



Texas Department of Insurance

2012 *Annual Report*



Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C

333 Guadalupe • P.O. Box 149221, Austin, Texas 78714-9221

512 463-6464 telephone • 512 475-2005 fax • www.tdi.texas.gov

November 20, 2012

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 for Fiscal Year 2012, 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. This report is also available on TDI's Web site at <http://www.tdi.state.tx.us/reports/annual.html>.

As in 2011, TDI's Annual Financial Report—formerly published as Part V of the agency's Annual Report—is published under separate cover for Fiscal Year 2012.

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

A handwritten signature in cursive script that reads "Eleanor Kitzman". The signature is written in black ink and is positioned above a horizontal line.

Eleanor Kitzman, Commissioner of Insurance



**137th Annual Report
to the Governor & Legislature**

**For Fiscal Year 2012
ending August 31, 2012**

Eleanor Kitman,
Commissioner of Insurance

TABLE OF CONTENTS

Agency Vision	III
Agency Mission	III
Agency Regulatory Approach	III
Agency Organization Chart	V
Part I Report on Program Activities	1
Preface	3
Commissioner's Office	5
Compliance	10
Financial Regulation	14
General Counsel Division	18
Public Affairs	19
Regulatory Policy	21
State Fire Marshal's Office	27
Division of Workers' Compensation	29
Part II Summary of Company Data	43
Rehabilitations and Liquidation Oversight Report	47
Overview: Texas Insurance Market	49

Agency Vision

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

Agency Mission

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

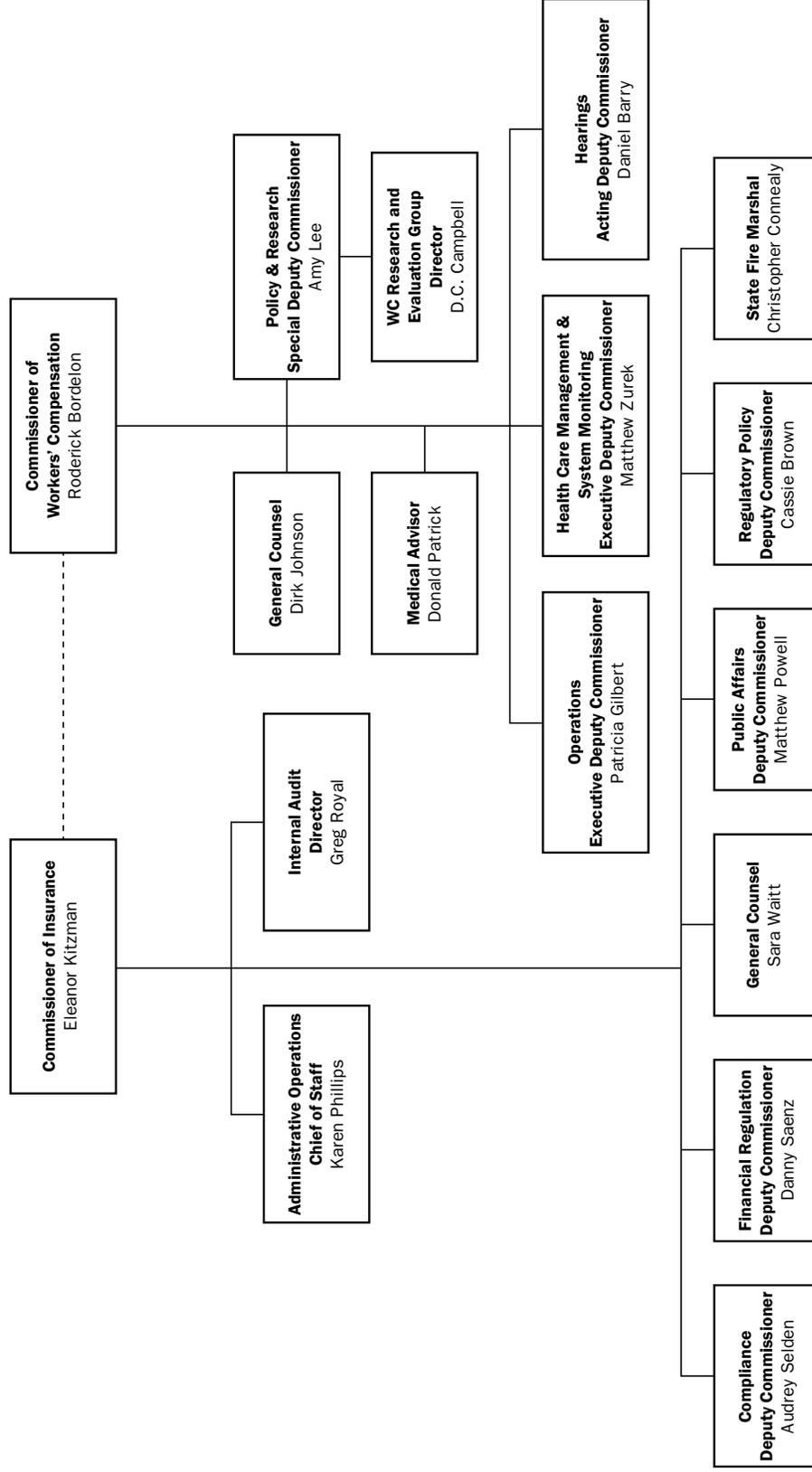
- regulating the insurance industry fairly and diligently;
- promoting a stable and competitive market;
- providing information that makes a difference.

