 25 | 10,835,741 | 0.41% |
| Associated Acceptance, Inc. | 26 | 9,374,393 | 0.36% |
| General Agents Acceptance Corporation | 27 | 9,274,325 | 0.36% |
| CAC Acceptance Corporation | 28 | 9,049,724 | 0.35% |
| Insurance Credit Corp. | 29 | 8,309,466 | 0.32% |
| Texas Farm Bureau Premium Finance Company | 30 | 7,827,363 | 0.30% |
| SBRJ WM, LTD. | 31 | 7,717,396 | 0.30% |
| Combined Group Insurance Services, Inc. | 32 | 7,429,703 | 0.28% |
| Premium Convenience Services, Inc. | 33 | 7,398,005 | 0.28% |
| Rust-Ewing Financial Services, Inc. | 34 | 6,492,921 | 0.25% |
| Insurance Finance Corporation | 35 | 6,489,039 | 0.25% |
| Houston Premium Finance Corporation | 36 | 6,267,947 | 0.24% |
| Custom Premium Finance, L.L.C. | 37 | 6,058,771 | 0.23% |
| PIN Finance, LLC | 38 | 5,994,109 | 0.23% |
| Dallas National Insurance Company | 39 | 5,748,559 | 0.22% |
| Heritage Premium Assignment Company | 40 | 5,572,412 | 0.21% |
| Total Top 40 Premium Finance Companies | | 2,435,182,408 | 93.22% |
| All Other Premium Finance Companies | | 177,112,328 | |
| Total Premium Financed | | 2,612,294,736 | |



Texas Department of Insurance
2013 Annual Report



Texas Department of Insurance

Commissioner of Insurance, Mail Code 113-1C
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104
512-463-6464 telephone • 512-475-2005 fax • www.tdi.texas.gov

November 20, 2013

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Texas Department of Insurance's *Annual Financial Report* for the fiscal year ending August 31, 2013, in compliance with the *Texas Government Code, Ann. §2101.011*, and the requirements of the Comptroller of Public Accounts.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement.

This report is part of the State of Texas Comprehensive Annual Financial Report and is subject to audit by the State Auditor. The Auditor has not yet expressed an opinion on the financial statements and related information contained in this report.

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

Sincerely,

A handwritten signature in cursive script that reads "Julia Rathgeber".

Julia Rathgeber
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2013**

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Texas Department of Insurance (454)

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

August 31, 2013

| ASSETS | Governmental Fund Types | | |
|------------------------------------|-------------------------|------------------|-------------------|
| | General | Special | Governmental |
| | Funds | Revenue | Funds |
| | (Ex A-1) | (0006) U/F(0006) | Total |
| Current Assets: | | | |
| Cash and Cash Equivalents (Note 3) | | | |
| Cash in Bank | \$ 256,726.45 | \$ - | \$ 256,726.45 |
| Legislative Appropriations | 40,185.25 | - | 40,185.25 |
| Cash in State Treasury | 234,927,712.09 | - | 234,927,712.09 |
| Cash Equivalents | 13,309,908.41 | - | 13,309,908.41 |
| Receivables from: | | | |
| Federal | 209,092.79 | - | 209,092.79 |
| Interest and Dividends | 14.78 | - | 14.78 |
| Accounts Receivable | 2,288,728.05 | - | 2,288,728.05 |
| Interfund Receivable (Note 12) | 285,932.51 | - | 285,932.51 |
| Due From Other Agencies (Note 12) | 17,736.02 | 2,655,686.41 | 2,673,422.43 |
| Consumable Inventories | 84,734.82 | - | 84,734.82 |
| Total Current Assets | 251,420,771.17 | 2,655,686.41 | 254,076,457.58 |
| Non-Current Assets: | | | |
| Capital Assets (Note 2): | | | |
| Depreciable | | | |
| Furniture and Equipment | - | - | - |
| Less Accumulated Depreciation | - | - | - |
| Vehicle, Boats, and Aircraft | - | - | - |
| Less Accumulated Depreciation | - | - | - |
| Other Capital Assets | - | - | - |
| Less Accumulated Depreciation | - | - | - |
| Computer Software-Intangible | - | - | - |
| Less Accumulated Amortization | - | - | - |
| Total Non-Current Assets | - | - | - |
| Total Assets | \$ 251,420,771.17 | \$ 2,655,686.41 | \$ 254,076,457.58 |

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

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| <u>Capital Assets Adjustments</u> | <u>Long-Term Liabilities Adjustments</u> | <u>Other Adjustments</u> | <u>Statement of Net Assets</u> |
|---|--|------------------------------|--|
| \$ - | \$ - | \$ - | \$ 256,726.45 |
| - | - | - | 40,185.25 |
| - | - | - | 234,927,712.09 |
| - | - | - | 13,309,908.41 |
| - | - | - | 209,092.79 |
| - | - | - | 14.78 |
| - | - | - | 2,288,728.05 |
| - | - | - | 285,932.51 |
| - | - | - | 2,673,422.43 |
| - | - | - | 84,734.82 |
| - | - | - | 254,076,457.58 |
| 5,876,845.34 | - | - | 5,876,845.34 |
| (5,394,887.11) | - | - | (5,394,887.11) |
| 1,084,062.88 | - | - | 1,084,062.88 |
| (586,805.71) | - | - | (586,805.71) |
| 40,500.00 | - | - | 40,500.00 |
| (12,827.28) | - | - | (12,827.28) |
| 2,395,276.83 | - | - | 2,395,276.83 |
| (2,390,155.33) | - | - | (2,390,155.33) |
| 1,012,009.62 | - | - | 1,012,009.62 |
| \$ 1,012,009.62 | \$ - | \$ - | \$ 255,088,467.20 |

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

UNAUDITED

Texas Department of Insurance (454)

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

August 31, 2013

| | Governmental Fund Types | | |
|--|--------------------------|--------------------------------------|--------------------------|
| | General | Special | Governmental |
| | Funds (Ex A-1) | Revenue Funds (0006) U/F(0006) | Funds Total |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Payables from: | | | |
| Accounts | \$ 14,110,782.33 | \$ 2,667,870.47 | \$ 16,778,652.80 |
| Payroll | 7,623,177.97 | - | 7,623,177.97 |
| Interfund Payable (Note 12) | 285,932.51 | - | 285,932.51 |
| Due to Other Agencies (Note 12) | 3,642,192.33 | - | 3,642,192.33 |
| Deferred Revenues | 87,313.93 | - | 87,313.93 |
| Claims and Judgments (Note 5) | - | - | - |
| Employees' Compensable Leave (Note 5) | - | - | - |
| Total Current Liabilities | 25,749,399.07 | 2,667,870.47 | 28,417,269.54 |
| Non-Current Liabilities: | | | |
| Claims and Judgments (Note 5) | \$ - | \$ - | \$ - |
| Employees' Compensable Leave (Note 5) | - | - | - |
| Total Non-Current Liabilities | - | - | - |
| Total Liabilities | 25,749,399.07 | 2,667,870.47 | 28,417,269.54 |
| FUND FINANCIAL STATEMENT | | | |
| Fund Balances (Deficits): | | | |
| Nonspendable | 84,734.82 | - | 84,734.82 |
| Committed | 225,586,637.28 | (12,184.06) | 225,574,453.22 |
| Unassigned | - | - | - |
| Total Fund Balances | 225,671,372.10 | (12,184.06) | 225,659,188.04 |
| Total Liabilities and Fund Balances | \$ 251,420,771.17 | \$ 2,655,686.41 | \$ 254,076,457.58 |

GOVERNMENT-WIDE STATEMENT OF NET POSITION

Net Position:

 Invested in Capital Assets, Net of Related Debt

 Unrestricted

Total Net Position

UNAUDITED

| Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Net Assets |
|---|--|------------------------------|--|
| \$ - | \$ - | \$ - | \$ 16,778,652.80 |
| - | - | - | 7,623,177.97 |
| - | - | - | 285,932.51 |
| - | - | - | 3,642,192.33 |
| - | - | - | 87,313.93 |
| - | 578,290.00 | - | 578,290.00 |
| - | 5,033,351.07 | - | 5,033,351.07 |
| - | 5,611,641.07 | - | 34,028,910.61 |
| \$ - | \$ 14,248,418.37 | \$ - | \$ 14,248,418.37 |
| - | 3,727,045.42 | - | 3,727,045.42 |
| - | 17,975,463.79 | - | 17,975,463.79 |
| - | 23,587,104.86 | - | 52,004,374.40 |
| - | - | - | 84,734.82 |
| - | - | - | 225,574,453.22 |
| - | - | - | - |
| - | - | - | 225,659,188.04 |
| 1,012,009.62 | - | - | 1,012,009.62 |
| - | (23,587,104.86) | - | (23,587,104.86) |
| <u>\$ 1,012,009.62</u> | <u>\$ (23,587,104.86)</u> | <u>\$ -</u> | <u>\$ 255,088,467.20</u> |

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

UNAUDITED

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

For the Fiscal Year Ended August 31, 2013

| | General Funds (Ex A-2) | Special Revenue Funds (0006) U/F(0006) | Governmental Funds Total |
|---|------------------------------|---|--------------------------------|
| REVENUES | | | |
| Legislative Appropriations | | | |
| Original Appropriations | \$ 224,406.00 | \$ - | \$ 224,406.00 |
| Additional Appropriations | 170,954.56 | - | 170,954.56 |
| Taxes | 948,068.19 | - | 948,068.19 |
| Federal Revenue (Sch 1A) | 3,183,905.73 | - | 3,183,905.73 |
| Federal Grant Pass-Through Revenue (Sch 1A) | 7,653,281.19 | - | 7,653,281.19 |
| Licenses, Fees and Permits | 37,952,161.23 | - | 37,952,161.23 |
| Sales of Goods and Services | 8,117.41 | - | 8,117.41 |
| Interest and Other Investment Income | 8,765.15 | - | 8,765.15 |
| Other | 9,882,510.92 | - | 9,882,510.92 |
| Total Revenues | 60,032,170.38 | - | 60,032,170.38 |
| EXPENDITURES | | | |
| Salaries and Wages | 74,048,090.80 | - | 74,048,090.80 |
| Payroll Related Costs | 24,832,636.47 | - | 24,832,636.47 |
| Professional Fees and Services | 5,561,733.35 | 5,228,257.24 | 10,789,990.59 |
| Travel | 2,561,686.63 | - | 2,561,686.63 |
| Materials and Supplies | 2,755,237.96 | 485,000.00 | 3,240,237.96 |
| Communication and Utilities | 1,557,660.73 | 7,888.20 | 1,565,548.93 |
| Repairs and Maintenance | 886,458.39 | - | 886,458.39 |
| Rentals and Leases | 4,019,966.80 | - | 4,019,966.80 |
| Printing and Reproduction | 81,983.64 | - | 81,983.64 |
| Claims and Judgments | 5,586,901.56 | - | 5,586,901.56 |
| Intergovernmental Payments | 386,381.00 | - | 386,381.00 |
| Other Expenditures | 26,389,836.55 | - | 26,389,836.55 |
| Capital Outlay | 389,052.13 | - | 389,052.13 |
| Depreciation and Amortization Expense | - | - | - |
| Total Expenditures | 149,057,626.01 | 5,721,145.44 | 154,778,771.45 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | (89,025,455.63) | (5,721,145.44) | (94,746,601.07) |

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| Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Activities |
|---|--|------------------------------|--|
| \$ - | \$ - | \$ - | \$ 224,406.00 |
| - | - | - | 170,954.56 |
| - | - | - | 948,068.19 |
| - | - | - | 3,183,905.73 |
| - | - | - | 7,653,281.19 |
| - | - | - | 37,952,161.23 |
| - | - | - | 8,117.41 |
| - | - | - | 8,765.15 |
| - | - | - | 9,882,510.92 |
| - | - | - | 60,032,170.38 |
| - | 321,027.17 | - | 74,369,117.97 |
| - | - | - | 24,832,636.47 |
| - | - | - | 10,789,990.59 |
| - | - | - | 2,561,686.63 |
| - | - | - | 3,240,237.96 |
| - | - | - | 1,565,548.93 |
| - | - | - | 886,458.39 |
| - | - | - | 4,019,966.80 |
| - | - | - | 81,983.64 |
| - | (330,797.67) | - | 5,256,103.89 |
| - | - | - | 386,381.00 |
| - | - | - | 26,389,836.55 |
| (386,215.01) | - | - | 2,837.12 |
| 203,036.47 | - | - | 203,036.47 |
| (183,178.54) | (9,770.50) | - | 154,585,822.41 |
| 183,178.54 | 9,770.50 | - | (94,553,652.03) |

