

***The 2012 Texas Liability Insurance
Closed Claim Annual Report***



Texas Department of Insurance

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Background

This is the 25th Texas Liability Insurance Closed Claim Annual Report prepared by the Texas Department of Insurance in accordance with the provisions of §§38.159 - 38.163, Texas Insurance Code. The legislative history of this statute indicates that there was an absence of reliable information concerning liability insurance claims, related court actions, and other information pertinent to the claims settlement process and the civil justice system in Texas. The reporting requirements contained in this statute provide TDI with the authority to gather liability claims information and the responsibility of compiling the data and issuing an annual report. Following the statutory distinctions, the State Board of Insurance adopted two separate forms for reporting liability claims closed with bodily injury indemnity settlements: the Short Form and the Long Form.

House Bill 2877, enacted by the 81st Texas Legislature, effective September 1, 2009, raised the threshold amounts for reporting Closed Claims.

Claims Closed **before** September 1, 2009

- Short Form – Indemnity settlements over \$10,000 but less than \$25,000
- Long Form – Indemnity settlements of \$25,000 or more

Claims Closed **on** September 1, 2009 **and after**

- Short Form – Indemnity settlements over \$25,000 but less than \$75,000
- Long Form – Indemnity settlements of \$75,000 or more

TDI collects the forms on a quarterly basis and reviews the forms manually and electronically to monitor data quality. Insurers submitted 5,234 reports for claims that closed in 2012. These claim reports account for almost \$1.3 billion in paid settlements.

Introduction

The data utilized in the preparation of this report includes 5,234 commercial liability closed claims submitted for calendar year 2012 on Quarterly Closed Claim Reports. All claims involve bodily injury, are settled under Texas law, and include the following lines of insurance:

- General Liability
- Medical Professional Liability
- Other Professional Liability
- Commercial Automobile Liability
- The Liability Portion of Commercial Multi-Peril Insurance

The 2012 quarterly closed claim database includes claims from 282 insurance companies and 7 self-insurers. Claims included in the database have been settled or otherwise disposed of, and the insurer has made all indemnity and expense payments on the claim. These reports do not include property damage, open claims, or claims not settled under Texas law.

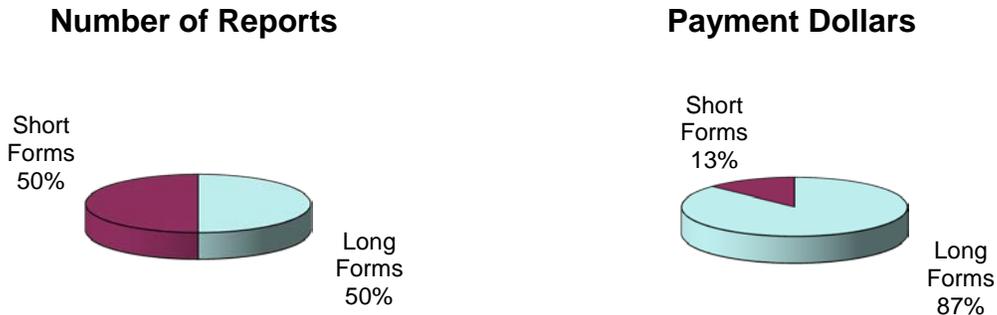
Payment amount in this report refers to the amount paid by the primary carrier on line 12 A.1 of the Quarterly Closed Claim Reports. Settlement amount refers to the amount paid by all parties on line 12 A.7 of the Quarterly Closed Claim Reports. The settlement amount may include payments from other insurers, the insured, excess carriers, and other defendants that may not submit closed claims due to the reporting requirements.

There were 5,234 Closed Claim Reports used in the preparation of this report and were divided as follows:

- 2,605 Short Forms – Indemnity settlements over \$25,000 but less than \$75,000
- 2,629 Long Forms – Indemnity settlements of \$75,000 or more

Short Forms account for 50 percent of all reports, however, only 13 percent of the total payments are on Short Forms. This is illustrated in Figure 1 on the following page.

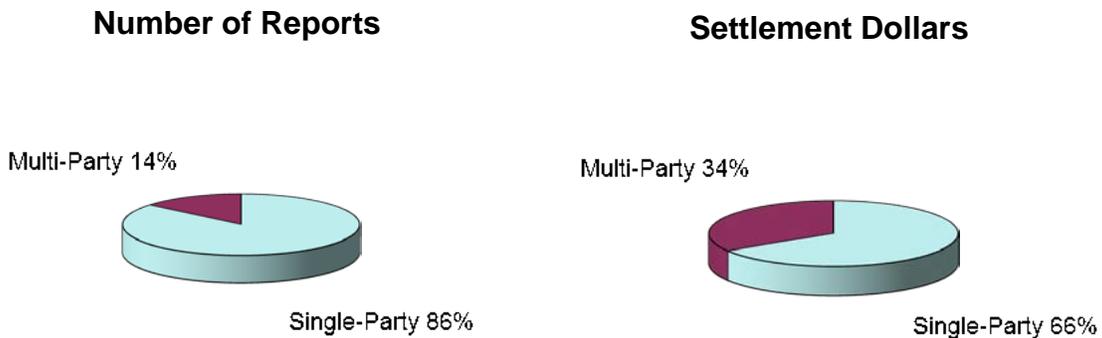
FIGURE 1
SHORT FORM VS. LONG FORM



The report differentiated between the single defendant cases (single-party) and the more complex cases that involved multiple defendants (multi-party). Single-party claims involve only payments by the reporting insurer as primary carrier and payments by the insured for deductibles or payments in excess of policy limits. Multi-party claims, which involve payments by excess carriers, or amounts paid on behalf of other defendants, account for 14 percent of the 2012 reports and 34 percent of the settlement dollars as shown in Figure 2.

Carriers report the amount they paid on a claim as well as the total known settlement amount paid to the claimant. The total settlement amount may include payments from other insurers, the insured, excess carriers, and other defendants. Single-party claims make up the majority of all claim reports, and the majority of settlement dollars come from single-party claims.

FIGURE 2
SINGLE-PARTY VS. MULTI-PARTY



Payments and Expenses

Almost \$1.3 billion in settlements from 5,234 closed claim forms are included in this report as shown in the last line of Figure 3. Keep in mind that the total settlement amount might be incomplete. Reports indicating involvement of other contributing parties might not have included the other contributing parties' payments in the total settlement amount.

It is also possible for a Closed Claim Report to indicate payment by more than one contributing party. As a result, the number of claims shown on the "Total Settlement" row may not equal the sum for each contributing party.

FIGURE 3

2012 CLOSED CLAIM DATA BASE SUMMARY

Contributing Parties	Claims	Amount Paid
Primary Carrier	4,842	\$793,300,916
Insured Due to Deductible	598	\$85,814,878
Insured in Excess of Policy Limits	14	\$9,429,013
Excess Carrier	120	\$245,356,732
Other Insured Defendants	366	\$143,563,033
Other Uninsured Defendants	44	\$14,420,031
Total Settlement	5,234	\$1,291,884,603

Figure 4 shows the average payment amount for all claims was \$151,567. The single-party average claim payment was \$134,965 as compared to the multi-party average claim payment of \$256,497.

FIGURE 4

THE AVERAGE 2012 COMMERCIAL LIABILITY CLAIM SINGLE-PARTY VS. MULTI-PARTY

Average	Single-Party	Multi-Party	All Forms
Payment Amount	\$134,965	\$256,497	\$151,567
Final Indemnity Reserve	\$168,427	\$318,821	\$188,972
Allocated Loss Adjustment Expense	\$25,524	\$92,111	\$34,620
Final Expense Reserve	\$19,136	\$85,861	\$28,251
Claim Duration (Months)	21.3	26.2	22.0

The majority of payments paid by the primary carrier occur in a small number of claims. Although claims with payments greater than \$150,000 comprise only 26 percent of claims reported, they account for 74 percent of the total dollar amount of payments reported in the study. These ranges are shown in Figure 5 below.