Agency Regulatory Approach

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

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

Texas Department of Insurance
 Agency Organizational Chart
 August 31, 2012





Part I
Report of
Program Activities

Preface: Key Events for the Department in FY 2012

Administrative Oversight of the Texas Windstorm Insurance Association (TWIA)

During Fiscal Year 2012, the Department continued its Administrative Oversight of TWIA pursuant to Chapter 441 of the Texas Insurance Code. The large number of Hurricane Ike claims in 2008 had significantly stretched TWIA's resources, resulting in customer service problems, questionable personnel actions, and financial irregularities. Administrative oversight is one of the regulatory tools through which TDI increases its involvement in the day to day operations of the Association and helps identify where improvement is needed. The Department has devoted significant resources and has taken a leadership role in helping TWIA identify where it needs to improve and to move toward a more effective business model.

Reorganization of Insurance Operations

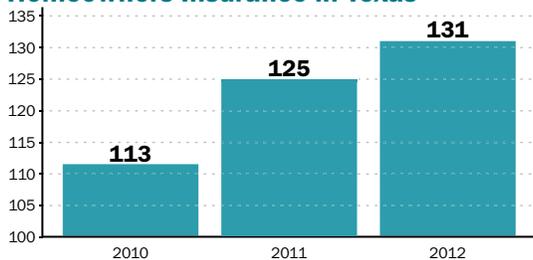
In the fall of 2011, the Department reorganized its insurance operations divisions to improve communication among related activities. The new structure combined related program areas and reduced the number of commissioner direct reports from 14 to eight. The new Compliance Division (previously three divisions) is comprised of consumer protection, enforcement, and fraud activities. This created a compliance continuum that allows the agency to better monitor consumer needs, adverse behavior by industry, and criminal activities resulting in fraud actions. All licensing activities now reside in the Financial Regulatory Division. The General Counsel Division handles rulemaking, chief clerk functions, and legal assistance to the entire agency. The Public Affairs Division includes government relations and public information activities. Finally, the Regulatory Policy Division handles rate and form filings for life, accident, and health insurance and for property and casualty insurance. In addition, the Department consolidated similar activities by function rather than by subject matter. For example, previously the Property and Casualty Program handled complaints about auto and homeowners rates, while the Consumer Protection Program handled complaints about claims. Now, the Compliance Division's Consumer Protection Section handles all insurance-related complaints.

Leading at National and International Levels

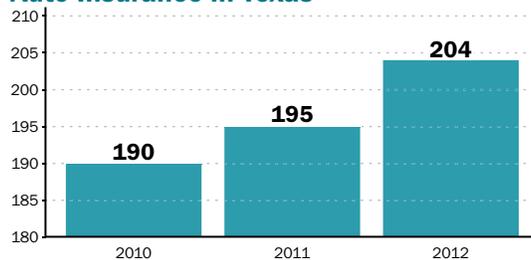
The Department has increased its leadership role within the National Association of Insurance Commissioners (NAIC) and International Association of Insurance Supervisors (IAIS). The Department leads or is an active participant in 44 NAIC committees and subcommittees and in several IAIS subcommittees and working groups. Our enhanced participation will enable Texas to be at the table during development and negotiation of national and international regulation standards and to ensure that regulatory policymakers consider the Texas regulatory environment.

Recent Trends

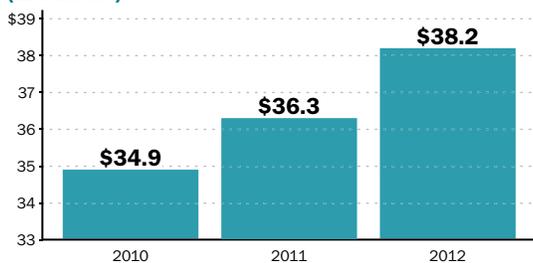
Number of Companies Writing Homeowners Insurance in Texas



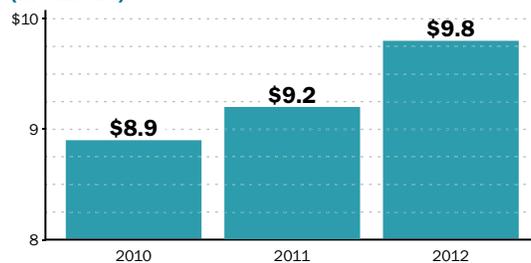
Number of Companies Writing Auto Insurance in Texas