UNAUDITED

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

For the Fiscal Year Ended August 31, 2013

| | General Funds (Ex A-2) | Special Revenue Funds (0006) U/F(0006) | Governmental Funds Total |
|--|------------------------------|---|--------------------------------|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | \$ 220,852,932.60 | \$ 5,708,961.38 | \$ 226,561,893.98 |
| Transfers Out | (135,349,105.53) | - | (135,349,105.53) |
| Sale of Capital Assets | 25,470.00 | - | 25,470.00 |
| Appropriations Lapsed | (0.25) | - | (0.25) |
| Gain (Loss) on Sale of Capital Assets | - | - | - |
| Total Other Financing Sources (Uses) | <u>85,529,296.82</u> | <u>5,708,961.38</u> | <u>91,238,258.20</u> |
| Net Change in Fund Balances/Net Assets | <u>(3,496,158.81)</u> | <u>(12,184.06)</u> | <u>(3,508,342.87)</u> |

FUND FINANCIAL STATEMENT-FUND BALANCES

| | | | |
|---|--------------------------|-----------------------|--------------------------|
| Fund Balances, September 1, 2012 | 229,167,530.91 | - | 229,167,530.91 |
| Restatements | - | - | - |
| Fund Balances, September 1, 2012, as Restated | <u>229,167,530.91</u> | <u>-</u> | <u>229,167,530.91</u> |
| Fund Balances, August 31, 2013 | <u>\$ 225,671,372.10</u> | <u>\$ (12,184.06)</u> | <u>\$ 225,659,188.04</u> |

GOVERNMENT-WIDE STATEMENT OF NET POSITION

| | |
|--|--------------------------|
| Change in Net Position | <u>\$ 225,659,188.04</u> |
| Net Position, September 1, 2012 | - |
| Restatements | - |
| Net Position, September 1, 2012, as Restated | - |
| Net Position, August 31, 2013 | <u>\$ 225,659,188.04</u> |

UNAUDITED

| <u>Capital Assets Adjustments</u> | <u>Long-Term Liabilities Adjustments</u> | <u>Other Adjustments</u> | <u>Statement of Activities</u> |
|---|--|------------------------------|--|
| \$ - | \$ - | \$ - | \$ 226,561,893.98 |
| - | - | - | (135,349,105.53) |
| (25,470.00) | - | - | - |
| - | - | - | (0.25) |
| 1,934.36 | - | - | 1,934.36 |
| (23,535.64) | - | - | 91,214,722.56 |
| <u>159,642.90</u> | <u>9,770.50</u> | <u>-</u> | <u>(3,338,929.47)</u> |
| 852,366.72 | (23,596,875.36) | - | 206,423,022.27 |
| - | - | - | - |
| <u>852,366.72</u> | <u>(23,596,875.36)</u> | <u>-</u> | <u>206,423,022.27</u> |
| <u>\$ 1,012,009.62</u> | <u>\$ (23,587,104.86)</u> | <u>\$ -</u> | <u>\$ 203,084,092.80</u> |
| | | | |
| <u>\$ 159,642.90</u> | <u>\$ 9,770.50</u> | <u>\$ -</u> | <u>\$ 225,828,601.44</u> |
| 852,366.72 | (23,596,875.36) | - | (22,744,508.64) |
| - | - | - | - |
| <u>852,366.72</u> | <u>(23,596,875.36)</u> | <u>-</u> | <u>(22,744,508.64)</u> |
| <u>\$ 1,012,009.62</u> | <u>\$ (23,587,104.86)</u> | <u>\$ -</u> | <u>\$ 203,084,092.80</u> |

UNAUDITED

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

August 31, 2013

| | <u>Total Proprietary Component Units (Exhibit L-1)</u> |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents: | |
| Cash in Bank | \$ 95,560,212.00 |
| Cash Equivalents | 476,218,081.00 |
| Short Term Investments (Note 3) | 71,146,511.00 |
| Receivables from: | |
| Interest and Dividends | 2,000,268.00 |
| Accounts Receivable | 98,200,997.00 |
| Other | 110,754.00 |
| Prepaid Items | 1,345,836.00 |
| Deferred Charges | 42,058,158.00 |
| Other Current Assets | 585,561.00 |
| Total Current Assets | <u>787,226,378.00</u> |
| Non-Current Assets: | |
| Investments | 450,957,572.00 |
| Capital Assets (Note 2): | |
| Furniture and Equipment-Depreciable | 22,444,152.00 |
| Less Accumulated Depreciation | (10,454,274.00) |
| Non-Depreciable Assets (CIP) | 88,079.00 |
| Other Assets- Depreciable | 2,239,121.00 |
| Less Accumulated Depreciation- Other | (315,596.00) |
| Other Non-Current Assets | 17,107,480.00 |
| Receivables | 368,224.00 |
| Total Non-Current Assets | <u>482,434,758.00</u> |
| Total Assets | <u>1,269,661,136.00</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Payables from: | |
| Accounts | 60,013,133.00 |
| Payroll | 50,344.00 |
| Other Liabilities | 879,698,219.00 |
| Employees' Compensable Leave | 70,056.00 |
| Deferred Revenues | 364,853,782.00 |
| Total Current Liabilities | <u>1,304,685,534.00</u> |
| Non-Current Liabilities: | |
| Other Liabilities | 5,805,106.00 |
| Total Liabilities | <u>1,310,490,640.00</u> |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | 13,994,597.00 |
| Restricted | 11,682,336.00 |
| Unrestricted | (66,506,437.00) |
| Total Net Position | <u>\$ (40,829,504.00)</u> |

Note A - These Component Units have a fiscal year end of December 31, 2012. Financial information is as of that date.

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

For the Fiscal Year Ended August 31, 2013

| | <u>Total Proprietary Component Units (Exhibit L-2)</u> |
|--|---|
| OPERATING REVENUES: | |
| Sales of Goods and Services: | |
| Other Sales of Goods and Services | \$ 2,410,114.00 |
| Premium Revenue | 576,709,002.00 |
| Federal Revenue | 6,182,955.00 |
| Interest and Investment Income | 8,457,597.00 |
| Net Increase (Decrease) in Fair Value | 6,355,588.00 |
| Other Operating Revenue | 145,788,747.00 |
| Total Operating Revenues | <u>745,904,003.00</u> |
| OPERATING EXPENSES: | |
| Salaries and Wages | 28,478,496.00 |
| Payroll Related Costs | 4,890,793.00 |
| Professional Fees and Services | 13,473,277.00 |
| Travel | 33,548.00 |
| Materials and Supplies | 150,622.00 |
| Communication and Utilities | 60,067.00 |
| Repairs and Maintenance | 53,856.00 |
| Rentals and Leases | 2,273,946.00 |
| Printing and Reproduction | 1,893.00 |
| Depreciation and Amortization | 2,028,130.00 |
| Other Operating Expenses | 515,951,508.00 |
| Total Operating Expenses | <u>567,396,136.00</u> |
| Operating Income (Loss) | <u>178,507,867.00</u> |
| NONOPERATING REVENUE (EXPENSES): | |
| Interest and Investment Income | 631,870.00 |
| Net Increase (Decrease) in Fair Value | (3,322,755.00) |
| Claims and Judgments | (341,854,653.00) |
| Interest Expenses and Fiscal Charges | (3,506,945.00) |
| Other Nonoperating Revenues (Expenses) | (2,533,128.00) |
| Total Other Nonoperating Revenues | <u>(350,585,611.00)</u> |
| Change in Net Position | <u>(172,077,744.00)</u> |
| Net Position, September 1, 2012 | 64,835,737.00 |
| Restatements | 66,412,503.00 |
| Net Position, September 1, 2012, as Restated | <u>131,248,240.00</u> |
| Net Position, August 31, 2013 | <u><u>\$ (40,829,504.00)</u></u> |

Note A - These Component Units have a fiscal year end of December 31, 2012. Financial information is as of that date.

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

August 31, 2013

| | Private- Purpose Trust Funds (Exhibit I-1) | Agency Funds (Exhibit J-1) | Totals |
|---|---|----------------------------------|--------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents (Note 3): | | | |
| Cash in Bank | \$ 191,965.24 | \$ - | \$ 191,965.24 |
| Cash in State Treasury | 646,652.19 | 8,302,025.93 | 8,948,678.12 |
| Cash Equivalents | 468,544,302.79 | - | 468,544,302.79 |
| Interest and Dividends Receivable | 517.10 | - | 517.10 |
| Accounts Receivable | - | 162,900.00 | 162,900.00 |
| Other Assets | - | 1,505,623,686.87 | 1,505,623,686.87 |
| Securities Held in Trust | 84,010,261.54 | - | 84,010,261.54 |
| Total Assets | 553,393,698.86 | 1,514,088,612.80 | 2,067,482,311.66 |
| LIABILITIES | | | |
| Due to Other Agencies (Note 12) | \$ - | \$ 162,900.00 | \$ 162,900.00 |
| Funds Held for Others | 84,010,261.54 | 1,513,925,712.80 | 1,597,935,974.34 |
| Total Liabilities | 84,010,261.54 | 1,514,088,612.80 | 1,598,098,874.34 |
| NET POSITION | | | |
| Held in trust for: | | | |
| Individuals, Organizations, and Other Governments | 469,383,437.32 | - | 469,383,437.32 |
| Total Net Position | \$ 469,383,437.32 | \$ - | \$ 469,383,437.32 |

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

August 31, 2013

| | Private- Purpose Trust (Exhibit I-2) | Totals |
|---|---|-----------------------|
| ADDITIONS | | |
| Investment Income | | |
| From Investing Activities: | | |
| Interest and Investment Income | \$ 375,801.18 | \$ 375,801.18 |
| Total Investing Income | 375,801.18 | 375,801.18 |
| Less Investing Activities Expense | - | - |
| Net Income from Investing Activities | 375,801.18 | 375,801.18 |
| Total Net Investment Income | 375,801.18 | 375,801.18 |
| Other Additions | | |
| Other Revenue | 93,923,226.06 | 93,923,226.06 |
| Transfers In | 2,087.92 | 2,087.92 |
| Total Other Additions | 93,925,313.98 | 93,925,313.98 |
| Total Additions | 94,301,115.16 | 94,301,115.16 |
| DEDUCTIONS | | |
| Professional Fees and Services | 162,081.39 | 162,081.39 |
| Claims & Judgments | 41,265,229.76 | 41,265,229.76 |
| Other Expense | 19,889,022.21 | 19,889,022.21 |
| Transfers Out | 2,087.92 | 2,087.92 |
| Total Deductions | 61,318,421.28 | 61,318,421.28 |
| NET INCREASE (DECREASE) | 32,982,693.88 | 32,982,693.88 |
| Net Assets- September 1, 2012 | 436,400,743.44 | 436,400,743.44 |
| Net Assets, September 1, 2012 As Restated | 436,400,743.44 | 436,400,743.44 |
| Net Assets - August 31, 2013 | \$ 469,383,437.32 | \$ 469,383,437.32 |

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

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

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

TDI includes within this report all components as determined by an analysis of their relationship to TDI as listed below.

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

Blended Component Units

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

Discretely Presented Component Units

These component units are legally separate from the State, but are financially accountable to the State, or have a relationship with the State such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these eight entities. Information on these component units can be found in Note 19.

- Surplus Lines Stamping Office of Texas
- Texas Health Reinsurance
- Texas Health Insurance Pool
- Texas Windstorm Insurance
- Texas Life and Health Insurance Guaranty Association
- Texas Title Insurance Guaranty Association
- Fair Access to Insurance Requirements Plan Association
- Texas Property and Casualty Insurance Guaranty Association

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TEXAS DEPARTMENT OF INSURANCE (454)

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

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

Special Revenue Funds

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

Capital Assets Adjustment Fund Type

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

Long-Term Liabilities Adjustment Fund Type

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

Other Adjustments Fund Type

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

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

FIDUCIARY FUND TYPES

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

Agency Funds

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

Private-Purpose Trust Funds

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

COMPONENT UNITS

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

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

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TEXAS DEPARTMENT OF INSURANCE (454)

BASIS OF ACCOUNTING

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

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end.

The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave
- Full accrual revenues and expenses

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

BUDGET AND BUDGETARY ACCOUNTING

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

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

ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

ASSETS

Cash and Cash Equivalents

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

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenues set aside for statutory or contractual requirements.

Inventories and Prepaid Items

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

Capital Assets

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

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

Other Receivables – Current and Noncurrent

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

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TEXAS DEPARTMENT OF INSURANCE (454)

LIABILITIES

Accounts Payable

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

Other Payables – Current and Noncurrent

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

Claims and Judgments

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

Employees' Compensable Leave Balances

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

FUND BALANCE/NET POSITION

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

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements:

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the State's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Position

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions among funds:

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

The composition of the Agency's interfund activities and balances are presented in Note 12.

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 2: CAPITAL ASSETS

Revenue received from the sale of surplus property is recorded in unappropriated General Revenue.

