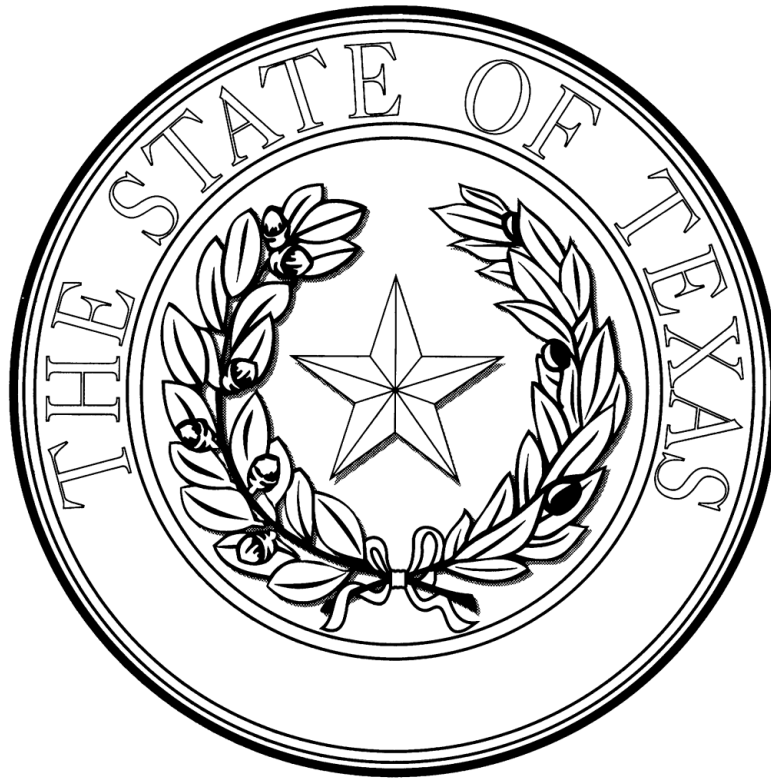


***The 2010 Texas Liability Insurance
Closed Claim Annual Report***



Texas Department of Insurance

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Background

This is the twenty-third Texas Liability Insurance Closed Claim Annual Report prepared by the Texas Department of Insurance (TDI) 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 4,835 reports for claims that closed in 2010. These claim reports account for over \$1.2 billion in paid settlements.

Introduction

The data utilized in the preparation of this report include 4,835 commercial liability closed claims involving bodily injury settled under Texas law that were submitted for calendar year 2010 on the Quarterly Closed Claim Reports for 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 2010 quarterly closed claim database includes claims from 288 insurance companies and 6 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.

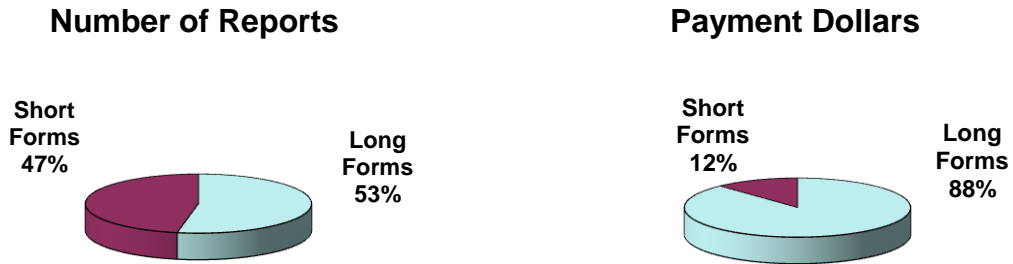
Payment amount in this report refers to the amount paid by the primary carrier on line 12 A.1 of the quarterly closed claim reports. Settlement amount refers to the amount paid by all parties on line 12 A.7 of the quarterly closed claim reports. The settlement amount may include payments from other insurers,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

There were 4,835 closed claim forms used in the preparation of this report, and were divided as follows:

- 2,248 Short Forms – indemnity settlements over \$25,000 but less than \$75,000
- 2,587 Long Forms – indemnity settlements of \$75,000 or more

Although they account for 47% of all reports, only 12% of the total payments were reported on the Short Forms as illustrated in Figure 1 on the next page.

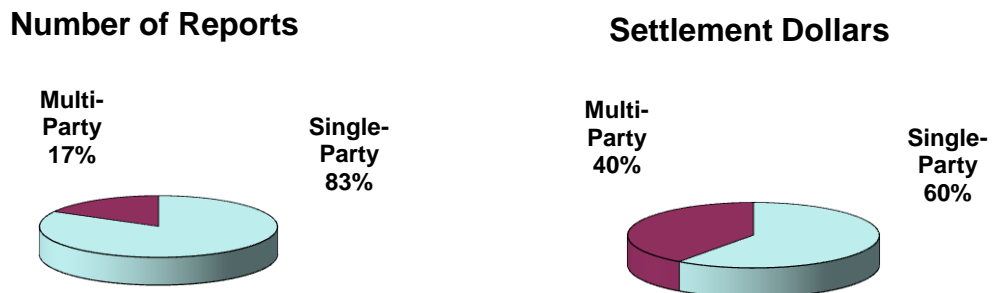
FIGURE 1
SHORT FORM VS. LONG FORM



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/or 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 17% of the 2010 reports and 40% 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

A total of \$1,229,458,577 in settlements from 4,835 closed claim forms are included in this report as shown in the last line of Figure 3. One should keep in mind that the total settlement amount might be incomplete. Reports indicating involvement of other contributing parties may 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; therefore, the number of claims shown on the "Total settlement" row may not equal the sum for each contributing party.

FIGURE 3

2010 CLOSED CLAIM DATA BASE SUMMARY

Contributing Parties	Claims	Amount Paid
Primary carrier	4,467	\$750,944,274
Insured due to deductible	573	\$88,320,564
Insured in excess of policy limits	37	\$3,972,732
Excess carrier	124	\$180,918,152
Other insured defendants	406	\$197,229,870
Other uninsured defendants	57	\$8,072,985
Total settlement	4,835	\$1,229,458,577

Figure 4 shows the average payment amount for all claims was \$155,314. The single-party average claim payment was \$138,635 as compared to the multi-party average claim payment of \$239,945.

FIGURE 4

THE AVERAGE 2010 COMMERCIAL LIABILITY CLAIM SINGLE-PARTY VS. MULTI-PARTY

Average	Single-Party	Multi-Party	All Forms
Payment Amount	\$138,635	\$239,945	\$155,314
Final Indemnity Reserve	\$173,353	\$294,644	\$193,322
Allocated Loss Adjustment Expense	\$24,906	\$83,125	\$34,490
Final Expense Reserve	\$19,526	\$78,339	\$29,209
Claim Duration (Months)	22.0	25.1	22.5

It appears that 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 28% of claims reported, they account for 75% of the total dollar amount of payments reported in the study. These ranges are shown in Figure 5 below.