Written Premium, Texas Health Insurers (in billions)



Written Premium, Texas Life Insurers (in billions)



Insurance in Texas: By the Numbers

Homeowners Insurance		Top Writers		2011	MARKET
				WRITTEN PREMIUM	SHARE
Number of Companies*	131	State Farm IL Group		1,679,790,797	28.12%
Number of Groups	59	Allstate Ins Group		742,601,190	12.43%
Number of New Companies**	6	Zurich Ins Group (includes Farmers)		722,657,709	12.10%
Policies in Force (2011)		United Services Automobile Asn Group		490,685,251	8.21%
Homeowners	4,168,059	Liberty Mutual Ins Co Group		362,965,808	6.08%
Dwelling	677,534	Travelers Group		283,534,763	4.75%
Tenants	941,095	Nationwide Corp Group		198,838,274	3.33%
2011 Written Premium	\$5,974,451,903	Texas Farm Bureau MUT Group		160,723,606	2.69%
		Chubb & Son Inc Group		119,966,151	2.01%
		Hartford Fire & Cas Group		115,494,445	1.93%

Personal Auto		Top Writers		2011	MARKET
				WRITTEN PREMIUM	SHARE
Number of Companies*	204	State Farm IL Group		2,730,890,174	20.07%
Number of Groups	69	Zurich Ins Group (includes Farmers)		1,624,595,236	11.94%
Number of New Companies**	8	Allstate Ins Group		1,549,849,189	11.39%
Vehicles in Force (Liability)	16,155,066	Progressive Group		1,179,940,079	8.67%
2010 Written Premium	\$13,607,166,151	United Services Automobile Asn Group		982,478,696	7.22%
		Berkshire-Hathaway Group		914,239,124	6.72%
		Texas Farm Bureau MUT Group		500,238,273	3.68%
		Orpheus Group		478,777,821	3.52%
		Nationwide Corp Group		464,303,328	3.41%
		Home State Ins Group		402,052,189	2.95%

Health Insurance		Top Writers		2011	MARKET
				WRITTEN PREMIUM	SHARE
Number of Companies*	466	Health Care Service Corp Group		7,847,952,746	20.54%
Number of Groups	178	(includes Bluecross & Blueshield of Texas)			
Number of New Companies**	2	Unitedhealth Group		7,253,210,108	18.98%
Texas Population estimate	25,592,089	Humana Inc Group		2,895,745,508	7.58%
Texans with Health Insurance	19,512,569	Aetna Group		2,508,256,260	6.56%
Uninsured population	6,079,520	Amerigroup Group		1,613,949,398	4.22%
2010 Written Premium	\$38,214,895,480	Centene Corp Group		1,520,732,040	3.98%
		Newquest Group		1,156,029,608	3.03%
		Cigna Health Group		990,009,586	2.59%
		Universal Amer Fin Corp Group		788,961,955	2.06%
		Scott and White Group		550,626,638	1.52%

Life Insurance		Top Writers		2011	MARKET
				WRITTEN PREMIUM	SHARE
Number of Companies*	478	Metropolitan Group		768,052,607	7.86%
Number of Groups	177	New York Life Group		551,872,358	5.65%
Number of New Companies**	5	Northwestern Mutl Group		453,100,740	4.64%
2010 Written Premium	\$9,774,161,648	Prudential of Am Group		428,106,630	4.38%
		Lincoln National Group		412,060,998	4.22%
		State Farm IL Group		319,414,336	3.27%
		American Intrnl Group		289,712,043	2.96%
		Aegon US Holding Group		272,291,937	2.79%
		Mass Mutual LIC Group		268,873,614	2.75%
		John Hancock Group		266,099,358	2.72%

Annuities		Top Writers		2011	MARKET
				WRITTEN PREMIUM	SHARE
Number of Companies*	308	Metropolitan Group		1,874,769,682	9.30%
Number of Groups	130	Prudential of Am Group		1,358,310,412	6.74%
Number of New Companies**	0	Jackson Natl Group		1,239,566,315	6.15%
2010 Written Premium	\$20,151,813,659	American Intrnl Group		1,199,709,192	5.95%
		John Hancock Group		1,026,031,059	5.09%
		ING America Ins Holding Group		937,566,342	4.65%
		Lincoln National Group		880,203,485	4.37%
		Allianz Ins Group		772,486,990	3.83%
		New York Life Group		668,519,146	3.32%
		Hartford Fire & Cas Group		643,619,269	3.19%

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

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

Commissioner's Office

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

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

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 2012, 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, Procurement and General Services, Information Technology Services (ITS), Human Resources (HR), Employee Ombudsman and Ethics Advisor, and the Project Management Office (PMO).