A summary of changes in Capital Assets for the year ended August 31, 2013 is presented below:

| PRIMARY GOVERNMENT | | | | | | | | |
|--|---------------------------|--------------------|--------------------------|-------------------------------|------------------------------|---------------------|---------------------|----------------------------|
| Asset Type | Balance 9/1/12 | Adjustments | Completed CIP | Inc- Int'agy Trans | Dec-Int'agy Trans | Additions | Deletions | Balance 8/31/13 |
| Governmental activities: | | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Furniture and Equipment | 5,791,242.97 | 0.00 | 0.00 | 0.00 | 0.00 | 246,237.07 | (160,634.70) | 5,876,845.34 |
| Vehicles, Boats, and Aircraft | 1,035,611.00 | 0.00 | 0.00 | 0.00 | (29,307.00) | 131,477.94 | (53,719.06) | 1,084,062.88 |
| Other Capital Assets | 37,899.30 | 0.00 | 0.00 | 0.00 | 0.00 | 8,500.00 | (5,899.30) | 40,500.00 |
| Total depreciable assets at historical costs | 6,864,753.27 | 0.00 | 0.00 | 0.00 | (29,307.00) | 386,215.01 | (220,253.06) | 7,001,408.22 |
| Accumulated Depreciation | | | | | | | | |
| Furniture and Equipment | (5,485,171.17) | 0.00 | 0.00 | 0.00 | 0.00 | (70,350.64) | 160,634.70 | (5,394,887.11) |
| Vehicles, Boats, and Aircraft | (524,901.22) | 0.00 | 0.00 | 0.00 | 29,307.00 | (121,394.91) | 30,183.42 | (586,805.71) |
| Other Capital Assets | (13,345.66) | 0.00 | 0.00 | 0.00 | 0.00 | (5,380.92) | 5,899.30 | (12,827.28) |
| Total accumulated depreciation | (6,023,418.05) | 0.00 | 0.00 | 0.00 | 29,307.00 | (197,126.47) | 196,717.42 | (5,994,520.10) |
| Amortizable Assets-Intangible | | | | | | | | |
| BC Computer Software | 2,395,276.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,395,276.83 |
| Total Amortizable Assets-Intangible | 2,395,276.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,395,276.83 |
| Accumulated Amortization | | | | | | | | |
| BC A/A Computer Software | (2,384,245.33) | 0.00 | 0.00 | 0.00 | 0.00 | (5,910.00) | 0.00 | (2,390,155.33) |
| Total Accumulated Amortization | (2,384,245.33) | 0.00 | 0.00 | 0.00 | 0.00 | (5,910.00) | 0.00 | (2,390,155.33) |
| Total Governmental activities , net | \$ 852,366.72 | 0.00 | 0.00 | 0.00 | 0.00 | 183,178.54 | (23,535.64) | \$ 1,012,009.62 |

DISCRETELY PRESENTED COMPONENT UNITS

| Asset Type | Balance 9/1/12 | Adjustments | Completed CIP | Inc-Int'agy Trans | Dec-Int'agy Trans | Additions | Deletions | Balance 8/31/13 |
|--|---------------------------|-----------------------|--------------------------|------------------------------|------------------------------|-----------------------|-----------------------|----------------------------|
| Component Unit activities: | | | | | | | | |
| Non-depreciable Assets | | | | | | | | |
| Construction in Progress | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 88,079.00 | \$ 0.00 | \$ 88,079.00 |
| Total non-depreciable assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 88,079.00 | 0.00 | 88,079.00 |
| Depreciable Assets | | | | | | | | |
| Furniture and Equipment | 11,401,519.00 | 8,132,967.00 | 0.00 | 0.00 | 0.00 | 3,959,400.00 | (1,049,734.00) | 22,444,152.00 |
| Vehicles, Boats, and Aircraft | 0.00 | 29,654.00 | 0.00 | 0.00 | 0.00 | 0.00 | (29,654.00) | 0.00 |
| Other Capital Assets | 0.00 | 381,278.00 | 0.00 | 0.00 | 0.00 | 1,857,843.00 | 0.00 | 2,239,121.00 |
| Total depreciable assets at historical costs | 11,401,519.00 | 8,543,899.00 | 0.00 | 0.00 | 0.00 | 5,817,243.00 | (1,079,388.00) | 24,683,273.00 |
| Accumulated Depreciation | | | | | | | | |
| Furniture and Equipment | (8,151,196.00) | (1,310,120.00) | 0.00 | 0.00 | 0.00 | (1,784,446.00) | 791,488.00 | (10,454,274.00) |
| Other Capital Assets | 0.00 | (71,912.00) | 0.00 | 0.00 | 0.00 | (243,684.00) | 0.00 | (315,596.00) |
| Total accumulated depreciation | (8,151,196.00) | (1,382,032.00) | 0.00 | 0.00 | 0.00 | (2,028,130.00) | 791,488.00 | (10,769,870.00) |
| Total Component Unit activities , net | \$ 3,250,323.00 | 7,161,867.00 | 0.00 | 0.00 | 0.00 | 3,877,192.00 | (287,900.00) | \$ 14,001,482.00 |

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

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

DEPOSITS OF CASH IN BANK

As of August 31, 2013, the carrying amount of deposits was \$95,951,474.63 as presented below:

| | |
|---|-------------------------|
| Governmental and Business-Type Activities | |
| Cash In Bank – Carrying Value | \$ 251,766.97 |
| Cash In Bank – Texas Treasury Safekeeping Trust Co. | 4,959.48 |
| Cash In Bank Per AFR | <u>\$ 256,726.45</u> |
| Governmental Funds Current Assets Cash in Bank | \$ 256,726.45 |
| Cash in Bank per AFR | <u>\$ 256,726.45</u> |
| | |
| Fiduciary Funds | |
| Cash In Bank – Carrying Value | \$ 140,045.65 |
| Cash In Bank - Texas Treasury Safekeeping Trust Co. | 51,919.59 |
| Cash In Bank Per AFR | <u>\$ 191,965.24</u> |
| Fiduciary Funds Current Assets Cash in Bank | \$ 191,965.24 |
| Cash in Bank per AFR | <u>\$ 191,965.24</u> |
| | |
| Discrete Component Units | |
| Cash In Bank – Carrying Value | \$ 95,560,212.00 |
| Cash In Bank Per AFR | <u>\$ 95,560,212.00</u> |
| Discrete Component Unit Current Assets Cash in Bank | \$ 95,560,212.00 |
| Cash in Bank per AFR | <u>\$ 95,560,212.00</u> |

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

As of August 31, 2013 the total bank balance was as follows:

| | | | | | |
|--|--------------|--------------------|--------------|--------------------------------|-----------------|
| Governmental and Business- Type Activities | \$256,780.47 | Fiduciary Funds | \$191,965.24 | Discrete Component Units | \$95,560,212.00 |
|--|--------------|--------------------|--------------|--------------------------------|-----------------|

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency and the discrete component units will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk but maintains cash balances in a major financial institution and monitors account balances for amounts over \$250,000 of the Federal; Deposit Insurance Corporation (FDIC) limit. The Surplus Lines Stamping Office's cash deposits are held in a major financial institution and are insured up to \$250,000. Management monitors balance in all accounts and has not experienced any losses on the deposits. The Texas Health Insurance Pool deposits exceeding the insured limit are swept in to overnight investments which are backed by the full faith and credit of the United States. Texas Windstorm Insurance Association deposits exceed the insured limit, but the deposits are held in the Transaction Account Guarantee Program that guarantees 100% of their cash. Texas Life and Health Insurance Guaranty Association's bank demand deposits are insured up to \$250,000 by the FDIC. Texas Title Insurance Guaranty Association's cash

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TEXAS DEPARTMENT OF INSURANCE (454)

management practices include deposit transfers to and from money market mutual fund accounts with the remainder covered by FDIC insurance. Fair Access to Insurance Requirements Plan Association deposits exceed the insured limit, but the deposits are held in the Transaction Account Guarantee Program that guarantees 100% of their cash. The Texas Property and Casualty Insurance Guaranty Association cash balances at various times during the year were in excess of the FDIC insurance limit. The Association's management believes the cash balances are held in high quality institutions, and therefore the Association's credit risk is at an acceptable level. The bank balances that were exposed to custodial credit risks are as follows:

| Fund Type | GAAP Fund | Uninsured and uncollateralized | Uninsured and collateralized with securities held by the pledging financial institution | Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name |
|-----------|-----------|--------------------------------|---|---|
| 15 | 3159 | \$122,512.00 | | |
| 15 | 4165 | \$21,786,215.00 | | |

INVESTMENTS

As of August 31, 2013, the carrying value and fair value of investments are as presented below:

| | | |
|---|-----------|-----------------------|
| <u>Governmental and Business-Type Activities</u> | | <u>Fair Value</u> |
| Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶ | \$ | 13,309,908.41 |
| Total | \$ | 13,309,908.41 |
| <u>Fiduciary Funds</u> | | <u>Fair Value</u> |
| U.S. Government: | | |
| U.S. Treasury Securities | \$ | 3,217,027.68 |
| Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶ | | 465,327,275.11 |
| Total | \$ | 468,544,302.79 |
| <u>Discrete Component Units</u> | | <u>Fair Value</u> |
| U.S. Government: | | |
| U.S. Treasury Securities | \$ | 99,772,502.00 |
| U.S. Government Agency Obligations | | 383,106,948.00 |
| Fixed Income Money Market and Bond Mutual Fund | | 7,186,392.00 |
| Miscellaneous | | 508,256,322.00 |
| Total | \$ | 998,322,164.00 |

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

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Texas Department of Insurance had investments in U.S. Treasury Securities Money Market Mutual Fund which are backed by the U.S. government. The Surplus Lines Stamping Office investment policy allows U.S. government securities and negotiable certificates of deposits. The Texas Health Insurance Pool held investments backed by the U.S. government. Texas Windstorm Insurance Association held investments backed by the U.S. Treasury Money Market Funds program and other investments backed by the U.S. government. Texas Title and Health Insurance Guaranty Association held Money Market Mutual Funds and securities which are backed by the U.S. Government. Texas Title Insurance Guaranty Association is authorized to invest in money market mutual funds or obligations where the principal and interest are guaranteed by the U.S. Government. Fair Access to Insurance Requirements Plan Association held investments backed by the U.S Treasury Money Market Funds program and other investments backed by the U.S. government. The general investment policy of the Texas Property and Casualty Insurance Guaranty Association limits investments so that the aggregate market value of all securities issued by an entity and held by the association will not exceed five percent of the market value of the association portfolio held by any one manager at the time of purchase or at any point after purchase. This policy excludes debt securities issued or fully guaranteed as to principal and interest of the United States of America or any agency or instrumentality thereof. Additionally, investment in municipal securities shall be rated A or better for long term debt and A-1 or SP-1 for short maturity assets or the equivalent by a nationally recognized rating service. Investments in municipal securities shall be limited to no more than one percent of any single issuer's debt. As of August 31, 2013 credit quality distribution for securities with credit risk exposure was as follows:

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TEXAS DEPARTMENT OF INSURANCE (454)

***Ratings AAA through AA-**

| Fund Type | GAAP Fund | Investment Type | AAA | AA+ | AA | AA- |
|-----------|-----------|--|------------------|----------------|----------------|----------------|
| 01 | 1006 | Repurchase Agreement-Texas Treasury Safekeeping Trust Co | \$9,512,168.54 | | | |
| 01 | 9999 | Repurchase Agreement-Texas Treasury Safekeeping Trust Co | \$3,797,739.87 | | | |
| 15 | 4152 | U.S. Gov't Agency Obligations | \$33,005,747.00 | | | |
| 15 | 4152 | U.S. Treasury Securities | \$55,275,467.00 | | | |
| 15 | 4154 | U.S. Gov't Money Market Mutual Funds | \$380,308,765.00 | | | |
| 15 | 4161 | U.S. Gov't Money Market Mutual Funds | \$6,459,741.00 | | | |
| 15 | 4161 | U.S. Treasury Securities | \$11,491,288.00 | | | |
| 15 | 4162 | U.S. Gov't Money Market Mutual Funds | \$11,540,934.00 | | | |
| 15 | 4163 | U.S. Gov't Money Market Mutual Funds | \$17,812,041.00 | | | |
| 15 | 4165 | U.S. Gov't Money Market Mutual Funds | \$27,090,853.00 | | | |
| 15 | 4165 | U.S. Treasury Securities | \$226,720,131.00 | | | |
| 15 | 4165 | U.S. Gov't Agency Obligations | \$156,386,817.00 | | | |
| 15 | 4165 | Fixed Income Money Market or Bond Mutual Fund | \$7,186,392.00 | | | |
| 15 | 4165 | Miscellaneous | \$16,417,924.00 | \$8,439,617.00 | \$8,135,890.00 | \$2,979,466.00 |
| 20 | 2999 | U.S. Treasury Securities Money Market Mutual Fund | \$3,217,027.68 | | | |
| 20 | 2999 | Repurchase Agreement-Texas Treasury Safekeeping Trust Co | \$281,753,549.29 | | | |
| 20 | 3204 | Repurchase Agreement-Texas Treasury Safekeeping Trust Co | \$183,573,725.82 | | | |