FIGURE 5
NUMBER OF PAYMENTS
BY PAYMENT RANGE

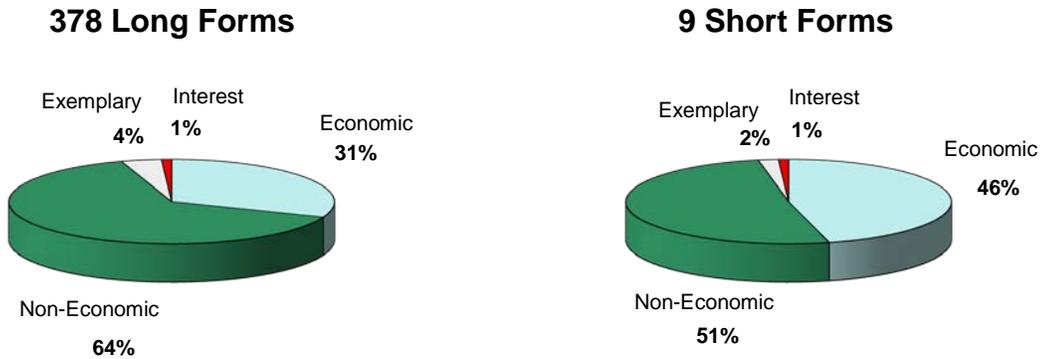
Payment Range	Single-Party	Multi-Party	Total
\$10,000 and Less	370	34	404
\$10,001 - \$24,999	15	5	20
\$25,000 - \$74,999	2,318	139	2,457
\$75,000 - \$149,999	787	185	972
\$150,000 - \$299,999	539	180	719
\$300,000 - \$499,999	197	68	265
\$500,000 - \$999,999	229	61	290
\$1,000,000 and Over	64	43	107
All Payments	4,519	715	5,234

On Long Forms, adjusters were asked for their opinions as to whether the settlement was influenced by non-economic losses, exemplary damages or prejudgment interest. Three hundred seventy-eight Long Forms indicated the categories of non-economic losses, exemplary damages or prejudgment interest influenced the settlement of the claim. Thirty-one percent of the damages were designated to economic losses, 64 percent to non-economic losses, 4 percent to exemplary damages, and 1 percent to prejudgment interest. These percentages are displayed in Figure 6 on the following page.

On the Short Forms, adjusters were asked for their opinions as to whether the potential for the assessment of exemplary damages influenced settlement amounts. They were asked to allocate damages into categories when exemplary damages influenced the settlement. These categories are economic losses, non-economic losses, exemplary damages, and prejudgment interest. In the adjusters' opinions, there were nine Short Forms that were influenced by exemplary damages. The percentages by categories are also shown in Figure 6 on the following page.

FIGURE 6

CATEGORY OF DAMAGES



The available data from 2,629 Long Forms indicates the use of structured settlements in the final resolution of 153 indemnity claims (6 percent). These structured settlements amounted to \$185 million with an average settlement amount of \$1.2 million and a median settlement amount of \$605,000. In these 153 cases, the immediate payment was on average 69 percent of the total settlement amount, while the structured portion was 31 percent of the total settlement amount.

Of the 2,629 Long Forms, 1,156 (44 percent) indicated that they were aware of the availability of some collateral sources of reimbursements to the injured person. Since claimants are not required to make this information available to insurers, this data may not have been reported in all cases where collateral sources were available. Figure 7 shows the collateral sources reported.

FIGURE 7

COLLATERAL SOURCES

Collateral Sources	Number of Forms
Workers' Compensation	378
Medical Insurance	518
Disability Insurance	35
Social Security Benefits	35
Medicare, Medicaid	358
Sick Leave	30
Other	37

Insurers were asked on all forms to divide their allocated loss adjustment expenses (ALAE) into three categories: outside defense counsel, in-house defense counsel, and other expenses. A total of 1,806 forms indicate no ALAE for the claim reported.

One of the three categories of expense was shown on the other 3,428 reports. Figure 8 shows the relationship of ALAE to claim payments. The ALAE to payment ratio increased

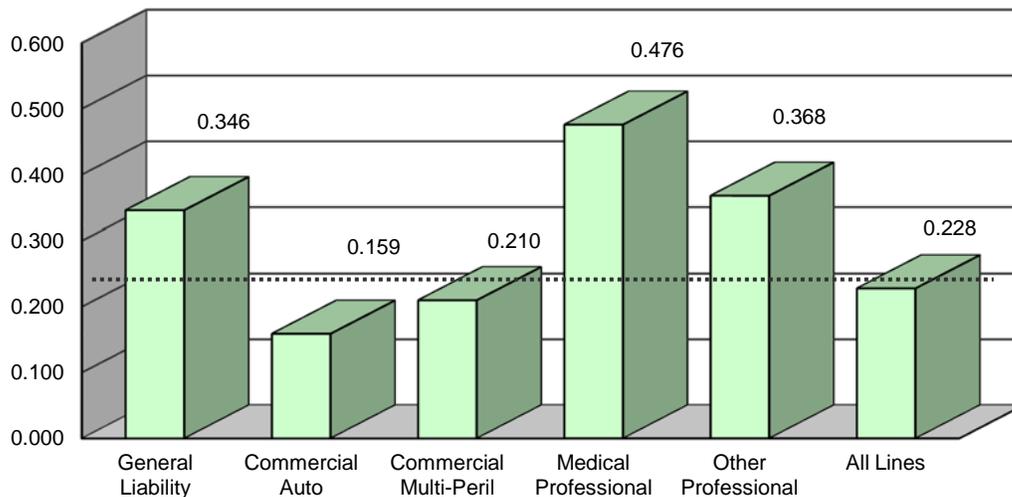
as average payment increased. Since cost containment expenses are not reported on the closed claim forms, the data in this section understates the amount of expenses incurred while settling the claim.

FIGURE 8
RATIO OF ALAE TO CLAIM PAYMENT
BY ALAE RANGE

ALAE Range	Claims	Average Payment	ALAE/Payment Ratio
\$0	1,806	\$80,408	0.000
\$1 - \$ 2,999	416	\$101,161	0.012
\$3,000 - \$ 5,999	247	\$117,427	0.038
\$6,000 - \$ 9,999	309	\$119,564	0.066
\$10,000 - \$24,999	838	\$135,265	0.124
\$25,000 - \$49,999	699	\$180,842	0.194
\$50,000 and over	919	\$326,758	0.462
Total	5,234	\$151,567	0.228

The data from all forms indicates that the average ALAE was 22.8 percent of the insurer's payment. Figure 9 compares the ALAE/payment ratio by line of insurance. Claims without ALAE are included. The ratio of 0.228 for all lines is shown by a dotted line for comparison purposes.

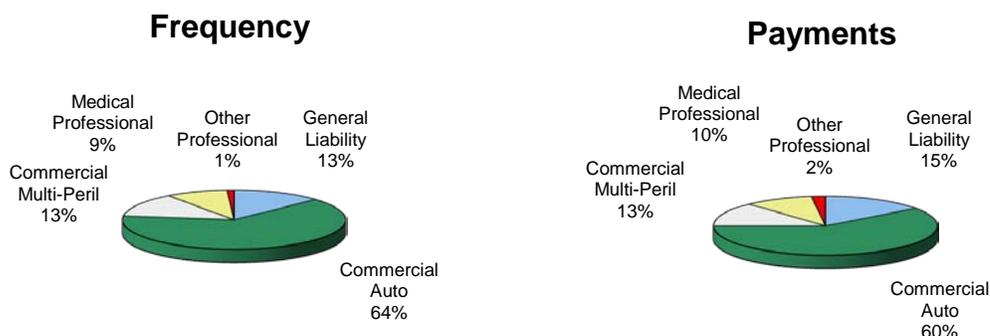
FIGURE 9
ALAE/PAYMENT RATIO
BY LINE OF INSURANCE



Insurance Policy Data

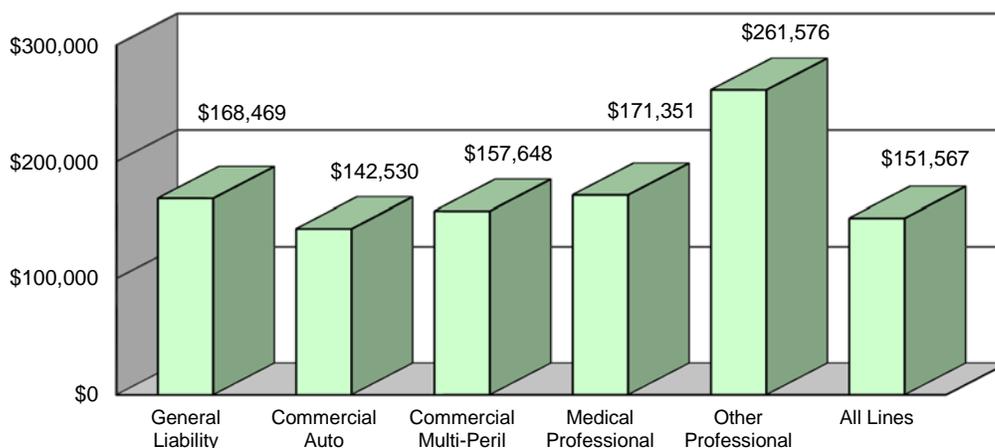
Commercial auto liability claims represent 64 percent of the Closed Claim Reports filed and 60 percent of the insurer payments. General liability claims represent 13 percent of the Closed Claim Reports filed and 15 percent of the insurer payments. Claims related to the liability portion on commercial multi-peril policies represent 13 percent of the reports filed and 13 percent of the insurer payments. Medical professional liability claims represent 9 percent of the reports filed and 10 percent of the insurer payments. Other professional liability claims represent 1 percent of the reports filed and 2 percent of the insurer payments. Only 47 cases involve other professional liability and, as a result, the data relating to that line is highly variable and is treated accordingly. Figure 10 illustrates the comparative relationship between numbers of claims and amounts of claim payments among the five lines of insurance.