FY 2012 Highlights

Financial Services

- developed and produced the agency's 2013 Operating Budget;
- coordinated projects and prepared the agency's FY 2014/2015 Legislative Appropriations Request and FY 2013-2017 Strategic Plan as requested by Commissioners, Legislative Budget Board (LBB), and Governor's Office of Budget, Planning and Policy during the 82nd Legislative Session;
- prepared the FY 2011 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 2013 operating budget;
- provided monitoring and oversight of the agency's and OIEC's expenditures by strategy, object of expense, and organizational structure;
- streamlined the travel tracking process for FY 2013;
- monitored monthly performance measures and reported quarterly performance to the LBB;
- monitored progress of programs' FY 2011-2012 business plan projects and coordinated agency involvement on projects affecting multiple program areas;
- tested and implemented the merger of the Integrated Statewide Administrative System (ISAS) into the Centralized Accounting and Payroll/Personnel System (CAPPS), in cooperation with the Comptroller of Public Accounts;

- assisted the Financial Regulation Division in planning for the migration to a self-directed budget in FY 2013;
- implemented a new budget organization structure for insurance operations for FY 2012;
- tested and implemented the expansion of the division number in the agency's cash receipt system;
- researched applicable laws and regulations to acquire an event registration system that accepts payments via credit card for implementation in FY 2013;
- maintained and tested the viability of agency and program disaster recovery plans;
- coordinated TDI input for the Texas Homeland Security and Texas Department of Emergency Management on several statewide plans.

Project Management Office (PMO)

- initiated by Commissioner Kitzman in November 2011 to support the coordination, tracking, and execution of agency projects by providing expertise, best practices, templates, and training;
- established project management tools and templates for use throughout the agency;
- established a reporting process and initial project performance metrics;
- established regular project management meetings to facilitate information sharing and continuing education opportunities;
- combined with agency planning functions in August 2012 when Commissioner Kitzman and the deputy commissioners approved the creation of an Office of Strategy Management (OSM), including adding a balanced scorecard system and enhanced enterprise risk management.

Procurement and General Services

Hobby and Metro Services

- handled 2,287,761 pieces of agency mail;
- received \$8.08 million incoming revenue through the agency mail center services;
- completed 3,161,924 copy impressions;
- processed 321 building service orders at Metro Center and 1,105 service orders at Hobby Building;
- serviced 456 customers through the TDI Service Center that opened on June 11, 2012;
- distributed 150,046 publications through the TDI Service Center;
- microfilmed 231,114 documents and stored 1,835 cubic feet of records through the Texas State Library for record retention;
- disposed of 11,108 cubic feet of obsolete records;
- coordinated and performed 11 DWC field office projects, including closing the Victoria and Missouri City offices and moving the Angleton windstorm office;
- coordinated nine building improvement projects and modular furniture installations/renovations in the Hobby Building;
- coordinated and performed 75 facility projects or service orders at Metro Center;
- negotiated four branch office lease renewals by Metro Services and three branch office lease renewals by Hobby Services;
- facilitated the safety program that resulted in 8 of 12 (67%) program areas achieving accident/injury-free status in FY 2012;
- handled 1,973 courier pickups and deliveries.

Purchasing and Contract Administration

- received 2,894 purchase requisitions submitted by programs and processed 2,466 purchase orders;
- posted 19 procurement opportunities on the Electronic State Business Daily;
- tracked and administered 384 contracts;
- hosted purchasing and contract administration training sessions for staff and customers;
- participated in the testing and upgrading of ISAS to CAPPs System;

- maintained the content of Purchasing intranet site;
- maintained a risk assessment plan for agency purchasers;
- achieved 32.11 percent Historically Underutilized Business (HUB) participation in comparison to the statewide achievement rate of 13.87 percent;
- attended two HUB forums;
- attended the TIBH Expo at TDI.

Information Technology Services

- completed scheduled phases of TDI's enterprise-wide project to provide an integrated, web-enabled, and vendor supported approach to managing, processing, and tracking critical information on insurance companies, agencies, and individual producers, thus providing a more efficient and integrated computing environment, eliminating duplicate data entry and duplicate agency databases, and eliminating several of the agency's legacy systems thereby reducing maintenance costs;
- completed planning for phases scheduled through contract completion, including integrating the legacy imaging workflow application with the vendor software;
- provided an improved public Internet lookup for State Fire Marshal Office (SFMO) licensee information, adding the ability for individuals and entities to search for old and new licenses numbers associated with the SFMO;
- modified the Division of Workers' Compensation's TXCOMP application to incorporate old law claims and updated specified official action letters;
- allowed TXCOMP users to edit claim participant associations, which resulted in approximately 100 fewer ITS work orders annually;
- replaced mass mailing management software with a web-enabled product in coordination with the TDI Public Information Office;
- upgraded the application development desktops to Windows 7 and replaced third party software;
- upgraded training management and ITS project management software releases;
- completed transition phase to the State Data Center under the Team for Texas contract and initiated operations and maintenance phase with the new vendor, Xerox Data Systems;
- continued projects to upgrade and consolidate Oracle environments, and replaced production scheduler software to comply with data center vendor requirement.