***Ratings A+ through NR**

| Fund Type | GAAP Fund | Investment Type | A+ | A- | BBB | NR |
|-----------|-----------|-------------------------|----------------|----------------|--------------|-----------------|
| 15 | 3159 | Certificates of Deposit | | | | \$4,379,756.00 |
| 15 | 4165 | Miscellaneous | \$4,971,806.00 | \$1,864,236.00 | \$101,625.00 | \$17,753,668.00 |

NOTE 4: SUMMARY OF SHORT-TERM DEBT

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2013, the following changes occurred in liabilities:

| Governmental Activities | PRIMARY GOVERNMENT | | | | Amounts Due Within One Year | Amounts Due Thereafter |
|--------------------------------------|-------------------------|---------------------|---------------------|----------------------|-----------------------------|-------------------------|
| | Balance 9/1/12 | Additions | Reductions | Balance 8/31/13 | | |
| Claims and Judgments | \$ 15,157,506.04 | 246,633.21 | 577,430.88 | 14,826,708.37 | 578,290.00 | \$ 14,248,418.37 |
| Compensable Leave | 8,439,369.32 | 7,681,136.24 | 7,360,109.07 | 8,760,396.49 | 5,033,351.07 | 3,727,045.42 |
| Total Governmental Activities | \$ 23,596,875.36 | 7,927,769.45 | 7,937,539.95 | 23,587,104.86 | 5,611,641.07 | \$ 17,975,463.79 |

| Proprietary Activities | DISCRETELY PRESENTED COMPONENT UNITS | | | | Amounts Due Within One Year | Amounts Due Thereafter |
|-------------------------------------|--------------------------------------|-----------------|-------------|------------------|-----------------------------|------------------------|
| | Balance 9/1/12 | Additions | Reductions | Balance 8/31/13 | | |
| Employees Compensable Leave | \$ 61,434.00 | 8,622.00 | 0.00 | 70,056.00 | 70,056.00 | \$ 0.00 |
| Total Proprietary Activities | \$ 61,434.00 | 8,622.00 | 0.00 | 70,056.00 | 70,056.00 | \$ 0.00 |

Claims and Judgments

Qualified injured workers receive Lifetime Income Benefits that are paid until their death for total and permanent loss of a body part as provided in Section 408.161 of the Texas Labor Code. The amount of lifetime income benefits is equal to 75 percent of the employee's average weekly wage and benefits being paid and shall be increased at a rate of three percent a year subject to Section 408.061 of the Texas Labor Code.

Employees' Compensable Leave

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

NOTE 6: BONDED INDEBTEDNESS

N/A

NOTE 7: DERIVATIVE INSTRUMENTS

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 8: LEASES

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

| <u>Fund Type</u> | <u>Amount</u> |
|----------------------|----------------|
| 01 (D23 Fund 0008) | \$0.00 |
| 01 (Appn Fund 0036) | \$3,052,782.79 |
| 15 (Component Units) | \$1,908,525.45 |

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

PRIMARY GOVERNMENT

Year Ended August 31, 2013

| | |
|--|-------------------------|
| 2014 | \$ 3,036,193.52 |
| 2015 | 2,747,961.32 |
| 2016 | 2,629,083.56 |
| 2017 | 2,153,439.67 |
| 2018 | 1,838,257.57 |
| 2019-2023 | 227,778.45 |
| 2024-2028 | 0.00 |
| 2029-2033 | 0.00 |
| 2034-2038 | 0.00 |
| 2039-2043 | 0.00 |
| Total Minimum Future Lease Rental Payments | <u>\$ 12,632,714.09</u> |

DISCRETELY PRESENTED COMPONENT UNITS

Calendar Year Ended August 31, 2013

| | |
|--|-------------------------|
| 2014 | \$ 1,663,219.00 |
| 2015 | 1,489,835.00 |
| 2016 | 1,126,017.00 |
| 2017 | 1,008,001.00 |
| 2018 and Thereafter | 6,525,286.00 |
| Total Minimum Future Lease Rental Payments | <u>\$ 11,812,358.00</u> |

NOTE 9: PENSION PLANS

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

NOTE 10: DEFERRED COMPENSATION PLANS

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

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

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

The Texas Department of Insurance (TDI) experienced routine transfers within the Agency, which were consistent with the activities of the fund making the transfer.

Current interfund payable and receivable balances at August 31, 2013 are as follows:

| | Current Interfund Receivable | Current Interfund Payable |
|------------------------------------|---------------------------------|------------------------------|
| GENERAL REVENUE (01) | | |
| Appd Fund 0001 (D23 Fund 0008) | \$ 0.00 | \$ 24,747.74 |
| SPECIAL REVENUE | | |
| Appd Fund 0036 (D23 Fund 0011) | 24,747.74 | 0.00 |
| (D23 Fund 0022) | 0.00 | 0.14 |
| (D23 Fund 0024) | 30,518.93 | 30,518.93 |
| (D23 Fund 0025) | 0.00 | 230,665.70 |
| (D23 Fund 0036) | 0.14 | 0.00 |
| Appd Fund 0329 (D23 Fund 0329) | <u>230,665.70</u> | <u>0.00</u> |
| Total Interfund Receivable/Payable | <u>\$ 285,932.51</u> | <u>\$ 285,932.51</u> |

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under HB1951, 82nd Legislature, Regular Session, Sec. 1.002, Subsection (a), Section 31.004 of the Insurance Code was amended to read as follows: "The Texas Department of Insurance is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the department is abolished September 1, 2023."

Under HB2605, 82nd Legislature, Regular Session, Sec. 1, Subsection (b), Section 31.004 of the Insurance Code was amended to read as follows: "The duties of the Division of Workers' Compensation of the Texas Department of Insurance under Texas Workers' Compensation Act, Labor Code Title 5, expire September 1, 2017 or another date designed by the Legislature."

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During FY 2013, Texas Life and Health Insurance Guaranty Association (Fund 4161), Texas Title Insurance Guaranty Association (Fund 4162), Fair Access to Insurance Requirements Plan Association (Fund 4163), and Texas Property and Casualty Insurance Guaranty Association (Fund 4165) were determined as new discrete component units. The restatements for their FY 2012 ending fund balances are below:

Proprietary Funds – Component Units

| | Texas Life and Health Insurance Guaranty Association (4161) U/F (0395) | Texas Title Insurance Guaranty Association (4162) U/F (0396) | Fair Access to Insurance Requirements Plan Association (4163) U/F (0397) | Texas Property and Casualty Insurance Guaranty Association (4165) U/F (0398) | Total |
|-------------------------------------|--|---|---|---|-------------------------|
| Net Assets 8-31-2012 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Restatement | <u>29,850,544.00</u> | <u>11,274,100.00</u> | <u>(27,854,871.00)</u> | <u>53,142,730.00</u> | <u>66,412,503.00</u> |
| Net Assets 9-1-2012, As Restated | <u>\$ 29,850,544.00</u> | <u>\$ 11,274,100.00</u> | <u>\$ (27,854,871.00)</u> | <u>\$ 53,142,730.00</u> | <u>\$ 66,412,503.00</u> |

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NOTE 15: CONTINGENCIES AND COMMITMENTS

As of August 31st, 2013, the following lawsuits were pending against the Agency:

- A potential, renewed claim, under Tex. Lab. Code §403.006(b)(2), against the Subsequent Injury Fund (SIF) for a probable amount of \$1,011,534.28 based, in part, upon a "Memorandum Opinion" on August 28, 2013 by the Austin Third Court of Appeals in Cause #03-09-00680-CV that affirmed a trial court judgment that the Texas Property and Casualty Insurance Guaranty Association was not obligated to reimburse the National American Insurance Company (NAIC) for workers' compensation benefits NAIC paid pursuant to an injured employee under a Division contested case hearing decision that was overruled in a separate lawsuit. The Subsequent Injury Fund, as authorized by Tex. Lab. Code § 403.006, paid \$5,749,193.62 for 376 reimbursement requests in FY2013.
- Nationwide Mutual Ins. Co. v. TDI; Cause #153-267079; AG #13-3437723. This is a negligence suit over a car accident involving one of our employees. We have authorized our Assistant Attorney General to settle for \$4151.65.
- Allbritain vs. Texas Dept. of Insurance, CA A12CVO431SS in the United States District Court for the Western District of Texas. The chances of the Department winning this lawsuit are high.

NOTE 16: SUBSEQUENT EVENTS

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

- There are numerous cases involving the "stop loss" reimbursement provisions of a former rule that are being remanded back to the Division for Medical Fee Dispute Resolution. SB1, 83rd Leg. Sess, Article VIII, p. VIII-24, #20 authorized expenditures of \$2,100,000.00 to pay for costs of appeals of medical disputes, including appeals handled at the State Office of Administrative Hearings.
- Approximately \$50,000.00 to \$100,000.00 in estimated expert witness fees may be incurred for professional medical testimony on behalf of the Division of Workers' Compensation in State Office of Administrative contested case hearings held under Tex. Lab. Code § 408.0231 and Title 28 Tex. Admin. Code § 180.26(b) – (d).

NOTE 17: RISK MANAGEMENT

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

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

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

Changes in the balances of the Agency's claims liabilities during the fiscal 2012 and 2013 were as follows:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year End |
|------|------------------------------------|--|-----------------|----------------------------|
| 2012 | \$ | \$ 44,820.00 | \$ 44,820.00 | \$ |
| 2013 | \$ | \$ 666.95 | \$ 666.95 | \$ |

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

N/A

NOTE 19: THE FINANCIAL REPORTING ENTITY

The Financial Reporting Entity

As required by Generally Accepted Accounting Principles, these financial statements present Texas Department of Insurance (TDI) (the primary government) and its component units. The component units discussed below are included in the Agency's reporting entity because of the significance of their operational or financial relationships with the State.

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TEXAS DEPARTMENT OF INSURANCE (454)

Individual Component Unit Disclosures

Discretely Presented Component Units:

TDI is financially accountable for the following legally separate entities; however, they do not provide services entirely or almost entirely to TDI. They are reported in separate exhibits to emphasize that they are legally separate from TDI. The fiscal year-end for these component units is December 31.

1. The *Surplus Lines Stamping Office of Texas* was created under Insurance Code Chapters 981.151 – 981.160 to assist this Agency in the surplus lines insurance regulation, encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of TDI. The Commissioner of Insurance appoints all members of the board of directors. The stamping office performs its functions under a plan of operation approved by order of TDI. The State of Texas has the ability to impose its will upon the stamping office through the approval of the assessment rate that funds its operations.
2. The *Texas Health Reinsurance System* reinsures risks covered under the health benefit plans of small employers' insurance carriers. The Commissioner of Insurance appoints, supervises and controls the nine-member board. The State of Texas has the ability to impose its will through TDI Commissioner's approval of base reinsurance premium rates and the assessment rates against reinsured health benefit plan issuers.
3. The *Texas Health Insurance Pool* provides access to quality health care at a minimum cost to the public for those unable to obtain traditional health care coverage. The Commissioner of Insurance appoints members of the board of directors. The primary government imposes its will through TDI who approves all premium rates and rate schedules before they are used.
4. The *Texas Windstorm Insurance Association (TWIA)* is the State's insurer of last resort for wind and hail coverage in the fourteen coastal counties and parts of Harris County. Through the Commissioner of Insurance the primary government appoints all members of the board of directors. Additionally, the primary government can impose its will with the Commissioner of Insurance having the discretion to modify or approve fee changes impacting revenue.
5. The *Texas Life and Health Insurance Guaranty Association* protects persons against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts because of the impairment or insolvency of the member insurer that issued the policies or contracts. Through the Commissioner of Insurance the primary government appoints all members of the board of directors. The primary government can impose its will through the Commissioner of Insurance who can modify, override, or veto an action of the Association.
6. The *Texas Title Insurance Guaranty Association* protects the holders of covered claims if a title insurer becomes insolvent and protects consumers served by impaired title agents. The Commissioner of Insurance appoints all members of the board of directors. The primary government can impose its will through the Commissioner of Insurance who may direct the association at the association's expense and on behalf of an impaired agent to close real estate transactions, disburse escrow funds, record documents and issue final title insurance policies.
7. The *Fair Access to Insurance Requirements Plan Association* delivers residential property insurance to residents of Texas in areas that are not adequately served by the voluntary insurance market. The Commissioner of Insurance appoints all members of the governing committee. The primary government can impose its will through the Commissioner of Insurance who can remove governing committee member without cause and can impact revenues by approving or disapproving rates charged.
8. The *Texas Property and Casualty Insurance Guaranty Association* protects claimants or policyholders from financial loss when an insurer is impaired, assists in the detection and prevention of insurer insolvencies, provides a mechanism for the payment of claims under certain insurance policies to avoid excessive delays in payments, and provide an association to assess the cost of protection among insurers. The Commissioner of Insurance appoints four members of the board of directors and approves the remaining five members appointed by member insurers. The primary government can impose its will through the Commissioner of Insurance who approves the plan of operation and subsequent amendments and can require the board to assess additional dollars to pay covered claims whenever an insurer becomes impaired.