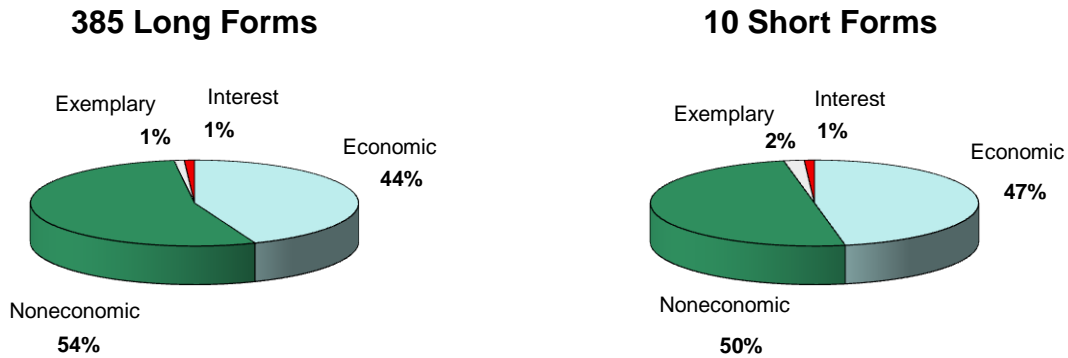
FIGURE 5
NUMBER OF PAYMENTS
BY PAYMENT RANGE

Payment Range	Single-Party	Multi-Party	Total
\$10,000 and less	345	33	378
\$10,001 - \$24,999	7	8	15
\$25,000 - \$74,999	1,973	175	2,148
\$75,000 - \$149,999	743	197	940
\$150,000 - \$299,999	477	210	687
\$300,000 - \$499,999	230	73	303
\$500,000 - \$999,999	203	70	273
\$1,000,000 and over	61	30	91
All Payments	4,039	796	4,835

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. For the 385 Long Forms that indicated the categories of non-economic losses, exemplary damages or prejudgment interest influenced the settlement of the claim, 44% of the damages were designated to economic losses, 54% to non-economic losses, 1% to exemplary damages, and 1% to prejudgment interest. These percentages are displayed in Figure 6 on the next 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 (1) economic losses; (2) non-economic losses; (3) exemplary damages; and (4) prejudgment interest. In the adjusters' opinions, there were 10 Short Forms that were influenced by exemplary damages. The percentages by categories are also shown in Figure 6 on the next page.

FIGURE 6
DAMAGES
INFLUENCED BY EXEMPLARY DAMAGES



The available data from 2,587 Long Forms indicates the use of structured settlements in the final resolution of 191 indemnity claims (7%). These structured settlements amounted to \$221,011,036 with an average settlement amount of \$1,157,126 and a median settlement amount of \$590,000. In these 191 cases, the immediate payment was on average 69% of the total settlement amount, while the structured portion was 31% of the total settlement amount.

Of the 2,587 Long Forms, 1,083 (42%) 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	407
Medical Insurance	467
Disability Insurance	25
Social Security Benefits	45
Medicare, Medicaid	249
Sick Leave	15
Other	39

Insurers were asked on all forms to divide their loss adjustment expenses into three categories: (1) outside defense counsel; (2) in-house defense counsel; (3) other expenses. A total of 1,394 forms indicate no allocated loss adjustment expense for the claim reported.

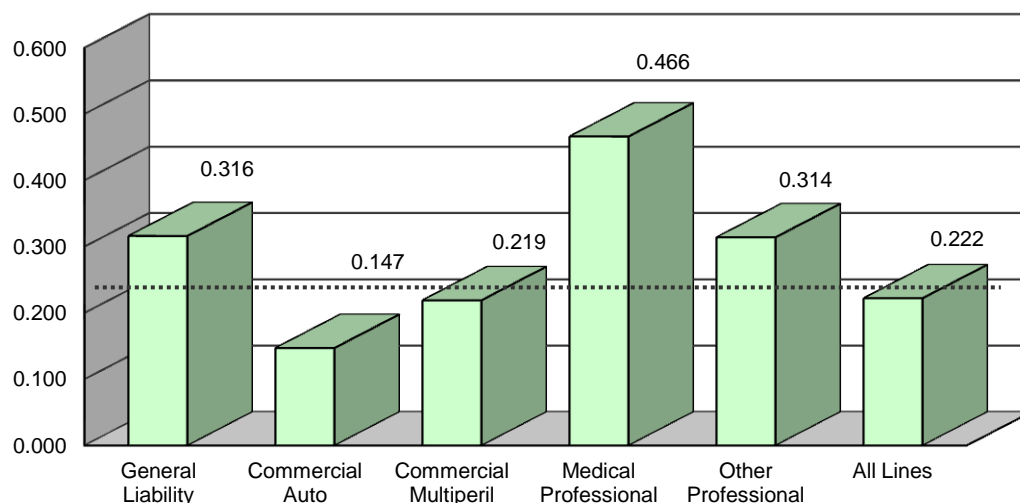
One of the three categories of expense was shown on the other 3,441 reports. Figure 8 shows the relationship of loss adjustment expenses to claim payments. The ALAE to payment ratio increased as average payment increased. Since cost containment expenses are not reported on the closed claim forms, the 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	1,394	\$79,807	0.000
\$1 - \$ 2,999	421	\$87,878	0.012
\$3,000 - \$ 5,999	240	\$105,610	0.044
\$6,000 - \$ 9,999	334	\$102,892	0.077
\$10,000 - \$24,999	825	\$155,523	0.107
\$25,000 - \$49,999	646	\$176,740	0.204
\$50,000 and over	975	\$308,210	0.418
Total	4,835	\$155,314	0.222

The data from all forms indicates that the average allocated loss adjustment expense was 22.2% of the insurer's payment. Figure 9 compares the ALAE/Payment ratio by line of insurance. Claims without allocated adjustment expenses are included. The ratio for all lines of 0.222 is shown by a dotted line for comparison purposes.

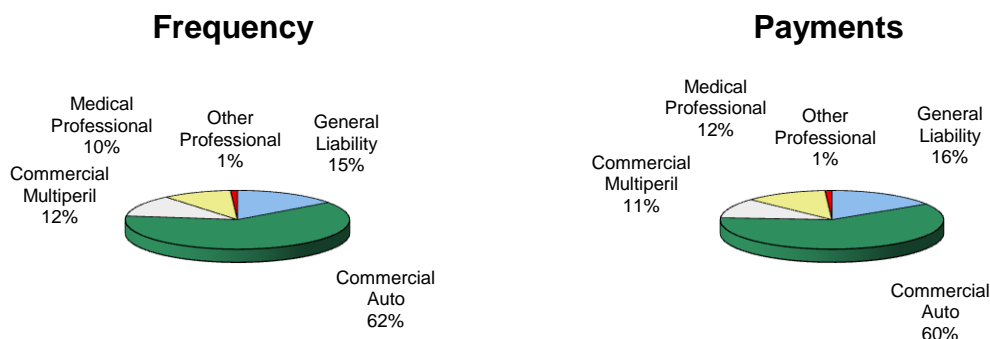
FIGURE 9
ALAE/PAYMENT RATIO
BY LINE OF INSURANCE