In addition to the major initiatives described above, ITS also:

- reinforced information security at TDI by:
 - voluntarily subjecting TDI's network to a controlled penetration test conducted by the Department of Information Resources to assess network and web application security measures in order to secure TDI's network and web applications;
 - providing information security training classes for new employees and teleworkers, and refresher training courses for current agency staff;
 - providing informational articles and material to agency staff regarding recommended security practices and employee responsibilities;
 - maintaining agency computers and minimizing risk to downtime from PC viruses by pushing out updates for agency business and virus detection applications in a timely manner;
- deployed approximately 100 computers and 350 monitors as part of the agency's hardware obsolescence plan;
- created new and maintained existing image and software installations on PCs and laptops to automate agency computers, therefore reducing downtime;
- upgraded core distribution switches in Hobby and Metro offices;
- converted agency division code accounting from three to five digits to reflect the Commissioner's management reorganization;
- supported the Division of Workers' Compensation by redeploying telecom equipment to improve overall field connectivity and assisting with the setup of the new Windstorm field office in Angleton;

- supported agency staff and external customers by responding to 16,819 Help Desk calls, including providing technological support for staff who moved within the agency or who needed assistance because of weather, building condition problems, or emergency situations;
- provided instructor-led automation training and introduced on-demand training related to the enterprise insurance software product;
- implemented edits to improve OIEC early intervention reporting;
- supported TDI's ongoing movement to provide accessible web-based data and forms, including the addition of Spanish in the Helpinsure web application.

Human Resources

- processed and tracked 1,631 personnel actions including merit raises, promotions, new hires, transfers, and separations of employment;
- posted 230 jobs;
- processed 6,751 employment applications;
- answered 72,183 switchboard calls;
- delivered 390.25 hours of traditional classroom training and provided 74.5 hours of training online, encompassing new employee orientation and courses on team building, communication, customer service, insurance training, and management training;
- coordinated 20 wellness events;
- participated in the NAIC salary survey;
- participated in a follow up audit on Human Resources Information System and Workforce planning;
- conducted University of Texas School of Social Work Survey of Employee Engagement;
- participated in nine Workforce Commission hearings.

Employee Ombudsman and Ethics Advisor

- addressed a wide variety of workplace and personnel issues and concerns through group facilitation, mediation, coaching, and counseling of agency employees;
- continued presenting mandatory sexual harassment/discrimination course to all agency employees;
- developed and presented a variety of workshops to agency employees regarding a variety of topics, including Respect in the Workplace, Dealing With Difficult People, Conflict Management, New Employee Orientation, and core courses related to management training;
- responded to requests to provide mediation services as well as ethics and sexual harassment/discrimination training for other state agencies.

**Figure 1:
Comparison of Maintenance Tax Rates FY 2005–FY 2012**

TYPE	MAX LEGAL RATE	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Motor Vehicle	0.2	0.036	0.062	0.058	0.070	0.063	0.061	0.060	0.077
Fire	1.25	0.184	0.291	0.236	0.280	0.237	0.320	0.310	0.331
Workers' Compensation	0.6	0.027	0.051	0.059	0.069	0.072	0.096	0.115	0.151
Casualty	0.4	0.073	0.119	0.117	0.129	0.112	0.140	0.135	0.152
Title	1.0	0.037	0.107	0.100	0.127	0.115	0.266	0.281	0.401
Life, Accident and Health	0.04	0.026	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Third-Party Administrators	0.265	0.125	0.149	0.110	0.149	0.104	0.072	0.045	0.047
HMO Multi-Service*	\$1.32	\$1.02	\$1.53	\$1.23	\$1.23	\$1.08	\$1.32	\$1.26	\$1.50
HMO Single Service*	\$0.44	\$0.34	\$0.51	\$0.41	\$0.41	\$0.36	\$0.44	\$0.42	\$0.50
HMO Limited Service*	\$0.44	\$0.34	\$0.51	\$0.41	\$0.41	\$0.36	\$0.44	\$0.42	\$0.50
Prepaid Legal	0.022	0.022	0.044	0.036	0.042	0.036	0.042	0.036	0.030
Workers' Compensation Evaluation	0.00	0.00	0.00	0.00	0.00	0.009	0.012	0.009	0.016
Division of Workers' Comp.	2.00	1.051	1.051	1.128	1.003	1.232	1.455	1.584	1.669

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

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.