FIGURE 10
DISTRIBUTION OF CLAIMS AND CLAIM PAYMENTS BY LINE



Based on all forms from all lines, the average insurer payment is \$151,567. Claims involving other professional liability reflect the highest average payment of \$261,576. Commercial auto claims average \$142,530, which is below the average. These comparisons are illustrated in Figure 11. These averages do not include settlements of \$25,000 or less reported on the Aggregate Closed Claim Report - see page 25.

FIGURE 11
AVERAGE PAYMENT
ALL LINES COMPARISON



Among the major insured business classifications reviewed, claims were most frequently cited in transportation, other (miscellaneous), wholesale-retail trade, construction firms, and physicians and surgeons. Twenty-six business classifications are included on the closed claim forms. The 12 business classifications listed in Figure 12 account for nearly 96 percent of the total reported claims and nearly 96 percent of the total payments reported for calendar year 2012.

FIGURE 12
FREQUENCY OF CLAIMS
BY BUSINESS CLASSIFICATION

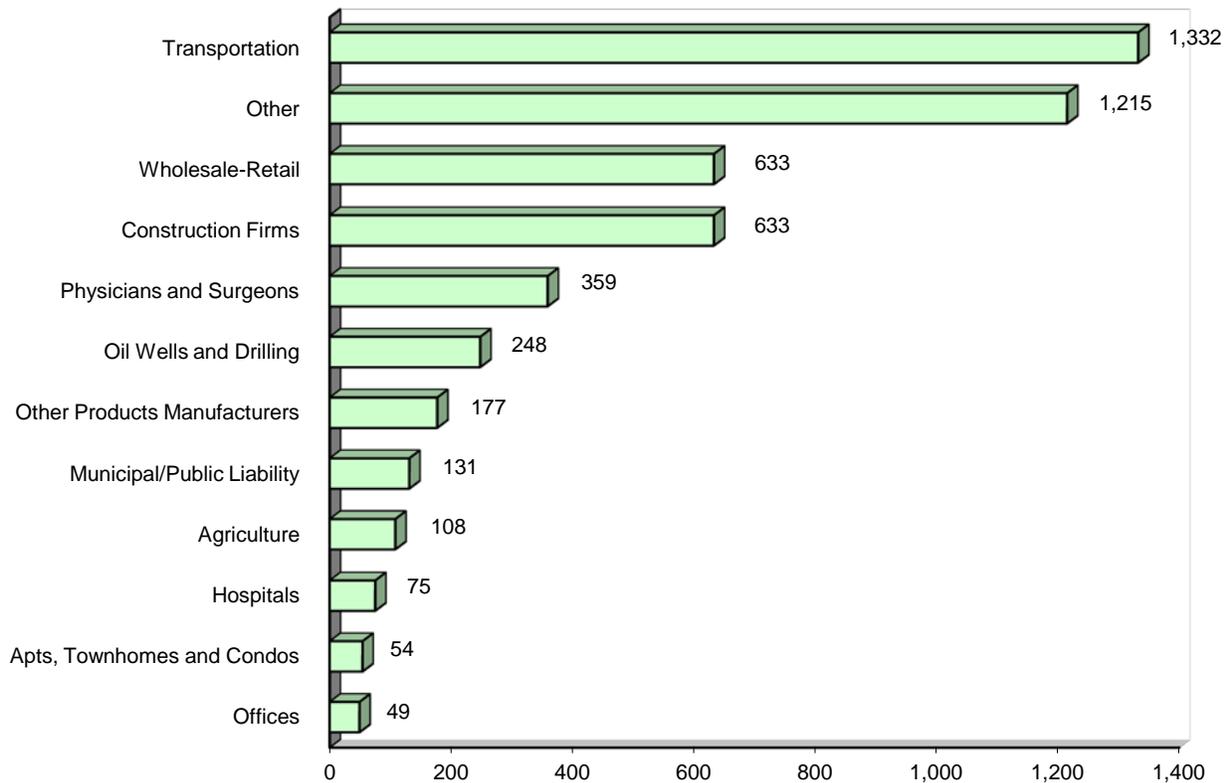
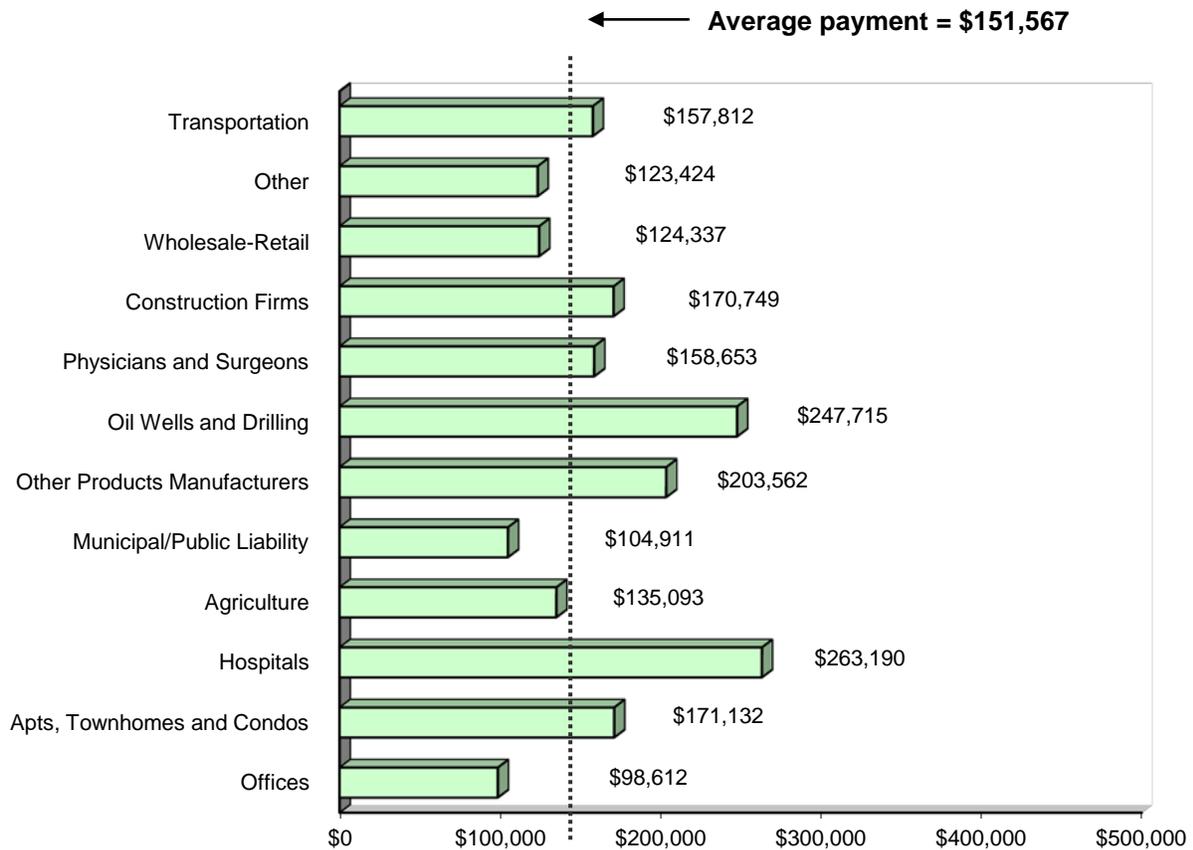


Figure 13 on the following page compares the average payment for each of the 12 major business classifications shown in Figure 12. The all lines average payment amount of \$151,567 is represented by a dotted line for comparison purposes. The highest of the major classifications was hospitals with an average claim payment of \$263,190.

FIGURE 13

MAJOR BUSINESS CLASSIFICATIONS
AVERAGE CLAIM PAYMENT



A comparison of final demand or payment to the policy limit may be misleading due to the possible presence of multiple claimants or property damage in an occurrence. However, a *minimum* number of injuries affected by impaired or exhausted policy limits can be determined from the closed claim forms.

Figure 14 on the following page shows 278 claims (5 percent) were affected by impaired or exhausted policy limits while 52 (19 percent) of those claims involved excess carriers. The most frequent policy limit was \$1 million for each line of insurance.