Insurance Policy Data

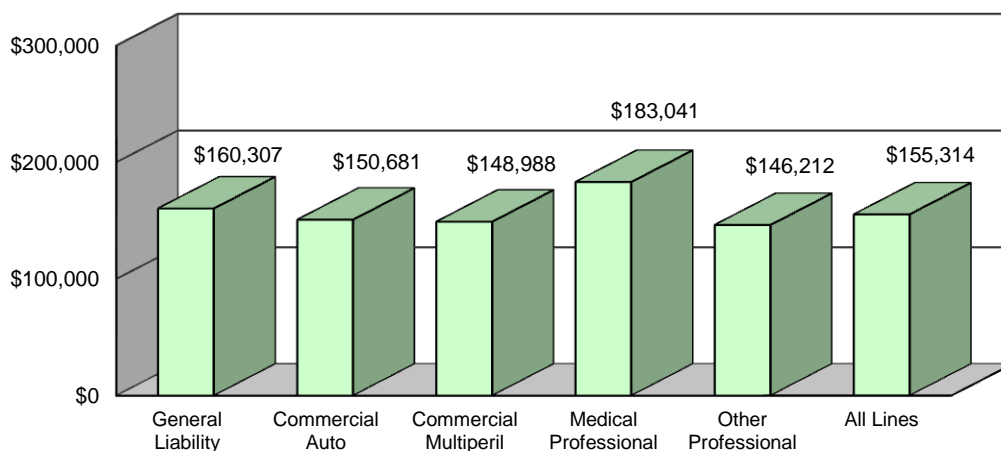
Commercial auto liability claims represent 62% of the closed claim reports filed and 60% of the insurer payments. General liability claims represent 15% of the closed claim reports filed and 16% of the insurer payments. Claims related to the liability portion on commercial multi-peril policies represent 12% of the reports filed and 11% of the insurer payments. Medical professional liability claims represent 10% of the reports filed and 12% of the insurer payments. Other professional liability claims represent 1% of the reports filed and 1% of the insurer payments. Only 31 cases involve other professional liability; therefore, 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 \$155,314. Claims involving medical professional liability reflect the highest average with an average payment of \$183,041. Other professional claims average \$146,212, considerably below the average. These comparisons are illustrated in Figure 11. Note that 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 twelve business classifications listed in Figure 12 account for nearly 96% of the total reported claims and nearly 96% of the total payments reported for calendar year 2010.

FIGURE 12

**FREQUENCY OF CLAIMS
BY BUSINESS CLASSIFICATION**

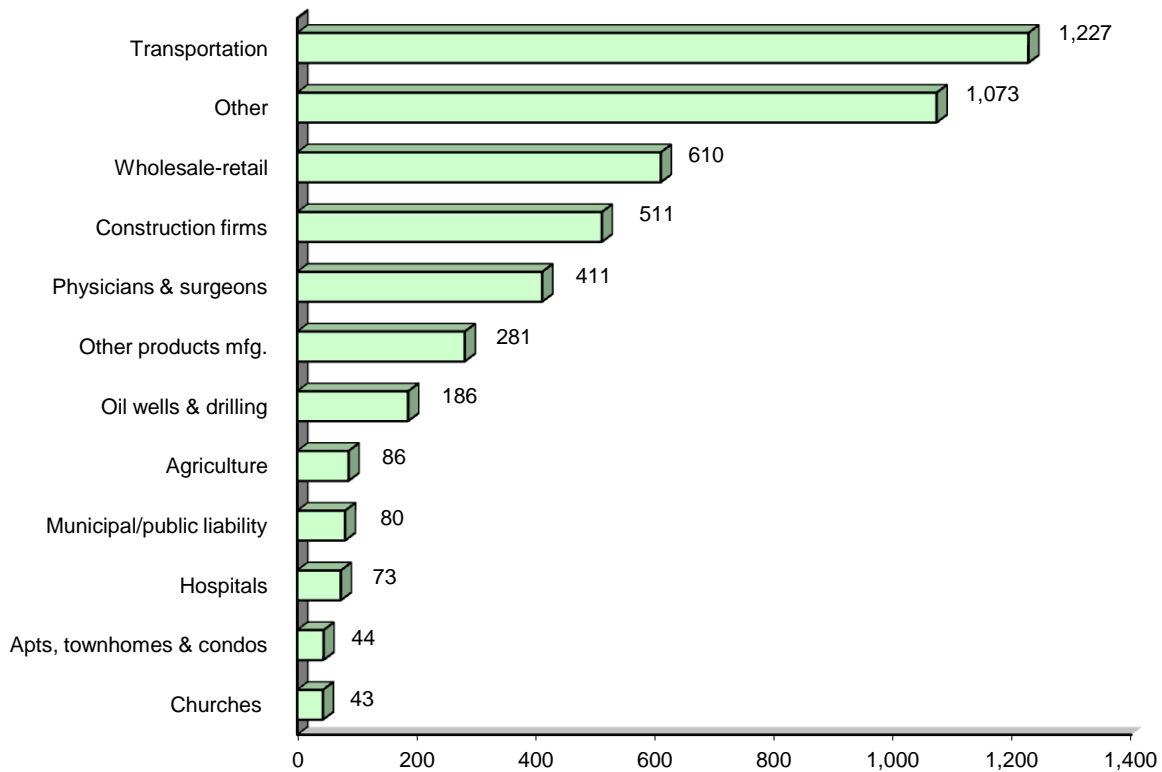
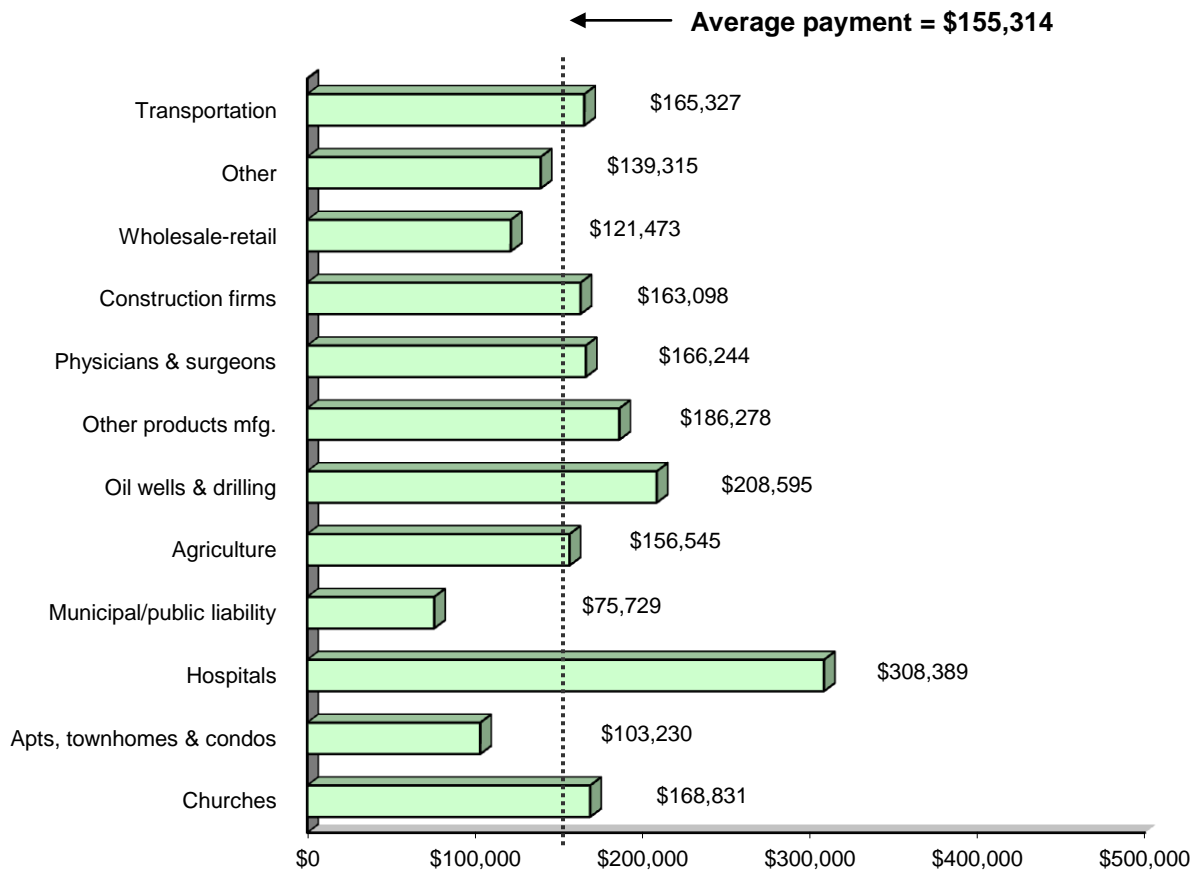


Figure 13 on the next page compares the average payment for each of the twelve major business classifications shown in Figure 12. The all lines average payment amount of \$155,314 is represented by a dotted line for comparison purposes. Hospitals had an average claim payment of \$308,389, the highest of the major classifications.