FY 2012 Highlights

- completed 13 financial or performance related audits; this included six verification follow up audits of implemented recommendations that covered eight prior internal audit reports; there were four other financial/performance-related audits and one follow up audit 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;
- completed two information technology audits;
- completed one advisory project resulting in a final report to the Commissioners and ITS management;
- completed a follow-up audit of two prior SAO audits;
- completed an external quality assurance review of the Internal Audit Division that resulted in the highest rating, fully complies;
- initiated analysis of division area during the fiscal year with internal report for agency management, utilizing Committee of Sponsoring Organizations (COSO) control framework;
- served as liaison for three State Auditor's Office audits completed during the fiscal year and one ongoing at fiscal year end.

Compliance Division

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 in furtherance of 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.

The Consumer Health Assistance Program (CHAP) that was established in October 2010 to help Texans with health care coverage issues ended in May 2012.

FY 2012 Highlights

- helped consumers in Bastrop from September to November following wildfires on Labor Day 2011 and produced a new publication, *Protect Your House from a Wildfire*;
- helped consumers in North Texas following hailstorms in May 2012;
- returned \$29.8 million to consumers in additional claim payments and refunds as a result of complaints resolution;
- helped resolve more than 17,000 consumer complaints, including complaints against HMOs;
- implemented a new complaints tracking database as part of TDI's conversion to Sircon for States, an enterprise data management system;
- responded to more than 1 million consumer inquiries;
- maintained 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 more than 740 presentations throughout Texas on insurance issues;
- distributed more than 9.5 million publications to help Texans better understand their insurance coverages and save money on the insurance they need;
- helped more than 7,600 people, answered more than 12,000 phone calls, and distributed more than 8.3 million publications as part of the CHAP program;
- worked with the Centers for Medicare and Medicaid Services to investigate violations of Medicare Advantage and Medicare prescription drug plan marketing rules and to help seniors who were victims of fraudulent or misleading marketing of Medicare products;
- 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 offer training to 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.

Summary of Activity: CP

Number of inquiries answered	1.02 million
Number of consumer information publications distributed	9.57 million
Number of consumer information presentations made	740
Number of complaints resolved	17,606
Dollar amount returned to consumers through complaint resolution	\$29.8 million
Number of complaints against HMOs resolved	760
Average response time (days) to complaints	29.58
Average response time (days) for HMO complaint resolution	8.74

Enforcement

The Enforcement Section investigates allegations of violations of the law and rules by insurance agents, companies, HMOs, other entities (both licensed and unlicensed), and workers' compensation system participants. Consumer Protection and Fraud refer matters to Enforcement. 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
- 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 the Division of Workers' Compensation.

FY 2012 Highlights

- ordered \$33,987,963 in restitution for consumers and assessed \$6,989,487 in administrative penalties, fines, and forfeitures;
- closed 179 cases related to surplus lines agents and agencies that had filed policies late with the Texas Surplus Lines Stamping Office, of which 55 were resolved by consent order;
- revoked the licenses of three unrelated agents that each obtained more than \$30,000 in advanced commissions from insurance companies by submitting fraudulent or fabricated insurance applications;
- obtained 123 enforcement orders issued by the Division of Workers' Compensation against all system participants and obtained 34 orders against health care providers;
- issued 11 orders based on medical quality reviews in calendar year 2012 through August 31, 2012;
- implemented a new case tracking database as part of TDI's conversion to Sircon for States, an enterprise data management system;
- entered into a consent order with Humana Insurance Company and Humana Health Plans of Texas for prompt pay violations resulting in \$1.2 million payment of penalties and restitution to Texas providers;

- continued its investigation into race-based pricing, which is drawing to a close. To date, TDI has entered into 30 consent order agreements, providing relief for 214,000 Texas policies and provided \$17.8 million in refunds. TDI has assessed \$814,000 in fines against the companies involved. The department is negotiating settlements in the final completed company exams and expects to finalize disciplinary actions by late 2012.
- participated in four multistate market conduct settlement agreements concerning unclaimed benefits, marketing, and sales of life insurance and annuities resulting in approximately \$4.4 million in payments to Texas. The companies included Prudential Insurance Company, Metlife, Mega Life and Health Insurance Company, and Allianz Life Insurance Company of North America.
- worked with the Regulatory Policy Division and the OAG to get amusement ride operators to comply with insurance, certification and fee requirements. This fiscal year, TDI forwarded 148 amusement orders of violation to the OAG. That office has jurisdiction to compel compliance with the insurance, certification, and fee requirements. Of the 148 referrals, 44 amusement ride operators have come into compliance or voluntarily ceased operations.
- Fined the following companies through commissioner’s orders:
 - Loya Insurance Company through an administrative penalty of \$300,000 for violations resulting from a market conduct examination, including violations for misleading advertising and Loya’s failure to file rates used for its Preferred 1 Discount.
 - American Risk Insurance Company through an administrative penalty of \$150,000 for violations resulting from two financial examinations and one market conduct examination, including violations for reporting deficiencies; keeping personal lines policies in force in excess of the maximum retained risk allowed, and failing to effect a prompt, fair, and equitable settlement.