FIGURE 14

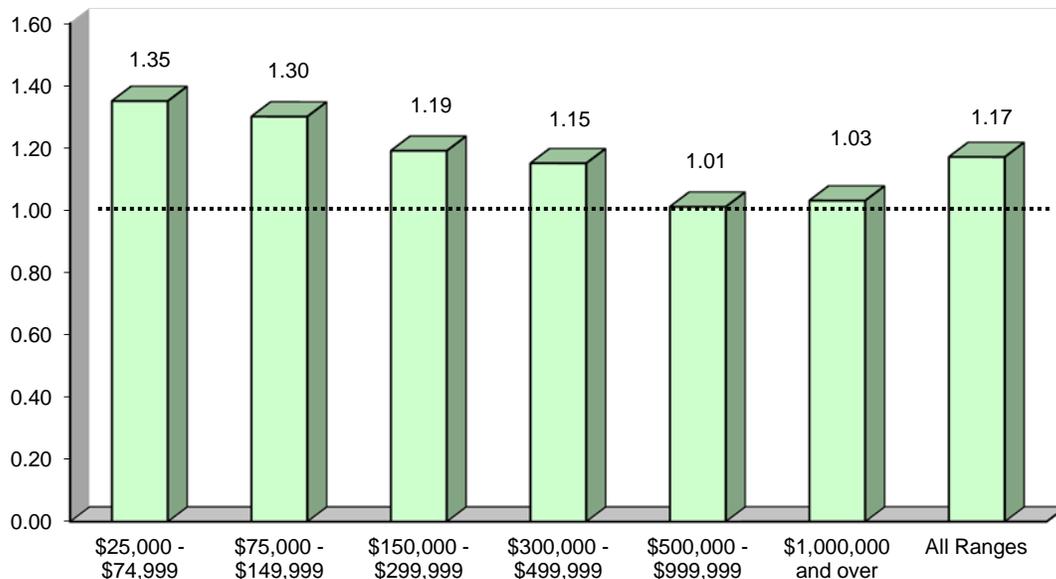
**IMPAIRED OR EXHAUSTED POLICY LIMITS
BY LINE OF INSURANCE**

Line of Insurance	Frequency	Average Payment	Excess Coverage Involved
General Liability	39	\$950,589	23
Commercial Auto	172	\$255,117	17
Commercial Multi-Peril	20	\$886,750	11
Medical Professional	47	\$326,128	1
All Lines	278	\$410,130	52

Since some insurers include expense reserves with indemnity reserves, they were combined in this report. The sum of the payment and ALAE is designated as an expenditure. Overall, the average initial case basis reserve of \$68,810 was 37 percent of the average expenditure of \$186,187. Fifty-eight percent of the claims were over-reserved by a total of \$239.8 million (just before the claim closed) while 25 percent were under-reserved by a total of \$77.4 million. The aggregate data from all forms indicates that expenditures were over-reserved by an average of 17 percent. A comparison for all lines of insurance is shown in Figure 15.

FIGURE 15

**ALL LINES
RATIO OF FINAL CASE BASIS RESERVES TO EXPENDITURE
BY EXPENDITURE RANGE**



*Adequate Reserve Ratio – 1.00

Bodily Injury

The Long Form contains information relating to the type of injury, how the injury occurred, and the age of the injured person. Eighteen separate types of injuries are listed on the Long Form, and insurers are instructed to select all applicable types of injuries. Please note that some forms may have incomplete settlement amounts because they are multi-party claims. The data from 2,629 Long Form settlements indicate that back injuries were the most common type of injury as shown in Figure 16. Insurers were instructed to select all the types of injuries applicable to the claim. So in cases other than death, the same claim may be shown under more than one category of injury.

FIGURE 16
INJURY TYPE
NUMBER OF CLAIMS

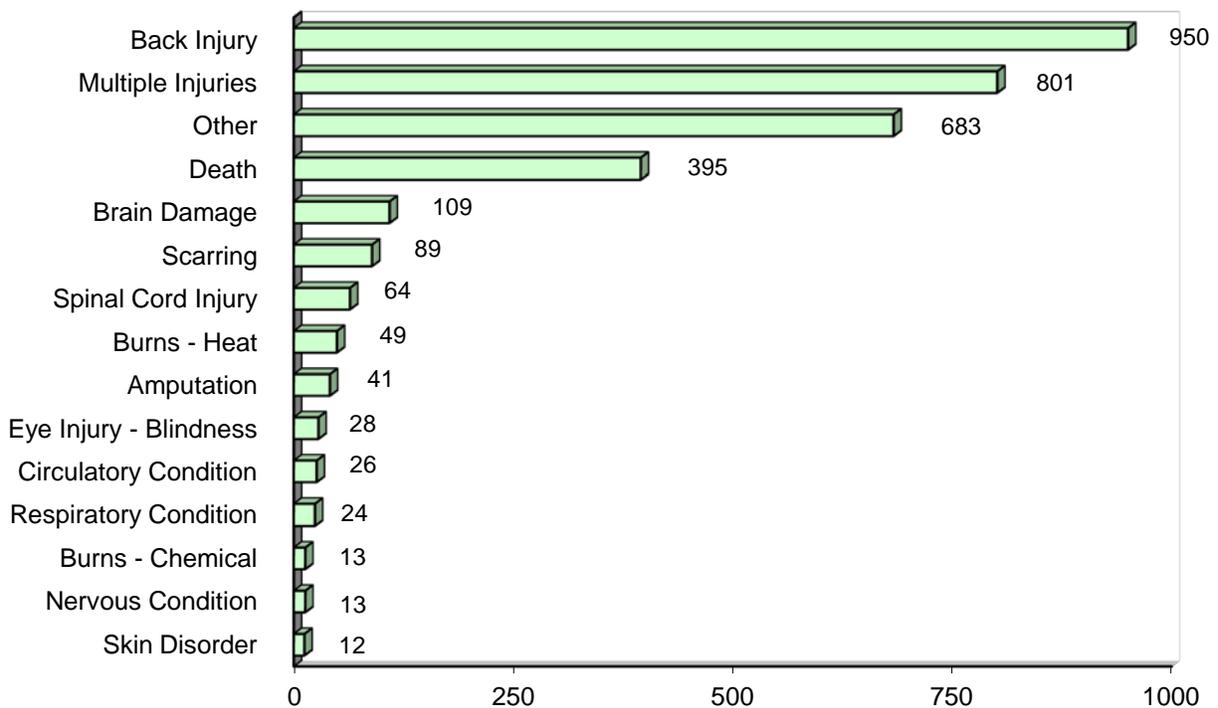
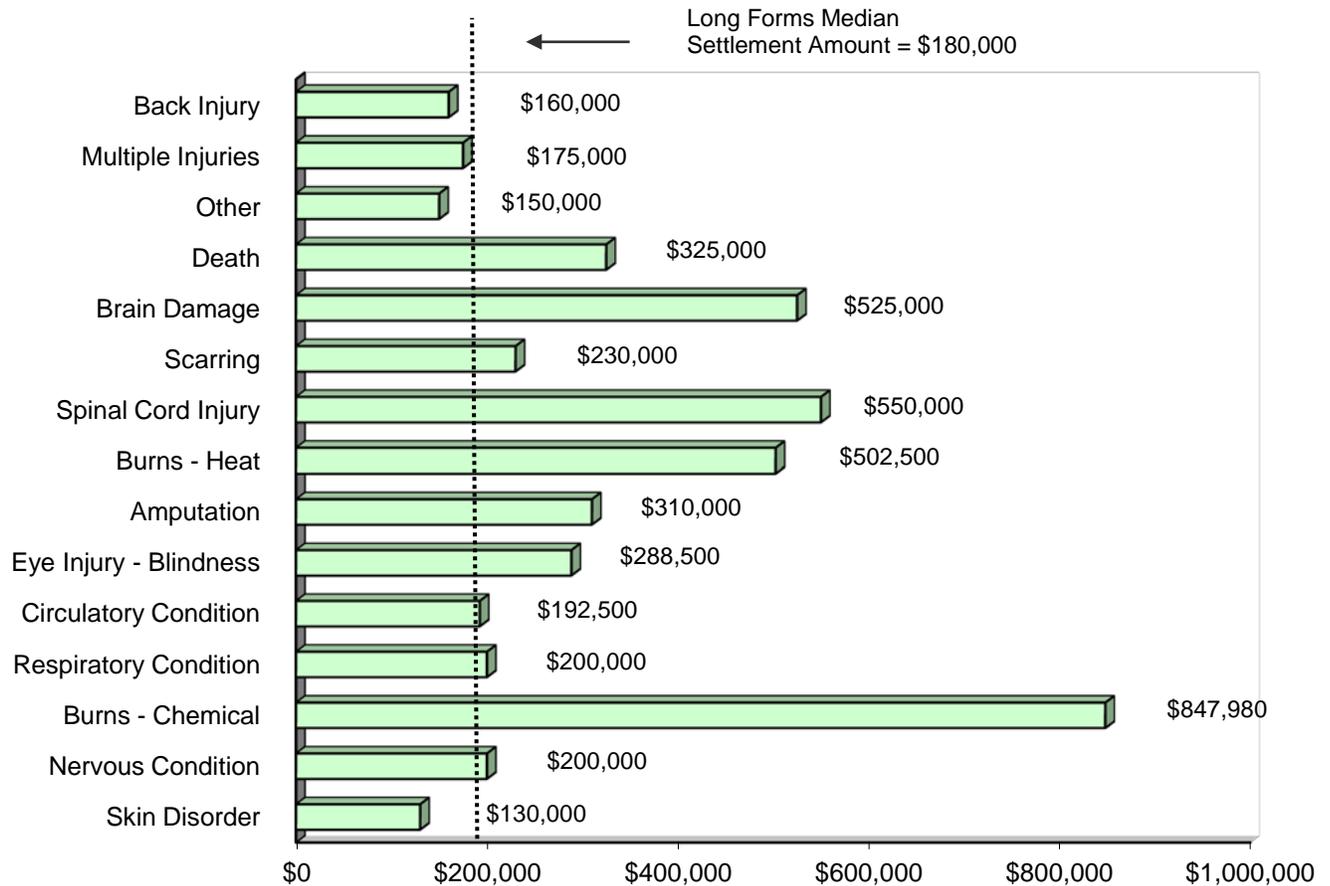