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 presence of multiple claimants and/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 next page shows 225 claims (5%) were affected by impaired or exhausted policy limits while 49 (22%) of those claims involved excess carriers. The most frequent policy limit was \$1,000,000 for each line of insurance.

FIGURE 14

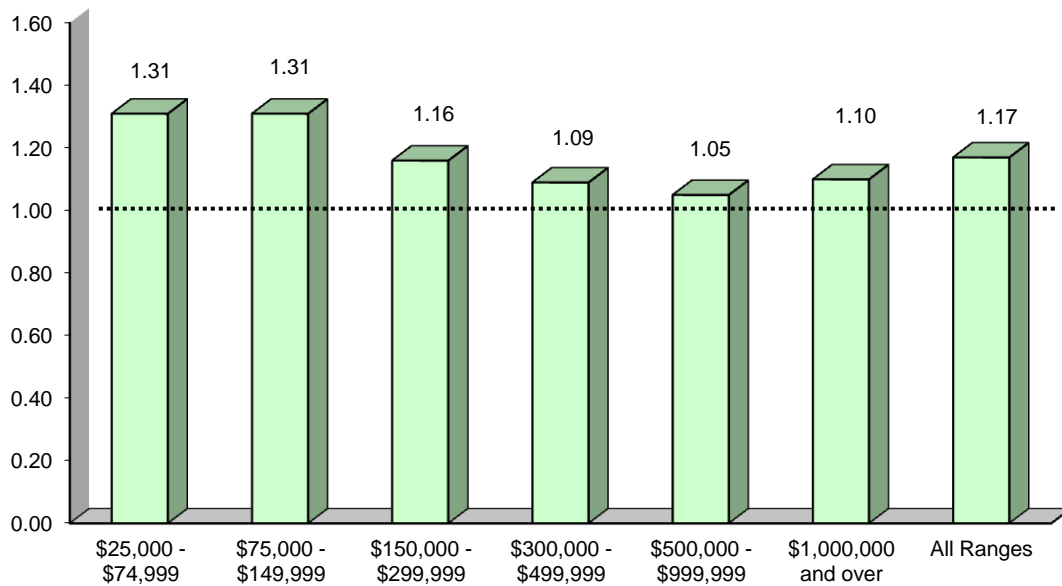
**IMPAIRED OR EXHAUSTED POLICY LIMITS
BY LINE OF INSURANCE**

Line of Insurance	Frequency	Average Payment	Excess Coverage Involved
General Liability	25	\$855,235	13
Commercial Auto	111	\$522,659	26
Commercial Multi-peril	18	\$842,739	9
Medical Professional	71	\$355,599	1
All Lines	225	\$532,502	49

Since some insurers include expense reserves with indemnity reserves, they were combined in this report. The sum of the payment and allocated loss adjustment expenses is designated as an expenditure. Overall, the average initial case basis reserve of \$70,673 was 37% of the average expenditure of \$189,805. Sixty-one percent of the claims were over-reserved by a total of \$224,049,807 (just before the claim closed) while 26% were under-reserved by a total of \$65,819,910. The aggregate data from all forms indicates that expenditures were over-reserved by an average of 17%. 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 2,587 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. Thus, 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

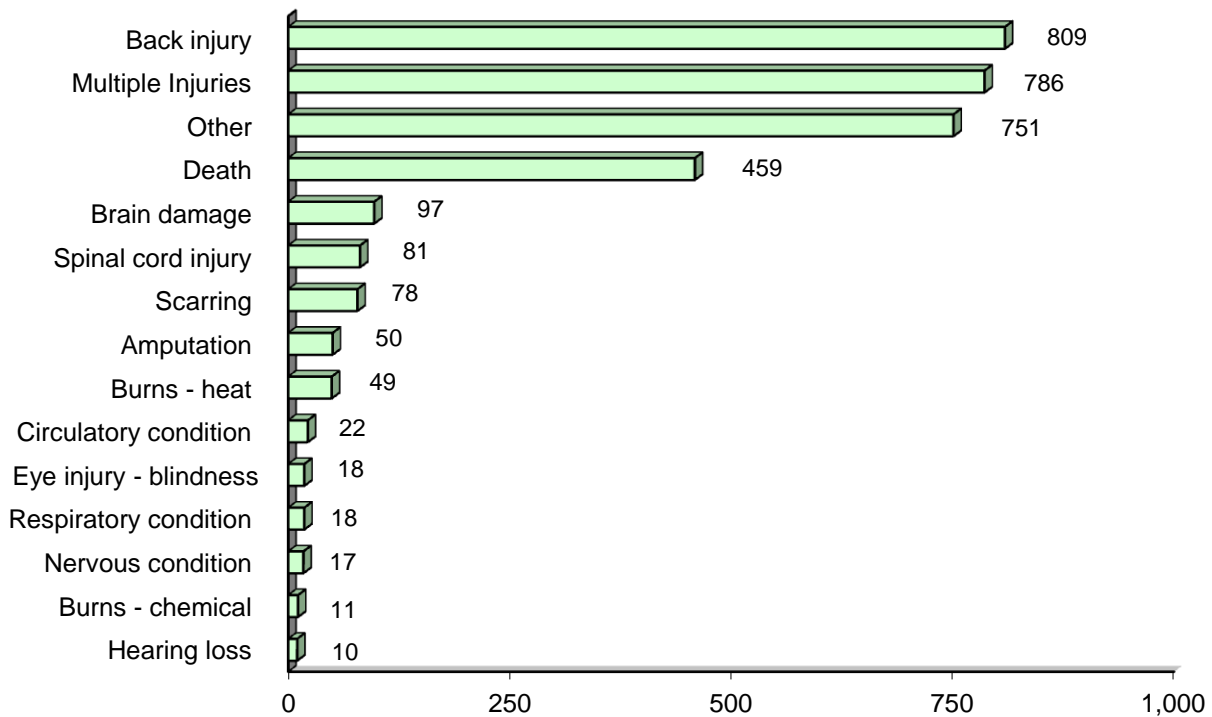
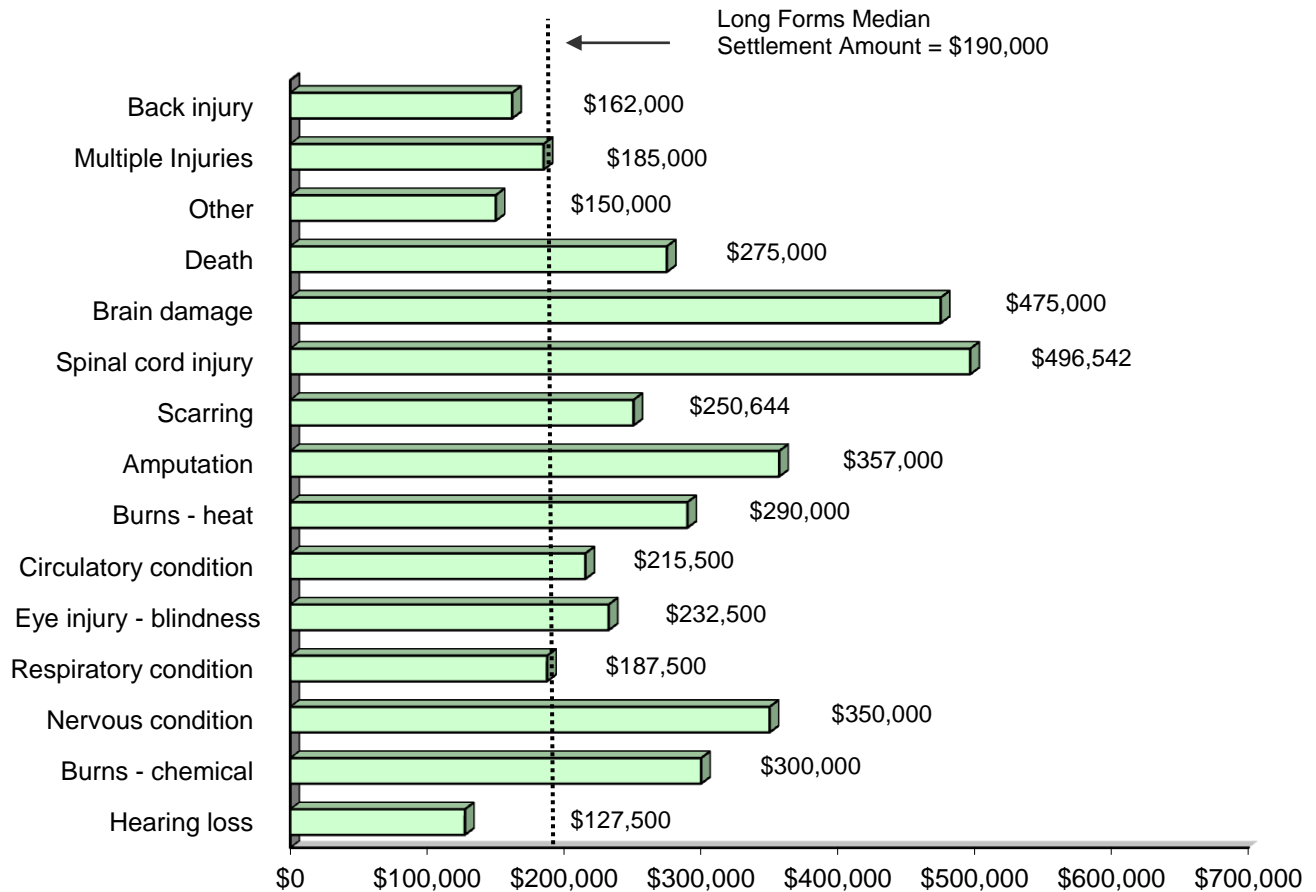