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

Administrative Offices

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

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

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

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

Texas Life and Health Insurance Guaranty Association
515 Congress Avenue, Suite 1875
Austin, TX 78701

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

Fair Access to Insurance Requirements Plan
Association
5700 S. Mopac, Bldg A
Austin, TX 78749

Texas Property and Casualty Insurance
Guaranty Association
9120 Burnet Road
Austin, TX

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TEXAS DEPARTMENT OF INSURANCE (454)

Related Organizations

1. The **Texas Mutual Insurance Company** was created under Chapter 2054 of the TIC and operates as a domestic mutual insurance company. The Commissioner of Insurance regulates this entity to the same extent as a private mutual insurance company. The Governor appoints five of the nine members of the board with the advice and consent of the Senate.
2. The **Texas Self-Insurance Group Guaranty Association** was created pursuant to Chapter 407A of the Texas Workers' Compensation Act Labor Code, for the purpose of providing payment of workers' compensation insurance benefits for injured employees covered by an insolvent workers' compensation self-insurance group. The Division of Workers' Compensation Commissioner appoints two members of the six member board and approves three other members selected by representatives of the certified workers' compensation self-insurance groups.

Administrative Offices

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

Texas Mutual Insurance Company
6210 East Highway 290
Austin, TX 78723

RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are 14.75 budgeted positions for Liquidation Oversight. The 14.75 FTEs are allocated positions. Liquidation Oversight operations include administration, docketing, financial/auditing and records management.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

N/A

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

N/A

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Net other payables as of August 31, 2013, as reported by the discretely presented component units (Exhibit L-1), are detailed by type as follows:

| Net Other Payables | Amount |
|--|--------------------------|
| Payables related to deferred rent liability (Fund 3159) | \$ 127,547.00 |
| Payables related to loss reserves and member's accountability (Fund 4151) | 498,618.00 |
| Payables related to assessment refunds and claims/loss adjustment expense reserves (Fund 4152) | 39,726,724.00 |
| Payables related to losses, loss expense reserves and other liabilities (Fund 4154) | 399,927,582.00 |
| Payables related to assessment credits and insurance contractual obligations (Fund 4161) | 13,021,268.00 |
| Payables related to losses, loss expense reserves and other liabilities (Fund 4163) | 29,815,633.00 |
| Payables related to unpaid claims and claims adjustment expenses (Fund 4165) | 402,385,953.00 |
| Total Net Other Payables | \$ 885,503,325.00 |

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 25: TERMINATION BENEFITS

N/A

NOTE 26: SEGMENT INFORMATION

N/A

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

N/A

NOTE 28: TROUBLED DEBT RESTRUCTURING

N/A

NOTE 29: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

N/A

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Texas Department of Insurance (454)

Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

August 31, 2013

| | General | | Consolidated Accounts |
|--------------------------------------|---------------------------|--|---|
| | General Revenue (0001) | Local - GAAP General Fund (9999) | GR Account -Tx Department of Insurance Operating (0036) |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | | | |
| Cash in Bank | \$ - | \$ 156,041.45 | \$ 100,685.00 |
| Legislative Appropriations | 40,185.25 | - | - |
| Cash in State Treasury | - | - | 146,296,202.29 |
| Cash Equivalents | - | 3,797,739.87 | - |
| Receivables from: | | | |
| Federal | - | - | 209,092.79 |
| Interest and Dividends | - | 4.22 | - |
| Accounts Receivable | - | 163,630.70 | 427,518.35 |
| Interfund Receivable | - | - | 55,266.81 |
| Due From Other Agencies | - | - | 17,736.02 |
| Consumable Inventories | - | - | 84,734.82 |
| Total Current Assets | 40,185.25 | 4,117,416.24 | 147,191,236.08 |
| Total Assets | \$ 40,185.25 | \$ 4,117,416.24 | \$ 147,191,236.08 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Current Liabilities: | | | |
| Payables from: | | | |
| Accounts | \$ 3,939.38 | \$ 57,429.06 | \$ 5,354,733.76 |
| Payroll | 11,498.13 | - | 7,169,156.36 |
| Interfund Payable | 24,747.74 | - | 261,184.77 |
| Due To Other Agencies | - | - | 3,642,192.33 |
| Deferred Revenues | - | - | 87,313.93 |
| Total Current Liabilities | 40,185.25 | 57,429.06 | 16,514,581.15 |
| Total Liabilities | 40,185.25 | 57,429.06 | 16,514,581.15 |
| Fund Balances (Deficits): | | | |
| Nonspendable | \$ - | - | \$ 84,734.82 |
| Committed | - | 4,059,987.18 | 130,591,920.11 |
| Unassigned | - | - | - |
| Total Fund Balances | - | 4,059,987.18 | 130,676,654.93 |
| Total Liabilities and Fund Balances | \$ 40,185.25 | \$ 4,117,416.24 | \$ 147,191,236.08 |

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

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Consolidated Accounts

| GR Account -Subsequent Injury Fund (5101) | GR Account -Premium Stabilization Fund (0329) | TDI Local Operating Fund (1006) | GR Account -Fire Prevention & Public Safety (5138) | Total (Ex I) |
|--|--|--|---|--------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 256,726.45 |
| - | - | - | - | 40,185.25 |
| 65,146,919.51 | 22,971,327.82 | 442,523.48 | 70,738.99 | 234,927,712.09 |
| - | - | 9,512,168.54 | - | 13,309,908.41 |
| - | - | - | - | 209,092.79 |
| - | - | 10.56 | - | 14.78 |
| 831,153.60 | - | 866,425.40 | - | 2,288,728.05 |
| - | 230,665.70 | - | - | 285,932.51 |
| - | - | - | - | 17,736.02 |
| - | - | - | - | 84,734.82 |
| <u>65,978,073.11</u> | <u>23,201,993.52</u> | <u>10,821,127.98</u> | <u>70,738.99</u> | <u>251,420,771.17</u> |
| <u>\$ 65,978,073.11</u> | <u>\$ 23,201,993.52</u> | <u>\$ 10,821,127.98</u> | <u>\$ 70,738.99</u> | <u>\$ 251,420,771.17</u> |
| \$ - | \$ 8,678,470.73 | \$ - | \$ 16,209.40 | \$ 14,110,782.33 |
| - | - | 442,523.48 | - | 7,623,177.97 |
| - | - | - | - | 285,932.51 |
| - | - | - | - | 3,642,192.33 |
| - | - | - | - | 87,313.93 |
| <u>-</u> | <u>8,678,470.73</u> | <u>442,523.48</u> | <u>16,209.40</u> | <u>25,749,399.07</u> |
| <u>-</u> | <u>8,678,470.73</u> | <u>442,523.48</u> | <u>16,209.40</u> | <u>25,749,399.07</u> |
| - | - | - | - | 84,734.82 |
| 65,978,073.11 | 14,523,522.79 | 10,378,604.50 | 54,529.59 | 225,586,637.28 |
| - | - | - | - | - |
| <u>65,978,073.11</u> | <u>14,523,522.79</u> | <u>10,378,604.50</u> | <u>54,529.59</u> | <u>225,671,372.10</u> |
| <u>\$ 65,978,073.11</u> | <u>\$ 23,201,993.52</u> | <u>\$ 10,821,127.98</u> | <u>\$ 70,738.99</u> | <u>\$ 251,420,771.17</u> |

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

UNAUDITED

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

For the Fiscal Year Ended August 31, 2013

| | General | | Consolidated Accounts | |
|---|---------------------|---------------------------|--|-------------------------------------|
| | General Revenue | Local - GAAP General Fund | GR Account -Tx Department of Insurance Operating | GR Account - Subsequent Injury Fund |
| | (0001) | (9999) | (0036) | (5101) |
| REVENUES | | | | |
| Legislative Appropriations | | | | |
| Original Appropriations | \$ 224,406.00 | \$ - | \$ - | \$ - |
| Additional Appropriations | 170,954.58 | - | - | - |
| Taxes | - | - | 948,068.19 | - |
| Federal Revenue | 443,386.76 | - | 2,740,518.97 | - |
| Federal Grant Pass-Through Revenue | 16,779.21 | - | 7,637,023.54 | - |
| Licenses, Fees and Permits | 5,364.00 | - | 27,581,732.98 | - |
| Sales of Goods and Services | - | - | 8,117.41 | - |
| Interest and Other Investment Income | - | 3,773.57 | - | - |
| Other | 56,635.00 | 631,861.32 | 1,637,280.28 | 7,556,734.32 |
| Total Revenues | 917,525.53 | 635,634.89 | 40,552,741.37 | 7,556,734.32 |
| EXPENDITURES | | | | |
| Salaries and Wages | 148,221.90 | 760,065.67 | 67,753,448.00 | - |
| Payroll Related Costs | 41,175.46 | 162,450.59 | 23,341,853.33 | - |
| Professional Fees and Services | - | 168,581.39 | 5,371,180.69 | - |
| Travel | - | 34,534.58 | 1,806,232.93 | - |
| Materials and Supplies | 205,525.04 | 47.32 | 2,538,847.66 | - |
| Communication and Utilities | - | 3,130.74 | 1,554,529.99 | - |
| Repairs and Maintenance | - | - | 886,504.41 | - |
| Rentals and Leases | - | - | 4,019,966.80 | - |
| Printing and Reproduction | - | - | 81,983.64 | - |
| Claims and Judgments (Note 17) | - | - | 666.95 | 5,586,234.61 |
| Intergovernmental Payments | - | - | 386,381.00 | - |
| Other Expenditures | 5,802.16 | 285,094.30 | 20,059,157.68 | 45,190.45 |
| Capital Outlay | 27,973.50 | - | 349,166.13 | - |
| Total Expenditures | 428,698.06 | 1,413,904.59 | 128,149,919.21 | 5,631,425.06 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | 488,827.47 | (778,269.70) | (87,597,177.84) | 1,925,309.26 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | 125,372,704.26 | 49,696,242.38 |
| Transfers Out | (521,744.72) | - | (39,347,130.19) | (49,696,242.38) |
| Sale of Capital Assets | 25,470.00 | - | - | - |
| Appropriations Lapsed | (0.25) | - | - | - |
| Total Other Financing Sources (Uses) | (496,274.97) | - | 86,025,574.07 | - |
| Net Change in Fund Balances/Net Assets | (7,447.50) | (778,269.70) | (1,571,603.77) | 1,925,309.26 |
| FUND FINANCIAL STATEMENT-FUND BALANCES | | | | |
| Fund Balances, September 1, 2012 | 7,447.50 | 4,838,256.88 | 132,248,258.70 | 64,052,763.85 |
| Restatements | - | - | - | - |
| Fund Balances, September 1, 2012, as Restated | 7,447.50 | 4,838,256.88 | 132,248,258.70 | 64,052,763.85 |
| Fund Balances, August 31, 2013 | \$ 0.00 | \$ 4,059,987.18 | \$ 130,676,654.93 | \$ 65,978,073.11 |

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| Consolidated Accounts | | | | |
|---|--|------------------------------------|---|-------------------|
| GR Account - Premium Stabilization Fund (0329) | GR Account - Federal American Recovery & Reinvestment Act Fund (0369) | TDI Local Operating Fund (1006) | GR Account - Fire Prevention & Public Safety Fund (5138) | Total (Ex II) |
| \$ - | \$ - | \$ - | \$ - | \$ 224,408.00 |
| - | - | - | - | 170,954.56 |
| - | - | - | - | 948,068.19 |
| - | - | - | - | 3,183,905.73 |
| - | (521.56) | - | - | 7,653,281.19 |
| - | - | 10,365,064.25 | - | 37,952,161.23 |
| - | - | - | - | 8,117.41 |
| - | 2.28 | 4,989.30 | - | 8,765.15 |
| - | - | - | - | 9,882,510.92 |
| - | (519.26) | 10,370,053.55 | - | 60,032,170.38 |
| - | - | 5,386,355.23 | - | 74,048,090.80 |
| - | - | 1,287,157.09 | - | 24,832,636.47 |
| (33,371.98) | - | - | 55,343.25 | 5,561,733.35 |
| - | - | 720,919.12 | - | 2,561,686.63 |
| - | (475.54) | - | 11,293.48 | 2,755,237.96 |
| - | - | - | - | 1,557,680.73 |
| - | (46.02) | - | - | 886,458.39 |
| - | - | - | - | 4,019,968.80 |
| - | - | - | - | 81,983.64 |
| - | - | - | - | 5,586,901.58 |
| - | - | - | - | 386,381.00 |
| 13,390,172.04 | - | (7,402,982.39) | 7,402.31 | 26,389,836.55 |
| - | - | - | 11,912.50 | 389,052.13 |
| 13,356,800.06 | (521.56) | (8,550.95) | 85,951.54 | 149,057,626.01 |
| (13,356,800.06) | 2.28 | 10,378,604.50 | (85,951.54) | (89,025,455.63) |
| 30,906,837.09 | - | 14,877,148.87 | - | 220,852,932.60 |
| (30,906,837.09) | (2.28) | (14,877,148.87) | - | (135,349,105.53) |
| - | - | - | - | 25,470.00 |
| - | - | - | - | (0.25) |
| - | (2.28) | - | - | 85,529,296.82 |
| (13,356,800.06) | 0.00 | 10,378,604.50 | (85,951.54) | (3,496,158.81) |
| 27,880,322.85 | - | - | 140,481.13 | 229,167,530.91 |
| - | - | - | - | - |
| 27,880,322.85 | - | - | 140,481.13 | 229,167,530.91 |
| \$ 14,523,522.79 | \$ 0.00 | \$ 10,378,604.50 | \$ 54,529.59 | \$ 225,671,372.10 |