Figure 17 on the following page shows settlement amounts by injury type. Because of the possibility of duplicate reporting of injuries and the effect a large claim could have on the average claim amount, median settlement figures are used. The most costly claims closed in 2012 involved chemical burn injuries.

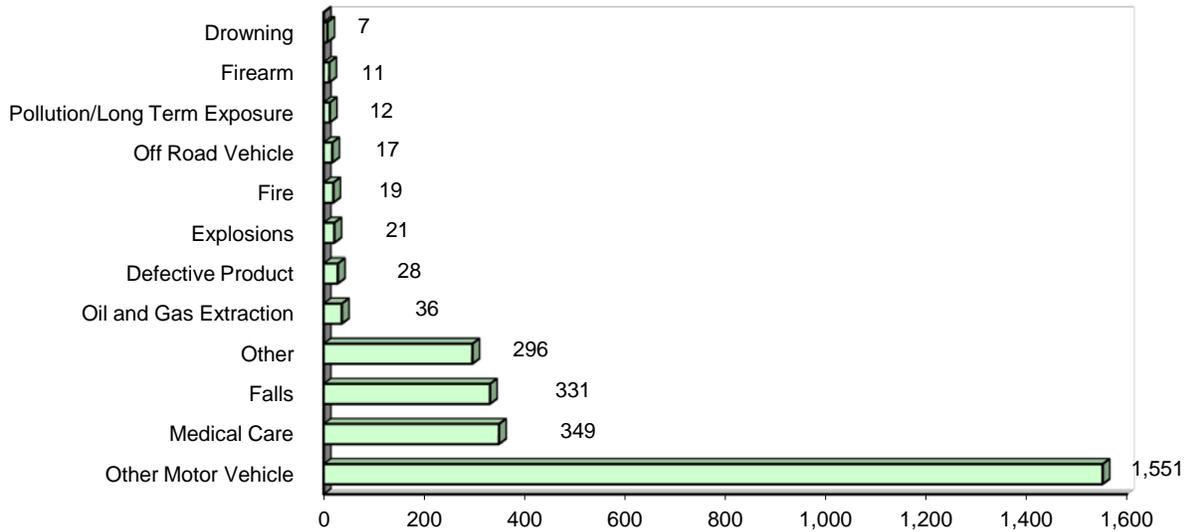
FIGURE 17
INJURY TYPE
MEDIAN SETTLEMENT AMOUNT



The Long Form also has 15 categories based on the activity engaged in at the time of the injury. The 12 most frequent activities are shown in Figure 18 on the following page. The adjusters' opinions here are subjective and may include more than one activity. For example, a claim involving a defective automobile may be marked as use of defective product, motor vehicle, or both. The injury category of other motor vehicle had the most number of claims.

FIGURE 18

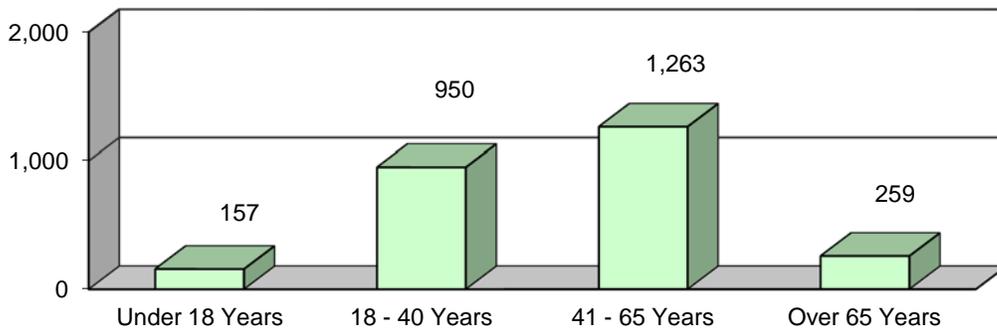
**HOW THE INJURY OCCURRED
NUMBER OF CLAIMS**



The age of the injured person at the time of injury was reported only on the Long Forms. Figure 19 indicates the age distribution. The median age of the injured party was 44 years.

FIGURE 19

**ALL INJURIES
AGE DISTRIBUTION**



There were 5,195 injuries that occurred in Texas and 39 injuries that occurred outside of Texas. Figure 20 on the following page shows the Texas counties with 30 or more injuries and the ratio of claims to county population. The statewide ratio is 19.94 claims for every 100,000 population.

FIGURE 20

**WHERE THE INJURY OCCURRED
COUNTIES WITH 30 OR MORE INJURIES
CLAIMS WITH SETTLEMENTS OVER \$25,000**

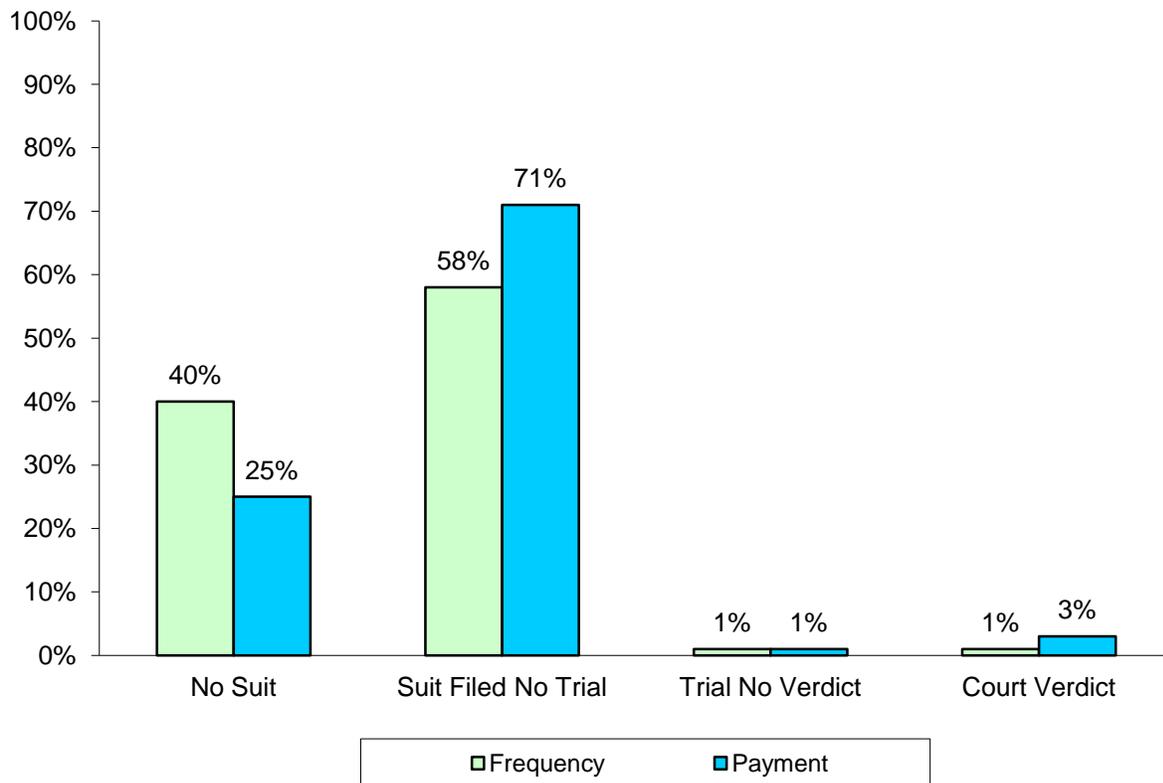
County	Number of Claims	Number of Claims per 100,000 Population	Median Settlement Amount	Maximum Settlement Amount
Harris	1,091	25.65	\$65,000	\$14,000,000
Dallas	492	20.05	\$55,000	\$18,000,000
Bexar	307	17.19	\$67,500	\$4,712,500
Tarrant	300	15.96	\$52,859	\$6,100,000
Hidalgo	233	28.89	\$70,000	\$2,450,000
Travis	200	18.26	\$75,000	\$1,425,000
El Paso	122	14.75	\$65,000	\$2,500,000
Jefferson	117	46.46	\$115,000	\$3,950,000
Collin	114	13.66	\$60,000	\$4,000,000
Cameron	112	26.95	\$67,500	\$1,000,000
Nueces	98	28.19	\$77,500	\$7,000,000
Montgomery	75	15.46	\$60,000	\$4,950,000
Denton	71	10.04	\$64,339	\$2,625,000
Webb	64	24.69	\$99,750	\$19,993,991
Smith	60	27.93	\$73,500	\$5,800,000
Galveston	53	17.64	\$62,500	\$2,100,000
Lubbock	52	18.20	\$75,000	\$3,000,000
Gregg	45	36.69	\$170,100	\$2,800,000
Ector	43	29.79	\$110,000	\$4,250,000
Brazoria	41	12.62	\$90,000	\$2,000,000
Fort Bend	39	6.22	\$50,000	\$5,000,000
Johnson	31	20.20	\$111,334	\$4,300,000
Midland	31	21.14	\$100,000	\$1,550,000
Williamson	31	6.79	\$52,500	\$1,250,000
Brazos	30	14.95	\$54,250	\$772,264