Figure 17 on the next page shows settlement amounts by injury type. Because of the possibility of duplicate reporting of injuries and the effect a large claim could have on the average claim amount, median settlement figures are used. The most costly claims closed in 2010 involved spinal cord injuries.

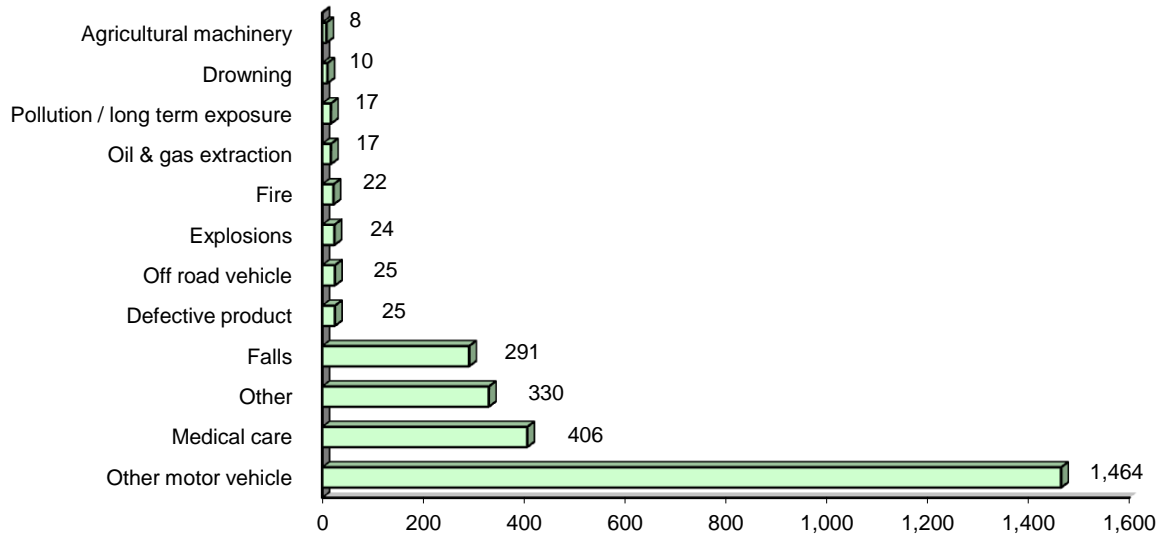
FIGURE 17
INJURY TYPE
MEDIAN SETTLEMENT AMOUNT



The Long Form also has 15 categories based upon the activity engaged in at the time of the injury. The twelve most frequent activities are shown in Figure 18 on the next 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 operation of a motor vehicle was indicated as the most common injury related activity.

FIGURE 18

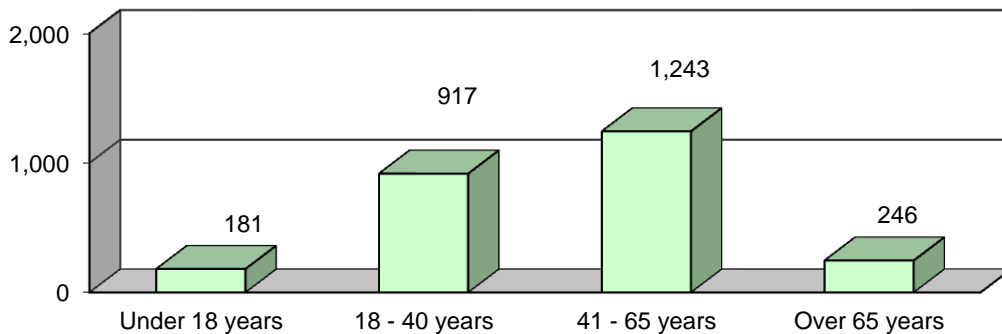
**HOW THE INJURY OCCURRED
NUMBER OF CLAIMS**



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 43 years.

FIGURE 19

**ALL INJURIES
AGE DISTRIBUTION**



There were 4,769 injuries that occurred in Texas and 66 injuries that occurred outside of Texas. Figure 20 shows the Texas counties with 35 or more injuries and shows the ratio of claims to county population. The statewide ratio is 18.97 claims for every 100,000 population.