Summary of Activity: Enforcement

Cases received	1,039
Cases closed	1,831
License revocations	70
License denials	19
License suspensions/ suspensions of writing*	3
Cease and desist orders	8
Monetary forfeitures/ restitution orders†	409
Forfeitures/assessments/ Restitution	\$40,972,950

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

† This number includes Commissioner and State Fire Marshal orders.

Insurance Fraud Unit

The Fraud Unit protects the public from economic harm by investigating allegations of criminal insurance fraud. Its responsibilities include reviewing reports of fraud, initiating inquiries, and conducting investigations when TDI has reason to suspect insurance fraud has occurred. In addition, the Fraud Unit actively seeks criminal indictments, makes arrests, and assists in prosecutions to deter insurance fraud in Texas.

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

- Claim fraud committed 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
- Deceptive agent practices, including:
 - issuing fictitious policies
 - conversion of premium payments
 - insurance application fraud
- Fraudulent activities by insurance company officers and directors, including:
 - false financial statements to TDI
 - misuse of company funds
- Unauthorized insurance schemes, including:
 - insurance products not authorized by 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 comprises four investigative sections with commissioned peace officers and civilian investigators, an administrative section, and an intake section.

FY 2012 Highlights

- hosted the 14th Annual Fraud Conference in February 2012 with 289 fraud investigators from state government, law enforcement, and the insurance industry in attendance;
- made 11 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;
- dedicated a position to conduct investigations into allegations of life settlement fraud, pursuant to passage of HB 2277.

Summary of Activity: Fraud Unit

Reports of Fraud Received	12,736
Cases Opened	518
Persons Referred to Prosecutors	215
Criminal Indictments	133
Criminal Judgments	88
Est. Amt. of Fraud Identified in Referrals	\$35,875,000
Assessments (Fines & Penalties)	\$63,610
Restitution Ordered	\$2,417,347
Arrests by Fraud Unit Peace Officers*	10

* 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 2011 reflected \$109 billion in Texas premiums and \$77 billion in claim payments to Texas claimants. These companies reported aggregate assets of \$6.9 trillion, liabilities of \$6.0 trillion and capital and surplus of \$931 billion.

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

FY 2012 Highlights

Financial Analysis

- implemented a 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;
- 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.

Licensing Services

- received a merger application whereby six large insurance companies will merge into a Texas domestic insurance company. The resulting Texas insurance company will have over \$140 billion in assets, making it one of the largest United States based insurers. Texas was selected as the domestic regulator after the company compared a number of different states.
- issued 75,728 new agent and adjuster licenses, and processed 142,273 renewal applications and approximately 655,000 appointments of agents by insurers. The total number of items processed, including telephone inquiries, exceeded 1,079,500 for the year. As of the end of the fiscal year, in excess of 455,780 licenses and registrations were issued and outstanding.

Examinations

- participated in 57 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 title agent examination function to the examinations section on May 1, 2012, and performed 343 examinations of title agents during FY 2012;
- held a leadership role on actuarial initiatives including addressing more uniform reserving standards for certain life products with guarantees.

Rehabilitation and Liquidation Oversight

- oversaw \$61.8 million of net asset recoveries through the receivership process, and made distributions of \$101 million;
- released five companies from regulatory interventions as rehabilitated and one company dissolved with no impact to the guaranty associations;
- continued oversight of TWIA.

Figure 2: Number of Company Licenses Under Commissioner's Jurisdiction Fiscal Years 2008-2012

LICENSE TYPE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Insurance Companies	1,885	1,863	1,858	1,843	1,836
Health Maintenance Organizations	54	55	52	51	51
Premium Finance Companies	250	257	194	194	193
Continuing Care Retirement Communities	29	29	29	31	31
Third Party Administrators	748	770	782	760	734
Total	2,966	2,974	2,915	2,879	2,845

Note: Does not include 117 foreign risk-retention groups or 194 foreign surplus lines carriers.

Figure 3: Texas Policyholder Premiums, Claim Payments Calendar Years 2007-2011

CALENDAR YEAR	CLAIM PREMIUMS	PAYMENTS	PAYMENTS AS A % Of PREMIUM
2007	\$ 99.2 billion	\$ 64.1 billion	64.6%
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%

Figure 4: Total Capital/Surplus of Insurance Companies Operating in Texas Calendar Years 2007-2011

CALENDAR YEAR	TOTAL CAPITAL/SURPLUS
2007	\$ 867.6 billion
2008	806.2 billion
2009	903.0 billion
2010	933.8 billion
2011	931.0 billion