Claims Process

In Figure 21, only 1 percent of all reported settlements involved a court verdict. The overwhelming majority of claims were settled without the necessity of a trial. There were court verdicts for 62 injuries reported on 13 Short Forms and 49 Long Forms. Since the claim settlement process does not end with the trial court's verdict, the closed claim forms were designed to capture data relating to the court verdict and the final settlement. The other defendants or the excess carrier might have contributed to the settlement without being involved in the court verdict and might have agreed to a settlement before or after a verdict. Since the total settlement amount for multi-party claims might be inaccurate or unknown, the section on court verdicts deals only with the payments of the 60 claims that appear to be complete.

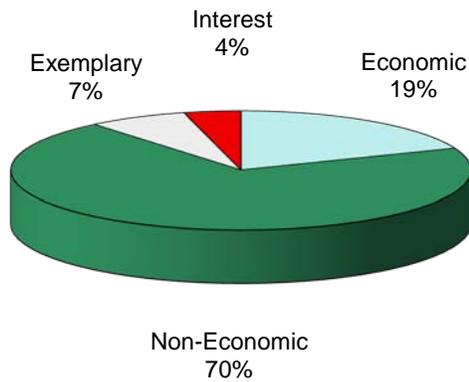
FIGURE 21

STAGES OF THE CLAIMS PROCESS



All closed claims that involved a court verdict required a distribution of the court verdict into four distinct categories of damages. Figure 22 indicates the allocation of the verdict amount into damages.

FIGURE 22
COURT VERDICTS
DAMAGES BY CATEGORY



On average, the verdict amount was reduced by over 61 percent before the case was finally settled. The verdict and settlement amounts are shown in Figure 23.

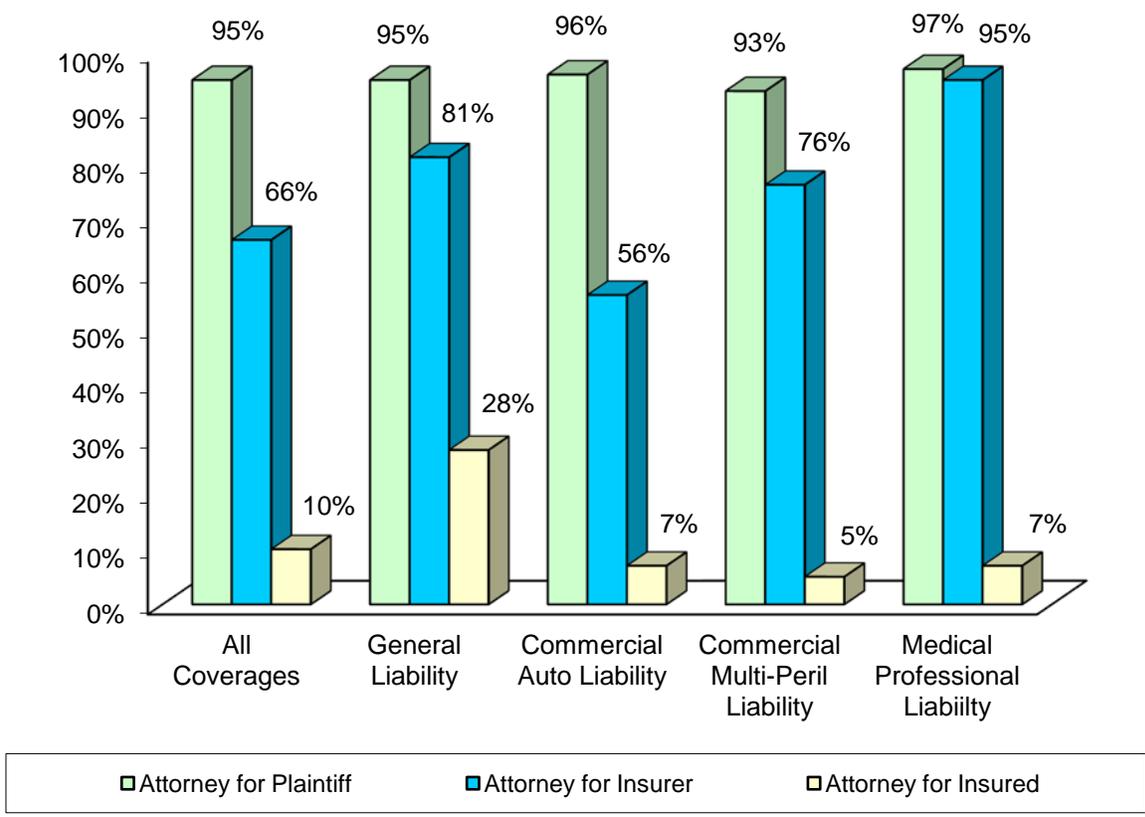
FIGURE 23
COURT VERDICT VS. SETTLEMENT AMOUNT

	Claims	Total Verdict Amount	Total Settlement Amount	Amount of Difference	Percent Difference
Verdict More Than Settlement	21	\$126,634,871	\$49,114,160	(\$77,520,711)	(61.2%)
Verdict Equal to Settlement	25	\$16,680,507	\$16,680,507	\$0	0.0%
Verdict Less Than Settlement	14	\$3,760,170	\$5,019,488	\$1,259,318	33.5%
Total	60	\$147,075,548	\$70,814,155	(\$76,261,393)	(51.9%)

The data from all 5,234 reports shows that 95 percent of all cases indicated the involvement of an attorney on behalf of the injured person (plaintiff), while 66 percent indicated an attorney for the insurer, and 10 percent indicated the hiring of an attorney to represent the insured. Figure 24 summarizes the attorney involvement for all policy lines studied except other professional liability.

FIGURE 24

**ATTORNEY INVOLVEMENT
BY LINE**



There were 649 multiple-defendant cases that were settled before a court verdict, and 16 judgments involving multiple defendants. In 92 (14 percent) of the 649 cases settled prior to a court verdict, the doctrine of joint and several liability impacted the settlement. Four of the 16 judgments involving multiple defendants provided for joint and several liability in regard to any defendant.

Focusing on the doctrine of comparative responsibility, a total of 479 cases (18 percent of all Long Form settlements) indicate some fault attributable to the injured person. These 479 cases had a median settlement amount of \$160,000 (smaller than all Long Forms' median of \$180,000) and, on average, estimated the injured person to be 35 percent at fault.

Generally, Texas law allows a plaintiff to bring suit in one of several counties (See Chapter 15, *Texas Civil Practice and Remedies Code*). Figure 25 presents the relationship of the suits involving choice of venue by line of insurance.