FIGURE 20

**WHERE THE INJURY OCCURRED
COUNTIES WITH 35 OR MORE INJURIES
CLAIMS WITH SETTLEMENTS OVER \$25,000**

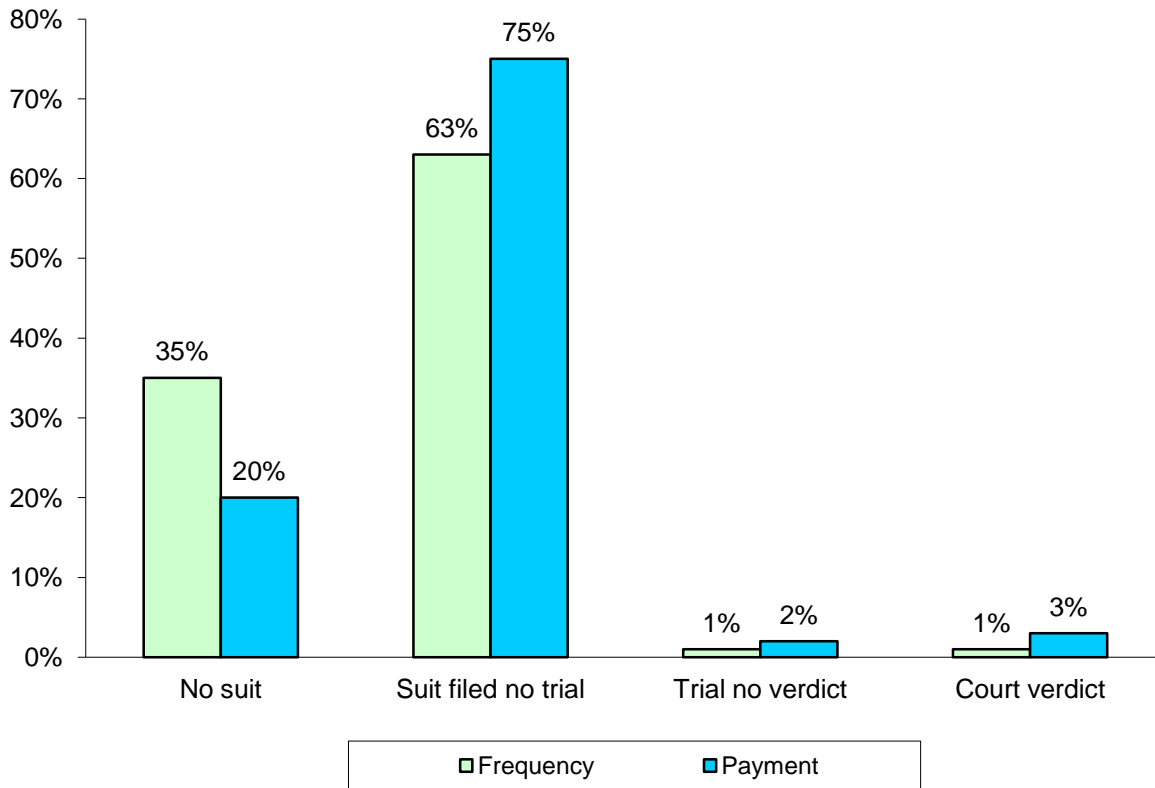
County	Number of Claims	Number of Claims/ 100,000 Population	Median Settlement Amount	Maximum Settlement Amount
Harris	943	23.04	\$73,000	\$7,750,000
Dallas	456	19.26	\$69,375	\$21,875,000
Bexar	299	17.44	\$77,500	\$6,000,000
Tarrant	290	16.03	\$71,956	\$6,000,000
Travis	180	17.57	\$76,250	\$2,950,000
Hidalgo	179	23.10	\$70,000	\$6,000,000
El Paso	125	15.61	\$65,000	\$2,000,000
Jefferson	113	44.79	\$105,000	\$2,000,000
Collin	102	13.04	\$79,000	\$10,000,000
Cameron	89	21.91	\$100,000	\$3,950,000
Nueces	84	24.69	\$76,250	\$2,525,000
Smith	75	35.76	\$100,000	\$4,500,000
Montgomery	72	15.80	\$85,000	\$1,997,538
Denton	70	10.56	\$57,500	\$4,000,000
Galveston	54	18.54	\$80,000	\$6,000,000
Webb	51	20.38	\$80,000	\$5,000,000
Brazoria	44	14.05	\$95,000	\$1,786,927
Gregg	41	33.68	\$57,000	\$2,000,000
Fort Bend	39	6.66	\$70,000	\$1,100,000
Lubbock	39	13.99	\$100,000	\$679,817
Johnson	38	25.18	\$70,000	\$985,135
McLennan	37	15.75	\$107,500	\$725,000
Bell	35	11.28	\$45,000	\$650,000
Potter	35	28.91	\$85,000	\$13,000,000

Claims Process

As can be seen in Figure 21, only one 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 57 injuries reported on 14 Short Forms and 43 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 may have contributed to the settlement without being involved in the court verdict and may have agreed to a settlement before or after a verdict. Since the total settlement amount for multi-party claims may be inaccurate or unknown, the section on court verdicts deals only with the payments of the 55 claims that appear to be complete.

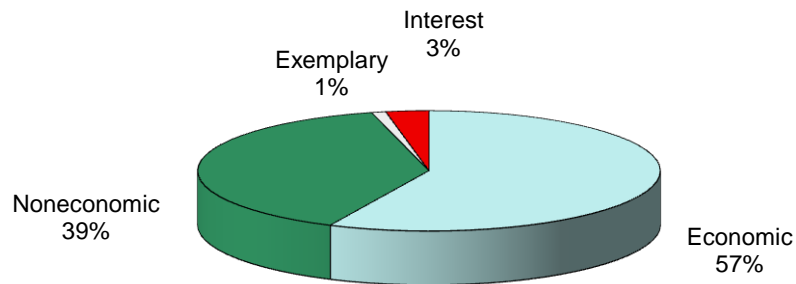
FIGURE 21

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. The allocation of the verdict amount into damages is indicated in Figure 22.

FIGURE 22
COURT VERDICTS
DAMAGES BY CATEGORY



In reviewing the court verdicts in Figure 23 it was found that, on average, the verdict amount was reduced by over 58% before the case was finally settled.

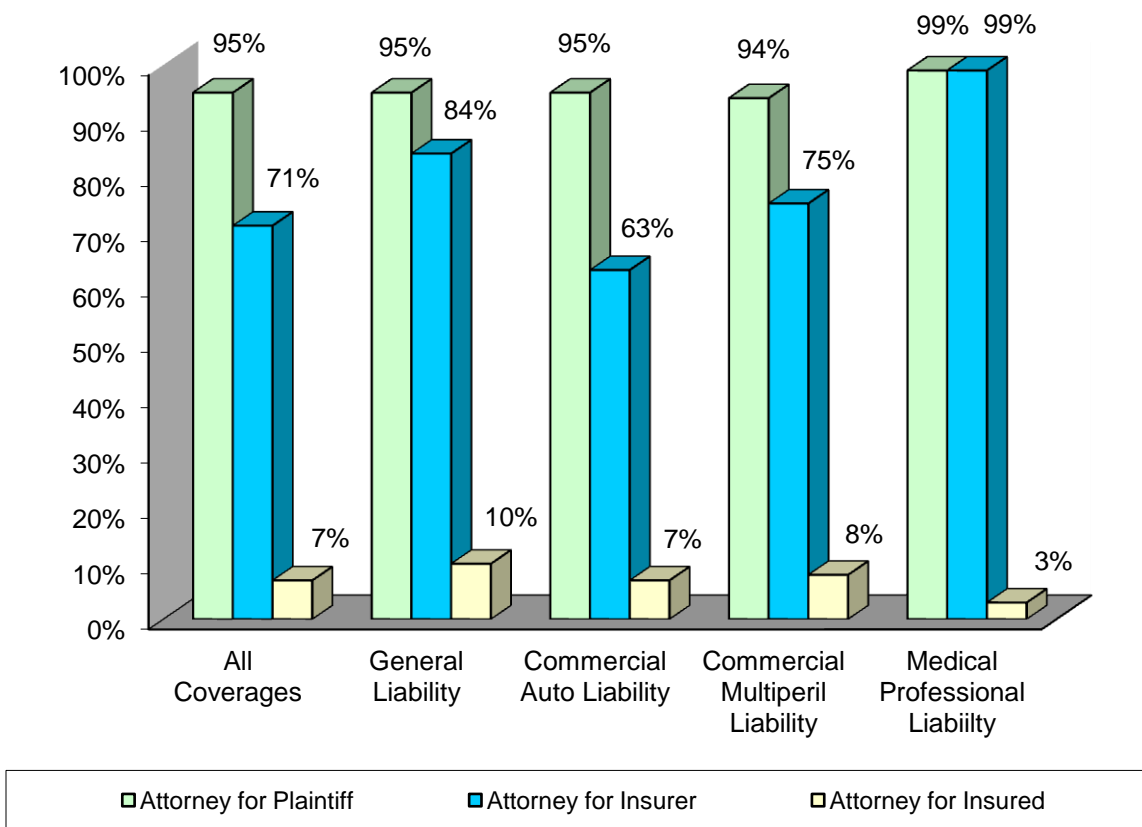
FIGURE 23
COURT VERDICT VS. SETTLEMENT AMOUNT