UNAUDITED

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

August 31, 2013

| | Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050) | Unclaimed Dividend Trust Fund (0923) U/F (0923) | Private-Purpose Estates/Securities In Trust (2999) U/F (2999) | Totals (Ex VI) |
|--|---|--|--|--------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents: | | | | |
| Cash in Bank | \$ - | \$ - | \$ 191,965.24 | \$ 191,965.24 |
| Cash in State Treasury | - | 646,652.19 | - | 646,652.19 |
| Cash Equivalents | 183,573,725.82 | - | 284,970,576.97 | 468,544,302.79 |
| Interest and Dividends Receivable | 203.98 | - | 313.12 | 517.10 |
| Securities Held in Trust | - | - | 84,010,261.54 | 84,010,261.54 |
| Total Assets | <u>183,573,929.80</u> | <u>646,652.19</u> | <u>369,173,116.87</u> | <u>553,393,698.86</u> |
| LIABILITIES | | | | |
| Funds Held for Others | - | - | 84,010,261.54 | 84,010,261.54 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>84,010,261.54</u> | <u>84,010,261.54</u> |
| NET POSITION | | | | |
| Held in trust for: | | | | |
| Individuals, Organizations, and Other Governments | 183,573,929.80 | 646,652.19 | 285,162,855.33 | 469,383,437.32 |
| Total Net Position | <u>\$ 183,573,929.80</u> | <u>\$ 646,652.19</u> | <u>\$ 285,162,855.33</u> | <u>\$ 469,383,437.32</u> |

UNAUDITED

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

August 31, 2013

| | Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050) | Unclaimed Dividend Trust Fund (0923) U/F (0923) | Private-Purpose Estates/Securities in Trust (2999) U/F (2999) | Total (Ex VII) |
|--|---|--|--|--------------------------|
| ADDITIONS | | | | |
| Investment Income | | | | |
| From Investing Activities: | | | | |
| Interest and Investment Income | \$ 153,109.41 | \$ 2,656.70 | \$ 220,035.07 | \$ 375,801.18 |
| Total Investing Income | <u>153,109.41</u> | <u>2,656.70</u> | <u>220,035.07</u> | <u>375,801.18</u> |
| Less Investing Activities Expense | - | - | - | - |
| Net Income from Investing Activities | <u>153,109.41</u> | <u>2,656.70</u> | <u>220,035.07</u> | <u>375,801.18</u> |
| Total Net Investment Income | <u>153,109.41</u> | <u>2,656.70</u> | <u>220,035.07</u> | <u>375,801.18</u> |
| Other Additions | | | | |
| Other Revenue | 7,253,286.00 | - | 86,669,940.06 | 93,923,226.06 |
| Transfers In | - | - | 2,087.92 | 2,087.92 |
| Total Other Additions | <u>7,253,286.00</u> | <u>-</u> | <u>86,672,027.98</u> | <u>93,925,313.98</u> |
| Total Additions | <u>7,406,395.41</u> | <u>2,656.70</u> | <u>86,892,063.05</u> | <u>94,301,115.16</u> |
| DEDUCTIONS | | | | |
| Professional Fees and Services | - | - | 162,081.39 | 162,081.39 |
| Claims and Judgments | - | - | 41,265,229.76 | 41,265,229.76 |
| Other Expense | 32,945.75 | - | 19,856,076.46 | 19,889,022.21 |
| Transfers Out | - | 2,087.92 | - | 2,087.92 |
| Total Deductions | <u>32,945.75</u> | <u>2,087.92</u> | <u>61,283,387.61</u> | <u>61,318,421.28</u> |
| INCREASE (DECREASE) IN NET POSITION | <u>7,373,449.66</u> | <u>568.78</u> | <u>25,608,675.44</u> | <u>32,982,693.88</u> |
| NET POSITION | | | | |
| Net Position, September 1, 2012 | 176,200,480.14 | 646,083.41 | 259,554,179.89 | 436,400,743.44 |
| Restatements | - | - | - | - |
| Net Position, September 1, 2012, As Restated | <u>176,200,480.14</u> | <u>646,083.41</u> | <u>259,554,179.89</u> | <u>436,400,743.44</u> |
| Net Position, August 31, 2013 | <u>\$ 183,573,929.80</u> | <u>\$ 646,652.19</u> | <u>\$ 285,162,855.33</u> | <u>\$ 469,383,437.32</u> |

UNAUDITED

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

August 31, 2013

| | Beginning Balance September 1, 2012 | Additions | Deductions | Ending Balance August 31, 2013 |
|---|---|----------------------|----------------------|--------------------------------------|
| UNAPPROPRIATED RECEIPTS | | | | |
| General Revenue Fund (1000) U/F (0003) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ - | \$ 37,739,277.40 | \$ 37,739,277.40 | \$ - |
| Accounts Receivable, Net | 978,056.42 | 162,900.00 | 978,056.42 | 162,900.00 |
| Total Assets | 978,056.42 | 37,902,177.40 | 38,717,333.82 | 162,900.00 |
| LIABILITIES | | | | |
| Accounts Payable | - | 33,208.00 | 33,208.00 | - |
| Due to other Agencies | 978,056.42 | 162,900.00 | 978,056.42 | 162,900.00 |
| Funds Held for Others | - | 37,739,277.40 | 37,739,277.40 | - |
| Total Liabilities | 978,056.42 | 37,935,385.40 | 38,750,541.82 | 162,900.00 |
| Child Support Employ Deduct (0807) U/F (0807) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | 12,199.32 | 186,302.13 | 184,513.72 | 13,987.73 |
| Total Assets | 12,199.32 | 186,302.13 | 184,513.72 | 13,987.73 |
| LIABILITIES | | | | |
| Accounts Payable | - | 172,314.40 | 172,314.40 | - |
| Funds Held for Others | 12,199.32 | 186,302.13 | 184,513.72 | 13,987.73 |
| Total Liabilities | 12,199.32 | 358,616.53 | 356,828.12 | 13,987.73 |
| City, Cty, Mta & Spd (0882) U/F (0882) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | - | 134.67 | 134.67 | - |
| Total Assets | - | 134.67 | 134.67 | - |
| LIABILITIES | | | | |
| Funds Held for Others | - | 134.67 | 134.67 | - |
| Total Liabilities | - | 134.67 | 134.67 | - |
| Tx Worker's Comp Self Insurance Fund (0893) U/F (0893) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | 8,979,925.16 | 10,052,830.68 | 11,062,755.64 | 7,970,000.20 |
| Other Current Assets | 535,065,691.31 | - | 9,530,000.00 | 525,535,691.31 |
| Total Assets | 544,045,616.47 | 10,052,830.68 | 20,592,755.64 | 533,505,691.51 |
| LIABILITIES | | | | |
| Accounts Payable | - | 1,044,529.94 | 1,044,529.94 | - |
| Funds Held for Others | 544,045,616.47 | 1,072,905.52 | 11,612,830.48 | 533,505,691.51 |
| Total Liabilities | 544,045,616.47 | 2,117,435.46 | 12,657,360.42 | 533,505,691.51 |
| Departmental Suspense (0900) U/F (0900) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | - | 3,019,943.34 | 3,019,943.34 | - |
| Total Assets | - | 3,019,943.34 | 3,019,943.34 | - |
| LIABILITIES | | | | |
| Accounts Payable | - | 92,451.86 | 92,451.86 | - |
| Funds Held for Others | - | 3,003,943.34 | 3,003,943.34 | - |
| Total Liabilities | - | 3,096,395.20 | 3,096,395.20 | - |

UNAUDITED

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

August 31, 2013

| | Beginning Balance September 1, 2012 | Additions | Deductions | Ending Balance August 31, 2013 |
|--|---|--------------------------|--------------------------|--------------------------------------|
| <u>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</u> | | | | |
| ASSETS | | | | |
| Cash in State Treasury | 317,438.00 | 318,038.00 | 317,438.00 | 318,038.00 |
| Other Current Assets | 1,095,983,758.49 | 218,433,600.07 | 334,329,363.00 | 980,087,995.56 |
| Total Assets | 1,096,301,196.49 | 218,751,638.07 | 334,646,801.00 | 980,406,033.56 |
| LIABILITIES | | | | |
| Funds Held for Others | 1,096,301,196.49 | 218,751,638.07 | 334,646,801.00 | 980,406,033.56 |
| Total Liabilities | 1,096,301,196.49 | 218,751,638.07 | 334,646,801.00 | 980,406,033.56 |
| <u>Direct Deposit Correction Fund (0980) U/F (0980)</u> | | | | |
| ASSETS | | | | |
| Cash in State Treasury | - | 3,709.87 | 3,709.87 | - |
| Total Assets | - | 3,709.87 | 3,709.87 | - |
| LIABILITIES | | | | |
| Funds Held for Others | - | 3,709.87 | 3,709.87 | - |
| Total Liabilities | - | 3,709.87 | 3,709.87 | - |
| Totals - All Agency Funds (Exhibit VI) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 9,309,562.48 | \$ 51,320,236.09 | \$ 52,327,772.64 | \$ 8,302,025.93 |
| Accounts Receivable, Net | 978,056.42 | 162,900.00 | 978,056.42 | 162,900.00 |
| Other Current Assets | 1,631,049,449.80 | 218,433,600.07 | 343,859,363.00 | 1,505,623,686.87 |
| Total Assets | \$ 1,641,337,068.70 | \$ 269,916,736.16 | \$ 397,165,192.06 | \$ 1,514,088,612.80 |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 1,342,504.20 | \$ 1,342,504.20 | \$ - |
| Due to Other Agencies | 978,056.42 | 162,900.00 | 978,056.42 | 162,900.00 |
| Funds Held for Others | 1,640,359,012.28 | 260,757,911.00 | 387,191,210.48 | 1,513,925,712.80 |
| Total Liabilities | \$ 1,641,337,068.70 | \$ 262,263,315.20 | \$ 389,511,771.10 | \$ 1,514,088,612.80 |

UNAUDITED

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

For the Fiscal Year Ended August 31, 2013

| | Surplus Lines Stamping Office of Texas (3159) U/F (0391) | Texas Health Reinsurance System (4151) U/F (0392) | Texas Health Insurance Pool (4152) U/F (0393) | Texas Windstorm Insurance Association (4154) U/F (0394) |
|---|--|---|---|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents: | | | | |
| Cash in Bank | \$ 1,167,776.00 | \$ 517,268.00 | \$ 290,125.00 | \$ 47,545,863.00 |
| Cash Equivalents | - | - | 33,005,747.00 | 380,308,765.00 |
| Short Term Investments | 4,379,756.00 | - | 55,275,467.00 | - |
| Receivables from: | | | | |
| Interest and Dividends | - | - | - | - |
| Accounts Receivable | 223,695.00 | - | 81,939,977.00 | 291,160.00 |
| Other | 5,570.00 | - | - | - |
| Prepaid Items | 84,524.00 | - | - | 1,205,955.00 |
| Deferred Charges | - | - | - | 35,778,668.00 |
| Other Current Assets | - | - | - | 490,629.00 |
| Total Current Assets | 5,861,321.00 | 517,268.00 | 170,511,316.00 | 465,621,040.00 |
| Non-Current Assets: | | | | |
| Investments | - | - | - | - |
| Capital Assets (Note 2): | | | | |
| Furniture and Equipment-Depreciable | 6,675,649.00 | - | 58,760.00 | 12,780,105.00 |
| Less Accumulated Depreciation | (4,227,567.00) | - | (51,875.00) | (3,726,482.00) |
| Non-Depreciable Assets (CIP) | 88,079.00 | - | - | - |
| Other Assets- Depreciable | 74,685.00 | - | - | 1,857,843.00 |
| Less Accumulated Depreciation- Other | (72,381.00) | - | - | (88,456.00) |
| Other Non-Current Assets | 43,266.00 | - | 6,923.00 | - |
| Receivables | - | - | - | - |
| Total Non-Current Assets | 2,581,731.00 | - | 13,808.00 | 10,823,010.00 |
| Total Assets | 8,443,052.00 | 517,268.00 | 170,525,124.00 | 476,444,050.00 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Payables from: | | | | |
| Accounts | 24,709.00 | 18,650.00 | 1,199,105.00 | 25,448,787.00 |
| Payroll | 50,344.00 | - | - | - |
| Other Liabilities | 127,547.00 | 498,618.00 | 39,726,724.00 | 399,927,582.00 |
| Employee's Compensable Leave | 70,056.00 | - | - | \$ - |
| Deferred Revenue | - | - | 129,599,295.00 | 173,460,751.00 |
| Total Current Liabilities | 272,656.00 | 517,268.00 | 170,525,124.00 | 598,837,120.00 |
| Non Current Liabilities: | | | | |
| Other Liabilities | - | - | - | - |
| Total Liabilities | 272,656.00 | 517,268.00 | 170,525,124.00 | 598,837,120.00 |
| NET POSITION | | | | |
| Invested in Capital Assets, Net of Related Debt | 2,538,465.00 | - | - | 10,823,010.00 |
| Restricted | - | - | - | - |
| Unrestricted | 5,631,931.00 | - | - | (133,216,080.00) |
| Total Net Position | \$ 8,170,396.00 | \$ - | \$ - | \$ (122,393,070.00) |

Note A - These Component Units have a fiscal year end of December 31, 2012. Financial information is as of that date.