FIGURE 25
CHOICE OF VENUE
BY LINE OF INSURANCE
SETTLEMENTS OVER \$25,000

Line of Insurance	Number of Suits Filed in County Where Injury Occurred	Number of Suits Filed in County Other Than Where Injury Occurred	Percent of Total
General Liability	490	65	13.3%
Commercial Auto	1,474	202	13.7%
Commercial Multi-Peril	423	50	11.8%
Medical Professional	374	32	8.6%
Other Professional	34	3	8.8%
All Lines	2,795	352	12.6%

A total of 3,147 forms reported that suits were filed. Of this total, 2,795 suits were filed in the same county where the injury occurred, and 352 suits were filed in a county other than the county where the injury occurred. The median settlement amount in the 2,795 cases was \$100,000, while the median settlement amount in the remaining 352 cases was \$125,000. Figure 26 on the following page shows the counties with an influx of five or more lawsuits.

FIGURE 26

**CHOICE OF VENUE
COUNTIES THAT GAINED FIVE OR MORE LAWSUITS
SETTLEMENTS OVER \$25,000**

County	Number of Suits Filed	Number of Suits Incoming	Percent of Suits Incoming	Median Settlement Amount of Suits Filed in County Listed
Dallas	348	81	23.3%	\$100,000
Harris	693	53	7.6%	\$100,000
Tarrant	172	30	17.4%	\$88,500
Bexar	199	16	8.0%	\$94,000
Jefferson	107	16	15.0%	\$128,495
Travis	130	14	10.8%	\$100,000
Hidalgo	158	11	7.0%	\$97,729
Nueces	74	9	12.2%	\$100,000
Brazoria	33	6	18.2%	\$200,000
Upshur	10	6	60.0%	\$496,952
Webb	49	6	12.2%	\$101,300
Counties Listed	1,973	248	12.6%	\$100,000
Counties Not Listed	1,174	104	8.9%	\$110,000
All Counties	3,147	352	11.2%	\$100,000

Comparative Analyses

Figure 27 shows the time comparison between single-party and multi-party cases. As expected, the multi-party cases take longer to close than the single-party cases.

**FIGURE 27
ALL LINES TIME STUDY
BY PARTY (MONTHS)**

Category	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
Single-Party	4,519	\$609,905,521	2.8	21.3	2.2	26.3
Multi-Party	715	\$183,395,395	15.0	26.2	3.9	45.1
All Parties	5,234	\$793,300,916	4.5	22.0	2.4	28.9

Figure 28 shows time comparisons among various lines of insurance. The data for other professional liability is included with general liability due to only 47 claims being reported for this line of insurance. Medical professional liability cases involve the longest average span of time (45.3 months) from the date of injury to the actual closing of the claim.

**FIGURE 28
ALL LINES TIME STUDY
BY POLICY TYPE (MONTHS)**

	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
General Liability	759	\$132,243,761	10.2	24.0	3.7	37.9
Commercial Auto	3,355	\$478,187,971	1.1	20.6	2.0	23.7
Commercial Multi-Peril	660	\$104,047,832	7.1	23.5	2.5	33.1
Medical Professional	460	\$78,821,352	16.2	26.2	2.9	45.3
All Claims	5,234	\$793,300,916	4.5	22.0	2.4	28.9

Figure 29 on the following page displays the average time in months for each injury type. Of the studies based on type of injury, those involving systemic poisoning (toxic), on average, took the longest time from injury to close (207.2 months), which is six times the average of 34.5 months for all Long Form claims. The total payments column for all Long Forms does not equal to the subtotal of the separate injury types because the Long Form allows for multiple selections of injury type.

FIGURE 29

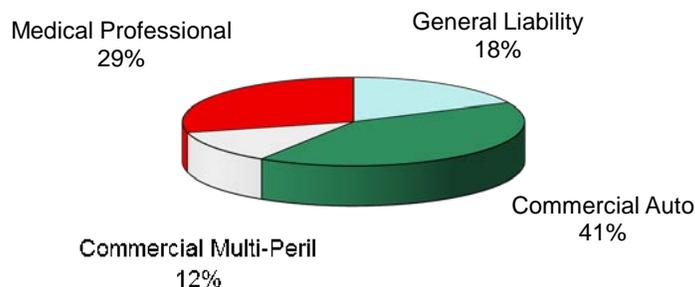
**ALL LONG FORMS TIME STUDY
BY INJURY TYPE (MONTHS)**

Injury Type	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
Death	395	\$155,999,148	12.6	24.0	4.4	41.0
Amputation	41	\$15,918,949	8.7	28.7	3.1	40.5
Burns (Heat)	49	\$28,080,190	6.4	27.5	6.5	40.4
Burns (Chemical)	13	\$7,812,524	7.3	28.3	3.4	39.0
Systemic Poisoning (Toxic)	5	\$420,408	182.8	20.4	4.0	207.2
Systemic Poisoning (Other)	3	\$405,000	11.7	12.0	2.3	26.0
Eye Injury (Blindness)	28	\$9,969,499	10.6	28.2	2.3	41.1
Respiratory Condition	24	\$5,438,610	42.0	21.9	3.8	67.6
Nervous Condition	13	\$4,760,442	10.0	20.6	5.4	36.0
Hearing Loss/Impairment	12	\$5,874,370	7.9	29.7	4.9	42.5
Circulatory Condition	26	\$5,187,257	12.2	23.7	3.4	39.3
Multiple Injuries	801	\$215,169,551	3.8	23.2	3.3	30.4
Back Injury	950	\$211,375,331	2.6	26.2	2.7	31.5
Skin Disorder	12	\$2,600,000	12.4	31.6	3.4	47.4
Brain Damage	109	\$53,955,776	9.2	27.6	4.0	40.8
Scarring	89	\$33,750,727	4.0	24.3	2.8	31.1
Spinal Cord Injuries	64	\$30,313,703	8.9	25.2	5.9	40.0
Other	683	\$138,451,812	6.9	24.7	2.4	34.0
All Long Forms	2,629	\$693,195,244	6.5	24.9	3.1	34.5

Injury type is only reported on the Long Form. There were 395 injuries (15 percent) reported on the Long Form that resulted in death. As shown in figure 30, medical professional liability claims account for 29 percent of the death claims, commercial auto liability for 41 percent, general liability for 18 percent, and commercial multi-peril liability for 12 percent.

FIGURE 30

**DEATH CLAIMS
BY LINE OF INSURANCE**



Of the 2,629 settlements reported on Long Forms, 426 claims indicated work-related injuries. On a percentage basis, the business classification of oil wells and drilling indicated the highest rate of work-related injuries with 38.3 percent of the claims relating to the job, followed by construction firms at 34 percent, and other products manufacturers with 27.8 percent. Figure 31 shows data for the business classifications with more than 20 work-related injuries.

FIGURE 31

**WORK-RELATED INJURIES
BY BUSINESS CLASSIFICATION**

Business Classification	Work-Related Claims	Percent Work-Related	Average Payment	Claim Duration (Months)	Injury to Close (Months)
Construction Firms	116	34.0%	\$313,626	25.4	41.6
Transportation	93	14.4%	\$292,899	23.7	30.5
Other	66	12.5%	\$320,014	27.3	63.5
Oil Wells and Drilling	59	38.3%	\$432,047	22.3	37.7
Wholesale-Retail Trade	34	12.2%	\$318,715	26.6	33.6
Other Products Manufacturers	25	27.8%	\$524,896	27.4	37.2
All Business Classes	426	16.2%	\$331,653	25.1	40.8

The 2012 Closed Claim Report data contains 221 claims involving the business classifications of drug manufacturers, manufacturers of chemical and allied products, medical products manufacturers, and other products manufacturers. The average payment for product liability claims of \$184,278 was 22 percent more than the average of \$151,567 for all lines. The average ALAE for product liability claims of \$51,815 was more than the average of \$34,620 for all lines. The claims are categorized in this section as product liability claims, but are not necessarily caused by use of a defective product. Figure 32 presents the average claim information derived from the product liability claims reported.

FIGURE 32

**PRODUCT LIABILITY
AVERAGE CLAIM**

	Payment Amount	Final Indemnity Reserve	ALAE	Final Expense Reserve	Claim Duration (Months)
Product Liability	\$184,278	\$216,482	\$51,815	\$39,959	22.8
All Forms	\$151,567	\$188,972	\$34,620	\$28,251	22.0

Only 131 settlements indicated municipal/public liability as the insured business classification. Data derived from these reports show the average payment amount to be \$104,911, which is 31 percent less than the average of \$151,567 for all forms. Figure 33 presents the average claim information for municipal/public liability claims reported.