	Claims	Total Verdict Amount	Total Settlement Amount	Amount of Difference	Percent Difference
Verdict more than settlement	17	\$17,930,554	\$7,395,887	(\$10,534,667)	(58.8%)
Verdict equal to settlement	27	\$28,517,811	\$28,517,811	\$0	0.0%
Verdict less than settlement	11	\$3,200,631	\$6,181,801	\$2,981,170	93.1%
Total	55	\$49,648,996	\$42,095,499	(\$7,553,497)	(15.2%)

The data from all 4,835 reports shows that 95% of all cases indicated the involvement of an attorney on behalf of the injured person (plaintiff), while 71% indicated an attorney for the insurer, and 7% 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 699 multiple-defendant cases that were settled before a court verdict and 11 judgments involving multiple defendants. In 63 (9%) of the 699 cases settled prior to a court verdict, the doctrine of joint and several liability impacted the settlement. None of the 11 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 470 cases (18% of all Long Form settlements) indicate some fault attributable to the injured person. These 470 cases had a median settlement amount of \$200,000 (larger than all Long Forms' median of \$190,000) and, on average, estimated the injured person to be 36% 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	Total Number of Suits Filed	Number of Suits Filed in County Other Than Where Injury Occurred	Percent of Total
General Liability	512	68	13.3%
Commercial Auto	1,454	221	15.2%
Commercial Multi-peril	372	44	11.8%
Medical Professional	443	26	5.9%
Other Professional	20	4	20.0%
All Lines	2,801	363	13.0%

A total of 3,164 forms reported that suits were filed, with 2,801 filed in the county of injury; meanwhile, 363 forms indicated that the suit was filed in a county other than the county where the injury occurred. The median settlement amount in the 2,801 cases was \$100,000, while the median settlement amount in the remaining 363 cases was \$142,500. Figure 26 on the next 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	343	81	23.6%	\$105,133
Harris	664	66	9.9%	\$95,000
Hidalgo	141	20	14.2%	\$120,000
Tarrant	178	17	9.6%	\$108,750
Nueces	71	16	22.5%	\$120,000
Bexar	203	15	7.4%	\$137,500
Travis	121	9	7.4%	\$105,000
Harrison	30	8	26.7%	\$134,603
Brazoria	37	7	18.9%	\$125,000
Galveston	45	6	13.3%	\$85,000
Denton	32	5	15.6%	\$92,500
Montgomery	48	5	10.4%	\$100,000
Counties Listed	1,913	255	13.3%	\$100,000
Counties Not Listed	1,251	108	8.6%	\$112,500
All Counties	3,164	363	11.5%	\$105,000

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	4,039	\$559,947,958	3.7	22.0	2.2	27.9
Multi-Party	796	\$190,996,316	17.5	25.1	4.1	46.7
All Parties	4,835	\$750,944,274	5.9	22.5	2.5	30.9

Figure 28 shows time comparisons among various lines of insurance. The data for other professional liability is included with general liability due to only 31 claims being reported for this line of insurance. Medical professional liability cases involve the longest average span of time (45.9 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	766	\$122,358,402	15.0	23.5	4.3	42.8
Commercial Auto	2,985	\$449,784,093	1.1	21.5	2.0	24.6
Commercial Multiperil	576	\$85,816,830	10.7	22.4	2.3	35.4
Medical Professional	508	\$92,984,949	15.4	27.5	3.0	45.9
All Claims	4,835	\$750,944,274	5.9	22.5	2.5	30.9

Figure 29 on the next page displays the average times for each injury type. Of the studies based on type of injury, those involving respiratory condition, on average, took the longest time from injury to close (122.8 months), which is more than four times the average of 35.0 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

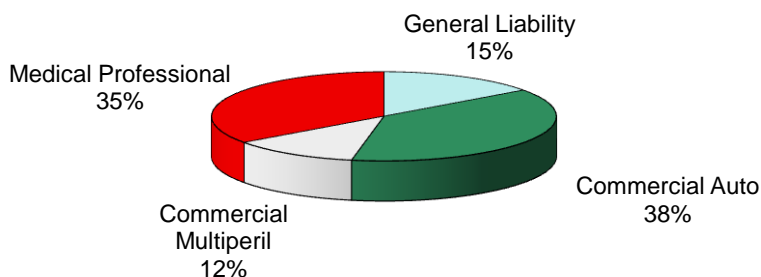
**ALL LONG FORMS TIME STUDY
BY INJURY TYPE (MONTHS)**

Injury Type	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
Death	459	\$152,978,483	9.9	24.9	4.4	39.2
Amputation	50	\$17,243,072	9.4	22.5	3.5	35.4
Burns (heat)	49	\$12,488,491	7.8	24.2	4.6	36.6
Burns (chemical)	11	\$3,042,500	7.5	23.7	2.7	33.9
Systemic Poisoning (toxic)	3	\$560,000	36.0	24.0	1.7	61.7
Systemic Poisoning (other)	4	\$400,000	9.5	18.0	1.3	28.8
Eye injury (blindness)	18	\$4,966,000	6.2	25.3	1.2	32.7
Respiratory condition	18	\$2,540,216	76.7	35.2	10.9	122.8
Nervous condition	17	\$7,079,171	8.3	23.1	2.7	34.1
Hearing loss/impairment	10	\$2,884,500	7.9	25.5	2.7	36.1
Circulatory condition	22	\$6,023,940	11.1	19.7	2.7	33.5
Multiple injuries	786	\$200,169,738	3.3	23.1	2.7	29.1
Back injury	809	\$185,800,499	2.3	26.0	2.3	30.6
Skin disorder	3	\$650,000	12.7	30.0	9.0	51.7
Brain damage	97	\$52,560,498	9.1	28.8	3.9	41.8
Scarring	78	\$27,309,745	4.2	21.3	2.8	28.3
Spinal cord injuries	81	\$41,574,295	8.6	24.7	3.3	36.6
Other	751	\$154,669,116	10.8	25.0	2.5	38.3
All Long Forms	2,587	\$663,926,160	7.2	24.9	2.9	35.0

Injury type is only reported on the Long Form. There were 459 injuries (18%) reported on the Long Form that resulted in death. As shown in figure 30, medical professional liability claims account for 35% of the death claims, commercial auto liability for 38%, general liability for 15%, and commercial multi-peril liability for 12%.