UNAUDITED

| Texas Life and Health Insurance Guaranty Association (4161) U/F (0395) | Texas Title Insurance Guaranty Association (4162) U/F (0396) | Fair Access to Insurance Requirements Plan Association (4163) U/F (0397) | TX Property and Casualty Insurance Guaranty Association (4165) U/F (0398) | Totals (Ex III) |
|--|--|--|---|---------------------------|
| \$ 230,071.00 | \$ 146,117.00 | \$ 23,876,777.00 | \$ 21,786,215.00 | \$ 95,560,212.00 |
| 6,459,741.00 | 11,540,934.00 | 17,812,041.00 | 27,090,853.00 | 476,218,081.00 |
| 11,491,288.00 | - | - | - | 71,146,511.00 |
| 1,979.00 | - | - | 1,998,289.00 | 2,000,268.00 |
| 71,587.00 | 581,174.00 | 15,090,001.00 | 3,403.00 | 98,200,997.00 |
| 28,118.00 | 77,066.00 | - | - | 110,754.00 |
| - | - | 55,357.00 | - | 1,345,836.00 |
| - | - | 6,279,490.00 | - | 42,058,158.00 |
| - | - | 94,932.00 | - | 585,561.00 |
| <u>18,282,784.00</u> | <u>12,345,291.00</u> | <u>63,208,598.00</u> | <u>50,878,760.00</u> | <u>787,226,378.00</u> |
| - | - | - | 450,957,572.00 | 450,957,572.00 |
| 188,574.00 | - | 110,197.00 | 2,630,867.00 | 22,444,152.00 |
| (141,138.00) | - | (110,061.00) | (2,197,151.00) | (10,454,274.00) |
| - | - | - | - | 88,079.00 |
| - | - | - | 306,593.00 | 2,239,121.00 |
| - | - | - | (154,759.00) | (315,596.00) |
| 17,057,291.00 | - | - | - | 17,107,480.00 |
| 368,224.00 | - | - | - | 368,224.00 |
| <u>17,422,951.00</u> | <u>-</u> | <u>136.00</u> | <u>451,543,122.00</u> | <u>482,434,758.00</u> |
| <u>35,755,735.00</u> | <u>12,345,291.00</u> | <u>63,208,734.00</u> | <u>502,421,882.00</u> | <u>1,269,661,136.00</u> |
| 912,758.00 | 238,841.00 | 17,853,000.00 | 14,317,283.00 | 60,013,133.00 |
| \$ - | \$ - | \$ - | \$ - | 50,344.00 |
| 7,216,162.00 | - | 29,815,633.00 | 402,385,953.00 | 879,698,219.00 |
| \$ - | \$ - | \$ - | \$ - | 70,056.00 |
| - | - | 34,582,801.00 | 27,210,935.00 | 364,853,782.00 |
| <u>8,128,920.00</u> | <u>238,841.00</u> | <u>82,251,434.00</u> | <u>443,914,171.00</u> | <u>1,304,685,534.00</u> |
| 5,805,106.00 | - | - | - | 5,805,106.00 |
| <u>13,934,026.00</u> | <u>238,841.00</u> | <u>82,251,434.00</u> | <u>443,914,171.00</u> | <u>1,310,490,640.00</u> |
| 47,436.00 | - | 136.00 | 585,550.00 | 13,994,597.00 |
| - | 11,682,336.00 | - | - | 11,682,336.00 |
| 21,774,273.00 | 424,114.00 | (19,042,836.00) | 57,922,161.00 | (66,506,437.00) |
| <u>\$ 21,821,709.00</u> | <u>\$ 12,106,450.00</u> | <u>\$ (19,042,700.00)</u> | <u>\$ 58,507,711.00</u> | <u>\$ (40,829,504.00)</u> |

UNAUDITED

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

For the Fiscal Year Ended August 31, 2013

| | Surplus Lines Stamping Office of Texas (3159) U/F (0391) | Texas Health Reinsurance System (4151) U/F (0392) | Texas Health Insurance Pool (4152) U/F (0393) | Texas Windstorm Insurance Association (4154) U/F (0394) |
|--|--|---|---|---|
| OPERATING REVENUES: | | | | |
| Sales of Goods and Services: | | | | |
| Other Sales of Goods and Services | \$ 2,410,114.00 | \$ - | \$ - | \$ - |
| Premium Revenue | - | 12,967.00 | 198,569,247.00 | 321,122,233.00 |
| Federal Revenue | - | - | 6,182,955.00 | - |
| Interest and Investment Income | 17,706.00 | 476.00 | - | - |
| Net Increase (Decrease) in Fair Value | - | - | - | - |
| Other Operating Revenue | 300.00 | - | 118,946,883.00 | - |
| Total Operating Revenues | 2,428,120.00 | 13,443.00 | 323,699,085.00 | 321,122,233.00 |
| OPERATING EXPENSES: | | | | |
| Salaries and Wages | 1,181,274.00 | - | 377,044.00 | 16,868,693.00 |
| Payroll Related Costs | 349,373.00 | - | - | 2,858,424.00 |
| Professional Fees and Services | 374,695.00 | - | 12,408,688.00 | - |
| Travel | 6,170.00 | - | 3,129.00 | - |
| Materials and Supplies | 44,523.00 | - | 33,640.00 | - |
| Communication and Utilities | 36,968.00 | - | - | - |
| Repairs and Maintenance | 53,856.00 | - | - | - |
| Rentals and Leases | 307,549.00 | - | 70,654.00 | 998,952.00 |
| Printing and Reproduction | 1,893.00 | - | - | - |
| Depreciation and Amortization | 711,923.00 | - | 4,107.00 | 1,026,790.00 |
| Other Operating Expenses | 146,385.00 | 13,443.00 | 197,563.00 | 471,884,269.00 |
| Total Operating Expenses | 3,214,609.00 | 13,443.00 | 13,094,825.00 | 493,637,128.00 |
| Operating Income (Loss) | (786,489.00) | - | 310,604,260.00 | (172,514,895.00) |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Interest and Investment Income | - | - | 8,260.00 | 631,678.00 |
| Net Increase (Decrease) Fair Value | - | - | - | - |
| Claims and Judgments Expense | - | - | (310,612,520.00) | - |
| Interest Expenses and Fiscal Charges | - | - | - | (3,506,945.00) |
| Other Nonoperating Revenues (Expenses) | - | - | - | (2,881,760.00) |
| Total Other Nonoperating Revenues | - | - | (310,604,260.00) | (5,757,027.00) |
| Change in Net Position | (786,489.00) | - | - | (178,271,922.00) |
| Net Position, September 1, 2012 | 8,956,885.00 | - | - | 55,878,852.00 |
| Restatements (Note 14) | - | - | - | - |
| Net Position, September 1, 2012, as Restated | 8,956,885.00 | - | - | 55,878,852.00 |
| Net Position, August 31, 2013 | \$ 8,170,396.00 | \$ - | \$ - | \$ (122,393,070.00) |

Note A - These Component Units have a fiscal year end of December 31, 2012. Financial information is as of that date.

UNAUDITED

| Texas Life and Health Insurance Guaranty Association (4161) U/F (0395) | Texas Title Insurance Guaranty Association (4162) U/F (0396) | Fair Access to Insurance Requirements Plan Association (4163) U/F (0397) | TX Property and Casualty Insurance Guaranty Association (4165) U/F (0398) | Totals (Ex IV) |
|--|--|--|---|---------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 2,410,114.00 |
| 124,161.00 | - | 56,880,394.00 | - | 576,709,002.00 |
| - | - | - | - | 6,182,955.00 |
| - | 158,333.00 | - | 8,281,082.00 | 8,457,597.00 |
| - | - | - | 6,355,588.00 | 6,355,588.00 |
| 3,259,454.00 | 2,237,979.00 | - | 21,344,131.00 | 145,788,747.00 |
| <u>3,383,615.00</u> | <u>2,396,312.00</u> | <u>56,880,394.00</u> | <u>35,980,801.00</u> | <u>745,904,003.00</u> |
| 397,707.00 | - | 4,497,083.00 | 5,156,695.00 | 28,478,496.00 |
| 58,593.00 | - | 1,624,403.00 | - | 4,890,793.00 |
| 172,675.00 | 360,022.00 | - | 157,197.00 | 13,473,277.00 |
| - | - | - | 24,249.00 | 33,548.00 |
| - | - | - | 72,459.00 | 150,622.00 |
| - | - | - | 23,099.00 | 60,067.00 |
| - | - | - | - | 53,856.00 |
| 161,799.00 | - | 285,958.00 | 449,034.00 | 2,273,946.00 |
| - | - | - | - | 1,893.00 |
| 22,080.00 | - | 12,387.00 | 250,843.00 | 2,028,130.00 |
| 228,152.00 | 1,203,940.00 | 41,859,871.00 | 417,885.00 | 515,951,508.00 |
| <u>1,041,006.00</u> | <u>1,563,962.00</u> | <u>48,279,702.00</u> | <u>6,551,461.00</u> | <u>567,396,136.00</u> |
| 2,342,609.00 | 832,350.00 | 8,600,692.00 | 29,429,340.00 | 178,507,867.00 |
| 129,085.00 | - | (137,153.00) | - | 631,870.00 |
| (112,271.00) | - | - | (3,210,484.00) | (3,322,755.00) |
| (10,388,258.00) | - | - | (20,853,875.00) | (341,854,653.00) |
| - | - | - | - | (3,506,945.00) |
| - | - | 348,632.00 | - | (2,533,128.00) |
| <u>(10,371,444.00)</u> | <u>-</u> | <u>211,479.00</u> | <u>(24,064,359.00)</u> | <u>(350,585,611.00)</u> |
| (8,028,835.00) | 832,350.00 | 8,812,171.00 | 5,364,981.00 | (172,077,744.00) |
| - | - | - | - | 64,835,737.00 |
| 29,850,544.00 | 11,274,100.00 | (27,854,871.00) | 53,142,730.00 | 66,412,503.00 |
| 29,850,544.00 | 11,274,100.00 | (27,854,871.00) | 53,142,730.00 | 131,248,240.00 |
| <u>\$ 21,821,709.00</u> | <u>\$ 12,106,450.00</u> | <u>\$ (19,042,700.00)</u> | <u>\$ 58,507,711.00</u> | <u>\$ (40,829,504.00)</u> |

UNAUDITED

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

For the fiscal year ended August 31, 2013

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | CFDA number | Pass-Through From | | | Non-State Entities Amount |
|---|----------------|-----------------------|---------------------|--------------------------------|---------------------------------|
| | | Identifying Number | Agy./ Univ. # | Agencies or Univ. Amount | |
| U.S. Department of Justice | | | | | |
| Pass-Through From: | | | | | |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16.803 | | 300 | \$ (521.56) | \$ - |
| Total U.S. Department of Justice | | | | \$ (521.56) | \$ - |
| U.S. Department of LaborU.S. Department of Labor | | | | | |
| Direct Programs: | | | | | |
| Compensation and Working Conditions | 17.005 | | | - | - |
| Consultation Agreements | 17.504 | | | - | - |
| OSHA Data Initiative | 17.505 | | | - | - |
| Total U.S. Department of Labor | | | | - | - |
| U.S. Dept of Health and Human Svcs | | | | | |
| Direct Programs: | | | | | |
| Affordable Care Act Grants to States for Health Insurance Premium Review | 93.511 | | | - | - |
| Pass-Through From: | | | | | |
| Health and Human Services Commission State Planning Grant for the Uninsured Department of Aging and Disability Services Centers for Medicare and Medicaid Services (CMS) | 93.256 | | 529 | 7,511,518.36 | - |
| Research, Demonstrations and Evaluations | 93.779 | | 539 | 142,284.39 | - |
| Total U.S. Dept. of Health and Human Svcs | | | | \$ 7,653,802.75 | \$ - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | | \$ 7,653,281.19 | \$ - |