FIGURE 33

**MUNICIPAL/PUBLIC LIABILITY
AVERAGE CLAIMS**

	Payment Amount	Final Indemnity Reserve	ALAE	Final Expense Reserve	Claim Duration (Months)
Municipal Liability	\$104,911	\$114,328	\$28,728	\$33,374	25.6
All Forms	\$151,567	\$188,972	\$34,620	\$28,251	22.0

**2012 Calendar Year
Annual Aggregate Closed Claim Report**

The 2012 Calendar Year Annual Aggregate Closed Claim Report was filed on an annual basis for bodily injury indemnity payments of \$25,000 or less. Five self-insured entities and 345 insurance companies are included in the Annual Aggregate Closed Claim Database. A summary of the Aggregate Closed Claim Report is presented below.

**ANNUAL AGGREGATE CLOSED CLAIM REPORT
INDEMNITY PAYMENTS FOR \$0 TO \$25,000**

	(1) Aggregate Number of Claims \$0 Indemnity Payments	(2) Aggregate Number of Claims \$1 to \$25,000 Indemnity Payments	(3) Total Number of Claims (1 + 2)	(4) Aggregate Dollar Amount Paid Out
General Liability	18,811	2,332	21,143	\$11,328,126
Other Professional Liability	697	80	777	\$479,352
Commercial Auto Liability	17,822	14,501	32,323	\$93,688,122
Commercial Multi-Peril Liability	9,417	2,904	12,321	\$15,403,043
Medical Professional Liability	2,880	166	3,046	\$1,884,763
Total	49,627	19,983	69,610	\$122,783,406

2012 Closed Claim Reconciliation Form

The department required companies to submit a reconciliation form for calendar year 2012 to ensure that all applicable closed claims were reported. The payments reported on Quarterly Closed Claim Reports with bodily injury over \$25,000 (Short and Long Forms) and the Aggregate Closed Claim Reports with bodily injury of \$25,000 or less were compared to the direct losses paid by line of insurance. These losses were reported to the National Association of Insurance Commissioners (NAIC) on the 2012 Annual Statement, *Texas Statutory Page 14*. **Self-insured entities did not complete a Reconciliation Form so they are not included in this section.**

There were 551 insurance companies that reported a total of \$2.5 billion direct losses paid on the 2012 Annual Statement, *Texas Statutory Page 14* for the lines of business mentioned in §§38.151, Texas Insurance Code. Thirty-five percent of the direct losses paid for general liability, commercial auto liability, Texas commercial multi-peril liability, and medical professional liability were reported on Closed Claim Reports. The remaining \$1.6 billion of direct losses paid involved amounts that were not reported during calendar year 2012 on Closed Claim Reports. The following chart summarizes the information from the Reconciliation Forms. The data allows a comparison to be made by line of insurance between payment amounts that are required to be reported under §§38.151 – 38.163 of the Texas Insurance Code and payments made during calendar year 2012 that are not reportable on Closed Claim Reports. General liability and other professional liability are combined on the Reconciliation Form.

Line 1 of the Reconciliation Form shows the amount of claims reported for each line of insurance on the Closed Claim Report of Accepted Transactions at the beginning of the reconciliation project.

Line 2 of the Reconciliation Form indicates the amount of claims as shown on the Aggregate Closed Claim Report.

Line 3 is the subtotal of lines 1 and 2 of the Closed Claim Reconciliation Form.

Lines 4 and 5 consist of payments that did not involve bodily injury. These payments were mainly for property damage losses, but also included amounts for medical payments, personal injury protection, uninsured and underinsured motorist payments, professional liability, and payments on claims involving mental anguish, improper termination, libel, slander, and so on.

Lines 6 and 7 include payments made on open claims that will not be reported until the claim closes and payments made in preceding calendar years.

Line 8 shows the excess payments by line of business as reported on the Reconciliation Forms. Excess payments on bodily injury are part of the settlement amount of a claim. Many insurance companies do not know the amount paid by an excess carrier and, as a result, do not report it correctly in the settlement amount on a Closed Claim Report. This is a major reason for reporting the 2012 Closed Claim Annual Report on a payment basis instead of a settlement basis.

Line 9 shows direct losses paid by line of insurance on policies written in Texas for claims that were not settled under Texas law. Only claims settled under Texas law are reportable on the Closed Claim Reports.

Line 10 shows the amounts reported on Closed Claim Reports for policies written in another state where the claim was settled under Texas law.

Line 11 shows payments of \$25,000 or less that were reported both on Closed Claim Reports and the Annual Aggregate Closed Claim Report.

Line 12 shows \$24.5 million for total reimbursements received. This was primarily deductibles recovered for liability and property damage claims.

Line 13 shows adjustments made due to company rounding and estimating procedures.

Line 14 relates primarily to losses from catastrophes and class action suits that involve more than 10 claimants.

Line 15 shows the amount of claims that companies were unable to reconcile during the reconciliation process.

Line 16 shows the amount of claims that were on the Closed Claim Report of Unaccepted Transactions at the beginning of the reconciliation process.

Line 17 and 18 are losses moved to or from a Closed Claim Report to another line of insurance or company.

Line 19 shows Closed Claim Reports received during the reconciliation process.

Lines 20 and 21 indicate the amount of direct losses paid for each line of insurance as shown on the 2012 Annual Statement, *Texas Statutory Page 14*.

**TEXAS CLOSED CLAIM RECONCILIATION
FOR CALENDAR YEAR 2012
TOTALS FOR ALL 551 COMPANIES**

	General Liability	Commercial Auto	Commercial Multi-Peril	Medical Professional	Total
1. Payments Included in Quarterly Closed Claim Reports from the ATL	\$121,962,277	\$425,401,361	\$63,409,193	\$40,348,701	\$651,121,532
2. Payments Reported on Annual Aggregate Closed Claim Report	\$11,721,718	\$92,757,106	\$15,403,043	\$1,016,109	\$120,897,976
3. Total Closed Claim Payments Reported	\$133,683,995	\$518,158,467	\$78,812,236	\$41,364,810	\$772,019,508
Adjustments to Line 3					
4. Property Damage Losses Paid	\$235,580,698	\$203,435,333	\$82,790,641	\$0	\$521,806,672
5. Other Losses Reported on <i>TX Statutory Page 14</i> that Did Not Entail Bodily Injury	\$392,113,606	\$50,427,848	\$12,307,930	\$3,413	\$454,852,797
6. Payments on Claims Not Closed in Calendar Year 2012	\$73,882,403	\$108,709,327	\$30,502,064	\$5,782,585	\$218,876,379
7. Payments Made Prior to Jan. 1 on Claims Closed During the Year 2012	(\$41,309,366)	(\$72,878,566)	(\$24,188,962)	(\$5,399,662)	(\$143,776,556)
8. Excess Coverage Payments Not Reportable on Quarterly Closed Claim Reports	\$400,625,346	\$35,891,093	\$2,054,825	(\$1,428,498)	\$437,142,766
9. Losses Paid on Claims Not Settled Under Texas Law	\$157,503,242	\$70,009,705	\$11,384,532	\$796,223	\$239,693,702
10. Payments on Claims Reported on Policies Written in Another State	(\$12,197,109)	(\$50,687,063)	(\$4,598,116)	(\$43,500)	(\$67,525,788)
11. Payments of \$25,000 or Less That Were Reported on Quarterly Reports	\$0	(\$9,877)	\$0	(\$20,000)	(\$29,877)
12. Reimbursements Received	(\$10,004,435)	(\$11,340,565)	(\$2,012,139)	(\$1,159,090)	(\$24,516,229)
13. Rounding and Statistical Adjustments	(\$4,107,116)	(\$7,882,778)	\$32,323	\$0	(\$11,957,571)
14. Unusual Circumstances	\$0	\$0	\$0	\$0	\$0
15. Unreconciled Amounts	\$1,660,846	(\$4,178,709)	\$1,030,501	\$1,127,460	(\$359,902)
16. Payments for Claims on the Closed Claim Report of Unaccepted Transactions	\$70,000	\$155,000	\$202,001	\$49,000	\$476,001
17. Closed Claim Subtractions	(\$52,871,198)	(\$58,384,663)	(\$13,492,157)	(\$2,464,271)	(\$127,212,289)
18. Closed Claim Additions	\$28,423,838	\$30,378,333	\$37,921,616	\$15,000	\$96,738,787
19. Late Quarterly Closed Claim Reports	\$27,909,860	\$67,625,366	\$17,679,578	\$1,813,750	\$115,028,554
20. Sum of Lines 3 Through 19, (Must Equal Line 21)	\$1,330,964,610	\$879,428,251	\$230,426,873	\$40,437,220	\$2,481,256,954
21. Annual Statement Texas Statutory Page 14, Direct Losses Paid	\$1,330,964,610	\$879,428,251	\$230,426,873	\$40,437,220	\$2,481,256,954

Additional Information

The data used for developing this report is available on TDI's website at www.tdi.texas.gov.

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