FIGURE 30

**DEATH CLAIMS
BY LINE OF INSURANCE**



Of the 2,587 settlements reported on Long Forms, 462 claims indicated work-related injuries. On a percentage basis, the business classification of other products manufacturers indicated the highest rate of work-related injuries with 40.1% of the claims relating to the job, followed by oil wells & drilling at 38.8% and construction firms with 30.0% of the claims reported as work-related. 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	107	30.0%	\$302,899	25.3	36.7
Other	104	13.8%	\$314,240	28.2	45.7
Transportation	86	12.3%	\$302,282	27.5	32.5
Other products manufacturers	48	40.1%	\$475,937	24.1	54.6
Oil wells & drilling	47	38.8%	\$347,865	24.1	39.1
Wholesale-retail trade	32	19.3%	\$334,538	28.7	39.3
All Business Classes	462	17.9%	\$322,923	26.7	42.7

The 2010 closed claim report data contains 327 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 \$176,301 was 14% more than the average of \$155,314 for all lines. The average allocated loss adjustment expense for product liability claims of \$42,166 was more than the average of \$34,491 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	\$176,301	\$249,284	\$42,166	\$34,756	23.1
All Forms	\$155,314	\$193,322	\$34,491	\$29,209	22.5

Only 86 settlements indicated municipal/public liability as the insured business classification. Data derived from these reports show the average payment amount to be \$74,153, which is 52% less than the average of \$155,314 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	\$74,153	\$82,359	\$22,208	\$21,105	22.0
All Forms	\$155,314	\$193,322	\$34,491	\$29,209	22.5

**2010 Calendar Year
Annual Aggregate Closed Claim Report**

The 2010 Calendar Year Annual Aggregate Closed Claim Report was filed on an annual basis for bodily injury indemnity payments of \$25,000 or less. Three hundred forty-eight insurance companies and six self-insured entities 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	12,715	2,281	14,996	\$12,348,537
Other Professional Liability	851	115	966	\$571,742
Commercial Auto Liability	16,265	14,940	31,205	\$89,653,126
Commercial Multi-peril Liability	7,318	3,206	10,524	\$16,047,648
Medical Professional Liability	3,133	170	3,303	\$1,796,444
Total	40,282	20,712	60,994	\$120,417,497

2010 Closed Claim Reconciliation Form

The Texas Department of Insurance required companies to submit a reconciliation form for calendar year 2010 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 2010 Annual Statement, Texas Statutory Page 14. **Self-insured entities did not complete a Reconciliation Form and therefore, are not included in this section.**

There were 551 insurance companies that reported a total of \$2,319,048,535 direct losses paid on the 2010 Annual Statement, Texas Statutory Page 14 for the lines of business mentioned in §§38.151, Texas Insurance Code. Thirty-six percent (36%) 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 \$1,491,864,771 of direct losses paid involved amounts that were not reported during calendar year 2010 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 2010 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, etc.

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 therefore, do not report it correctly in the settlement amount on a closed claim report. This is a major reason for reporting the 2010 Closed Claim Annual Report on a payment basis instead of a settlement basis.

Only claims settled under Texas law are reportable on the closed claim reports. **Line 9** shows direct losses paid by line of insurance on policies written in Texas for claims that were not settled under Texas law. Included for comparison purposes on **Line 10** are the amounts reported on closed claim reports for policies written in another state where the claim was settled under Texas law.

On **Line 12**, the Reconciliation Form shows \$36,716,292 for total reimbursements received. This was primarily deductibles recovered for liability and property damage claims.

Adjustments made due to company rounding and estimating procedures are shown on **Line 13**.

Line 14 relates primarily to losses from catastrophes and class action suits that involve more than ten 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 Texas closed claim report to another line of insurance or company.

Losses reported on Quarterly Closed Claim Reports received during the reconciliation process are shown on **Line 19**.

Lines 20 and 21 indicate the amount of direct losses paid for each line of insurance as shown on the 2010 Annual Statement, Texas Statutory Page 14.

**TEXAS CLOSED CLAIM RECONCILIATION
FOR CALENDAR YEAR 2010
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	\$114,857,565	\$392,488,812	\$56,030,832	\$52,781,591	\$616,158,800
2. Payments reported on Annual Aggregate Closed Claim Report	\$12,654,000	\$87,459,655	\$16,047,648	\$847,665	\$117,008,968
3. Total Closed Claim Payments Reported	\$127,511,565	\$479,948,467	\$72,078,480	\$53,629,256	\$733,167,768
ADJUSTMENTS TO LINE 3					
4. Property damage losses paid	\$297,819,955	\$194,628,730	\$69,184,027	\$0	\$561,632,712
5. Other losses reported on <i>TX Statutory Page 14</i> that did not entail bodily injury	\$418,231,083	\$53,647,767	\$15,536,544	\$463,002	\$487,878,396
6. Payments on claims not closed in calendar year 2010	\$91,342,480	\$80,627,760	\$17,252,549	\$14,892,149	\$204,114,938
7. Payments made prior to Jan. 1 on claims closed during the year 2010	(\$51,574,810)	(\$57,383,918)	(\$12,862,071)	(\$11,177,168)	(\$132,997,967)
8. Excess coverage payments not reportable on Quarterly Closed Claim Reports	\$278,938,449	\$8,772,024	\$942,391	\$151,946	\$288,804,810
9. Losses paid on claims not settled under Texas law	\$120,707,486	\$63,833,173	\$7,313,358	\$2,129,690	\$193,983,707
10. Payments on claims reported on policies written in another state	(\$9,422,146)	(\$53,420,798)	(\$2,099,136)	(\$36,275)	(\$64,978,355)
11. Pymts of \$25,000 or less that were reported on Quarterly reports	(\$25,000)	(\$30,000)	(\$53,000)	(\$25,000)	(\$133,000)
12. Reimbursements received	(\$19,193,801)	(\$16,715,061)	(\$804,711)	(\$2,719)	(\$36,716,292)
13. Rounding and Statistical Adjustments	(\$427,992)	\$155,408	(\$49,996)	(\$1)	(\$322,581)
14. Unusual Circumstances	\$2,795,564	\$0	\$0	\$0	\$2,795,564
15. Unreconciled amounts	\$3,409,010	(\$45,118)	\$265,124	\$333,213	\$3,962,229
16. Payments for claims on the Closed Claim Report of Unaccepted Transactions	\$50,000	\$200,000	\$120,000	\$0	\$370,000
17. Closed Claim subtractions	(\$41,888,517)	(\$59,539,287)	(\$15,243,466)	(\$1,554,432)	(\$118,225,702)
18. Closed Claim additions	\$26,851,871	\$39,234,056	\$30,496,663	\$3,981,000	\$100,563,590
19. Late Quarterly Closed Claim Reports	\$24,761,371	\$51,123,463	\$15,956,355	\$3,307,529	\$95,148,718
20. Sum of lines 3 through 19, (Must equal line 21)	\$1,269,886,568	\$785,036,666	\$198,033,111	\$66,092,190	\$2,319,048,535
21. Annual Statement Texas Statutory Page 14, DIRECT LOSSES PAID	\$1,269,886,568	\$785,036,666	\$198,033,111	\$66,092,190	\$2,319,048,535

Additional Information

The data used for developing this report is available on TDI's website.

Visit TDI's website at www.tdi.texas.gov

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