UNAUDITED

| Direct Program Amount | Total PT From & Direct Program | Pass-Through To | | | Expenditures Amount | Total PT To & Expenditures |
|-----------------------------|--------------------------------------|---------------------|----------------------------------|---------------------------------|-------------------------|----------------------------------|
| | | Agy./ Univ. # | State Agy. or Univ. Amount | Non-State Entities Amount | | |
| \$ - | \$ (521.56) | | \$ - | \$ - | \$ (521.56) | \$ (521.56) |
| \$ - | \$ (521.56) | | \$ - | \$ - | \$ (521.56) | \$ (521.56) |
| 289,946.41 | 289,946.41 | | - | - | 289,946.41 | 289,946.41 |
| 2,713,968.96 | 2,713,968.96 | | - | - | 2,713,968.96 | 2,713,968.96 |
| 63,636.79 | 63,636.79 | | - | - | 63,636.79 | 63,636.79 |
| <u>3,067,552.16</u> | <u>3,067,552.16</u> | | <u>-</u> | <u>-</u> | <u>3,067,552.16</u> | <u>3,067,552.16</u> |
| 116,353.57 | 116,353.57 | | - | - | 116,353.57 | 116,353.57 |
| - | 7,511,518.36 | | - | - | 7,511,518.36 | 7,511,518.36 |
| - | 142,284.39 | | - | - | 142,284.39 | 142,284.39 |
| <u>\$ 116,353.57</u> | <u>\$ 7,770,156.32</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,770,156.32</u> | <u>\$ 7,770,156.32</u> |
| <u>\$ 3,183,905.73</u> | <u>\$ 10,837,186.92</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,837,186.92</u> | <u>\$ 10,837,186.92</u> |

UNAUDITED

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

For the fiscal year ended August 31, 2013

Note 2 - Reconciliation

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

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

| | |
|---|-------------------------|
| Federal Revenue | \$ 3,183,905.73 |
| Federal Grant Pass-Through Revenue | <u>7,653,281.19</u> |
| Total Pass-Through and Expenditures per Federal Schedule | <u>\$ 10,837,186.92</u> |

Separate Disclosure:

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

| | |
|---|-----------------|
| Discretely Presented Proprietary Component Unit - Texas Health Insurance Pool (U/F 0393) Entity subject to own audit and not included on Federal Schedule. | \$ 6,182,955.00 |
|---|-----------------|

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UNAUDITED

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

For the fiscal year ended August 31, 2013

| | Insurance Operating Account (0036) | General Revenue Fund (0001) | Subsequent Injury Fund (5101) | TDI Local Operating Fund (1006) | Total |
|---|--|--------------------------------|-------------------------------------|---------------------------------------|----------------------|
| COLLECTED BY | | | | | |
| THE TEXAS DEPARTMENT OF INSURANCE | | | | | |
| GENERAL FUNDS | | | | | |
| ORIGINAL APPROPRIATIONS | | | | | |
| Original Appropriations | \$ - | \$ 224,406.00 | \$ - | \$ - | \$ 224,406.00 |
| TOTAL ORIGINAL APPROPRIATIONS | - | 224,406.00 | - | - | 224,406.00 |
| ADDITIONAL APPROPRIATIONS | | | | | |
| Additional Appropriations | \$ - | \$ 170,954.56 | \$ - | \$ - | \$ 170,954.56 |
| TOTAL ADDITIONAL APPROPRIATIONS | - | 170,954.56 | - | - | 170,954.56 |
| TAXES | | | | | |
| Fund 0036 - Taxes - Certified Self-Insurers | \$ 948,068.19 | \$ - | \$ - | \$ - | \$ 948,068.19 |
| TOTAL TAXES | 948,068.19 | - | - | - | 948,068.19 |
| FEDERAL FUNDS | | | | | |
| Federal Revenue | \$ 2,740,518.97 | \$ 443,386.76 | \$ - | \$ - | \$ 3,183,905.73 |
| Federal Pass-Through Revenue | 7,637,023.54 | 16,779.21 | - | - | 7,653,802.75 |
| State Grant Pass-Through Revenue | (521.56) | - | - | - | (521.56) |
| TOTAL FEDERAL FUNDS | 10,377,020.95 | 460,165.97 | - | - | 10,837,186.92 |
| LICENSES, FEES AND PERMITS | | | | | |
| Administrative Fees | \$ 581,027.63 | \$ - | \$ - | \$ - | \$ 581,027.63 |
| Agents Certification and Clearance Letters | 48,880.22 | - | - | - | 48,880.22 |
| Amusement Ride Safety Inspections | 334,724.00 | - | - | - | 334,724.00 |
| Catastrophic Pool Inspection Fees | 6,330.00 | - | - | - | 6,330.00 |
| Conservation Fees | 683,060.35 | - | - | - | 683,060.35 |
| Examination and Assessment Fees | 237,745.14 | - | - | 10,315,814.25 | 10,553,559.39 |
| Examination Premium Finance | 3,724,671.80 | - | - | 49,250.00 | 3,773,921.80 |
| Fees - Certified Self-Insurers | 512,471.62 | - | - | - | 512,471.62 |
| Filing Fees - Health Maintenance Organizations | 116,640.00 | - | - | - | 116,640.00 |
| Filing Fees - Insurance Premium Finance | 46,435.00 | - | - | - | 46,435.00 |
| Filing Fees - Life | 233,796.04 | - | - | - | 233,796.04 |
| Filing Fees - Policy Approval | 424,470.00 | - | - | - | 424,470.00 |
| Filing Fees - Property and Casualty | 214,202.00 | - | - | - | 214,202.00 |
| Filing Fees - Risk Retention & Purchasing Groups | 13,425.00 | - | - | - | 13,425.00 |
| Filing Fees - Third Party Administrators | 209,208.91 | - | - | - | 209,208.91 |
| License Fees - Insurance Adjusters and Agents | 17,174,513.68 | 5,364.00 | - | - | 17,179,877.68 |
| License Fee - Title Insurance Companies | 178,812.13 | - | - | - | 178,812.13 |
| State Fire Marshal Fees | 2,839,995.26 | - | - | - | 2,839,995.26 |
| Miscellaneous Certification Fees | 1,324.20 | - | - | - | 1,324.20 |
| TOTAL LICENSES, FEES, AND PERMITS | 27,581,732.98 | 5,364.00 | - | 10,365,064.25 | 37,952,161.23 |
| SALES OF GOODS AND SERVICES | | | | | |
| Sale of Lists, Bulletins, Rating Data, etc. | \$ 8,117.41 | \$ - | \$ - | \$ - | \$ 8,117.41 |
| TOTAL SALES OF GOODS AND SERVICES | 8,117.41 | - | - | - | 8,117.41 |
| OTHER REVENUES | | | | | |
| Reimbursements - Third Party | \$ 1,633,902.24 | \$ 56,635.00 | \$ - | \$ - | \$ 1,690,537.24 |
| Interest and Investment Income | - | - | - | 4,989.30 | 4,989.30 |
| Other Miscellaneous Governmental Revenue | 3,378.04 | - | - | - | 3,378.04 |
| Workers' Compensation Insurance Benefits to State | - | - | 7,556,734.32 | - | 7,556,734.32 |
| TOTAL OTHER REVENUES | 1,637,280.28 | 56,635.00 | 7,556,734.32 | 4,989.30 | 9,255,638.90 |
| TOTAL GENERAL FUNDS COLLECTIONS | 40,552,219.81 | 917,525.53 | 7,556,734.32 | 10,370,053.55 | 59,396,533.21 |

UNAUDITED

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

For the fiscal year ended August 31, 2013

| | Insurance Operating Account (0038) | General Revenue Fund (0001) | Subsequent Injury Fund (5101) | TDI Local Operating Fund (1006) | Total |
|--|--|--------------------------------|-------------------------------------|---------------------------------------|--------------------------|
| AGENCY FUNDS COLLECTIONS | | | | | |
| State Sales Tax/Discounts | \$ - | \$ 403.04 | \$ - | \$ - | \$ 403.04 |
| Viatical Settlement Registration Fees | - | 5,000.00 | - | - | 5,000.00 |
| Utilization Review Fees/ Independent Review Organization | - | 82,700.00 | - | - | 82,700.00 |
| Filing Fees - Continuing Care Facilities | - | 40,340.00 | - | - | 40,340.00 |
| Returned Check Fees | - | 1,020.00 | - | - | 1,020.00 |
| Retaliatory Fees | - | 290.00 | - | - | 290.00 |
| Judgments (Secured by Court Action) | - | 4,870.44 | - | - | 4,870.44 |
| Penalty In Lieu of Suspension/Cancellation | - | 9,915,972.39 | - | - | 9,915,972.39 |
| Unauthorized Insurance/Administrative Penalties | - | 1,229,986.51 | - | - | 1,229,986.51 |
| Other Miscellaneous Governmental Revenue | - | 719.00 | - | - | 719.00 |
| SFMO-Fireworks, Educ Safety | - | 56,460.00 | - | - | 56,460.00 |
| License Fees - Insurance Adjusters and Agents | - | 199,913.00 | - | - | 199,913.00 |
| SFMO-Building Inspection Fees | - | 35,675.00 | - | - | 35,675.00 |
| Continuing Education Provider Fees | - | 324,323.50 | - | - | 324,323.50 |
| TOTAL AGENCY FUNDS COLLECTIONS | - | 11,897,672.88 | - | - | 11,897,672.88 |
| TOTAL COLLECTIONS TEXAS DEPARTMENT OF INSURANCE | \$ 40,552,219.81 | \$ 12,815,198.41 | \$ 7,556,734.32 | \$ 10,370,053.55 | \$ 71,294,206.09 |
| TRANSFERS IN | | | | | |
| From Comptroller of Public Accounts: | | | | | |
| Motor Vehicle Maintenance Tax | \$ 11,674,665.74 | \$ - | \$ - | \$ - | \$ 11,674,665.74 |
| Fire and Allied Lines Maintenance Tax | 31,826,032.21 | - | - | - | 31,826,032.21 |
| Workers' Compensation Maintenance Tax | 3,485,714.56 | - | - | - | 3,485,714.56 |
| Casualty Maintenance Tax | 8,048,707.50 | - | - | - | 8,048,707.50 |
| Title Maintenance Fee | 2,122,572.37 | - | - | - | 2,122,572.37 |
| Life/Accident and Health Maintenance Tax | 12,778,926.78 | - | - | - | 12,778,926.78 |
| Third Party Administrator Maintenance Tax | 640,924.11 | - | - | - | 640,924.11 |
| Health Maintenance Organization Maintenance Tax | 5,040,155.01 | - | - | - | 5,040,155.01 |
| Prepaid Legal Services Maintenance Tax | 1,273.28 | - | - | - | 1,273.28 |
| Annual Statement Filing Fees | 217,099.44 | - | - | - | 217,099.44 |
| Division of Workers' Compensation Maintenance Tax | 49,049,813.92 | - | - | - | 49,049,813.92 |
| Workers' Compensation Research Maint Tax | 486,819.36 | - | - | - | 486,819.36 |
| COMPTROLLER OF PUBLIC ACCOUNTS | 125,372,704.26 | - | - | - | 125,372,704.26 |
| From Other Sources: | | | | | |
| From Sale of Fixed Assets | \$ - | \$ 25,470.00 | \$ - | \$ - | \$ 25,470.00 |
| TOTAL REVENUES FROM TRANSFERS IN | - | 25,470.00 | - | - | 25,470.00 |
| TOTAL TRANSFERS IN | 125,372,704.26 | 25,470.00 | - | - | 125,398,174.26 |
| TOTAL REVENUES/TRANSFERS IN | \$ 165,924,924.07 | \$ 12,840,668.41 | \$ 7,556,734.32 | \$ 10,370,053.55 | \$ 196,692,380.35 |

UNAUDITED

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

2004 - 2013

| <u>FISCAL</u> <u>YEAR</u> | <u>TAXES</u> <u>COLLECTED</u> | <u>LICENSES</u> <u>& FEES</u> | <u>OTHER</u> <u>REVENUES</u> | <u>TOTAL</u> |
|------------------------------|----------------------------------|--------------------------------------|---------------------------------|----------------|
| 2004 | 34,257,607.00 | 38,820,609.57 | 10,632,851.92 | 83,711,068.49 |
| 2005 | 31,636,242.79 | 35,193,189.82 | 7,307,232.49 | 74,136,665.10 |
| 2006 | 105,523,190.31 | 44,514,896.85 | 106,591,952.01 | 256,630,039.17 |
| 2007 | 106,235,978.67 | 41,481,113.57 | 15,873,188.81 | 163,590,281.05 |
| 2008 | 106,577,824.24 | 35,423,092.34 | 18,763,013.27 | 160,763,929.85 |
| 2009 | 109,224,360.62 | 35,524,442.14 | 17,474,155.77 | 162,222,958.53 |
| 2010 | 132,500,456.69 | 38,901,850.87 | 21,397,528.08 | 192,799,835.64 |
| 2011 | 124,831,504.50 | 38,524,174.59 | 19,927,592.92 | 183,283,272.01 |
| 2012 | 135,532,769.11 | 51,733,467.23 | 37,917,820.02 | 225,184,056.36 |
| 2013 | 126,104,076.05 | 38,914,982.17 | 31,673,322.13 | 196,692,380.35 |

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