Figure 5: Number of Financial Analysis Reviews Fiscal Years 2008-2012

FISCAL YEAR	NUMBER OF REVIEWS
2008	1,881
2009	1,855
2010	1,750
2011	1,790
2012	*847

* 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 2008–2012

FISCAL YEAR	NUMBER OF EXAMINATIONS
2008	153
2009	153
2010	129
2011	139
2012	117

Figure 7: Summary of Title Examination Activity

	FY 2011	FY 2012
Annual Escrow Audits Reviewed	604	576
Title Examinations Conducted	300	343
Total Amount in Escrow Accounts	\$136 billion	\$167 billion

Figure 8: Texas Guaranty Association Assessments Calendar Years 2007–2011

CALENDAR YEAR	LIFE & HEALTH	PROPERTY & CASUALTY	TITLE	TSIG	TOTAL
2007	\$12,500,005	\$0	\$0	\$100,000	\$12,600,005
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

* Refund of prior assessments, which were redistributed to member insurance companies.

Figure 9: Number of Agent and Adjuster Licenses, Certificates and Registrations Under Commissioner's Jurisdiction 2008–2012

LICENSE TYPE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Agents (1)	306,036	319,640	327,411	341,021	352,281
Adjusters	72,061	80,919	85,735	88,985	94,754
Full-Time Home Office Salaried Employees	1,041	496*	501	640	645
Discount Health Care Program Operator (2)	N/A	N/A	N/A	N/A	54
Specialty - Credit	3,013	3,021	2,897	2,865	2,748
Specialty - Travel	896	1,000	1,072	1,160	1,328
Specialty - Rental Car Company	65	66	58	55	50
Specialty - Self Service Storage Facility	94	127	147	153	164
Specialty - Telecommunication Equipment Vendor	11	12	18	15	21
Life Counselors	429	485	523	542	589
Public Insurance Adjusters	234	762	850	742	786
Risk Managers	1,114	1,133	1,135	1,133	1,155
Re-insurance Intermediary	909	1,245	1,155	1,265	1,211
Premium Finance Companies	271	N/A	N/A	N/A	N/A
Third-Party Administrators	748	N/A	N/A	N/A	N/A
Grand Total of Lines Regulated	386,922	408,906	421,502	438,585	455,786

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.

Figure 10: Summary of Activity: Agent and Adjuster Licensing 2008–2012

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Filings Processed by Licensing Division*	781,659	875,772	887,616	880,474	942,852
Total Telephone Inquiries Received**	138,877	152,024	139,290	143,259	145,433

* Including Title Filings.

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

Figure 11: Summary of Agents License Statistics 2008–2012

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Issued	63,642	72,828	63,545	69,416	73,488
Renewed	118,739	116,022	134,064	126,439	138,176
Total Appointment Transactions	511,754	604,158	603,763	595,154	654,931
Total Current Agents & Adjusters Licenses	378,333	401,321	413,996	430,748	447,821
Other Licenses	7,572	7,585	7,506	7,837	7,965
Grand Total of Licenses Regulated	386,922	408,906	421,502	438,585	455,786

Figure 12: Numbers and Types of Agents Licenses 2008–2012

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
County Mutual	3,263	3,424	3,696	4,039	4,009
General Lines - Life, Accident, Health and HMO	172,461	174,328	175,441	179,160	182,609
General Lines - Property and Casualty	105,326	105,391	106,502	109,033	111,986
Life Only Agent*			17,747	21,410	24,328
Personal Lines Agent*			7,847	10,142	11,613
Insurance Service Representative	1,568	1,467	1,325	1,234	1,170
Life not to Exceed \$15,000	915	861	831	705	662
Limited Lines	5,024	4,672	4,576	5,584	5,952
Managing General Agent	1,583	1,598	1,589	1,596	1,579
Pre-Need	2,328	2,625	2,607	2,626	2,724
Surplus Lines	4,670	5,017	5,250	5,492	5,649

* Licenses added beginning FY 2008.

Figure 13: Summary of Title Insurance Licensing Activity

	FY 2011	FY 2012
Licenses Issued (includes renewals)	4,713	6,337
Licenses Cancelled	1,958	1,721

Figure 14: Numbers of Agents/Licenses under Commissioner's Jurisdiction (Title Insurance)

	FY 2011	FY 2012
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

General Counsel Division

THE GENERAL COUNSEL DIVISION provides legal services to the agency, including both the Commissioner of Insurance and the Commissioner of Workers' Compensation. It is comprised of the General Counsel/Chief Clerk's Office and the Legal Services Section.

General Counsel/Chief Clerk

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

FY 2012 Highlights

- advised the Commissioner on 46 contested cases heard by SOAH, 10 hearings and public meetings conducted by the Commissioner, and advised the Commissioner on rate and other matters;
- briefed and advised the Commissioner on 15 appeals of TWIA decisions;
- adopted six new Texas Administrative Code rules, repealed four TAC rules, and amended eight TAC rules;
- adopted twelve manual rule proposals under Article 5.96 of the Texas Insurance Code;
- advised the Commissioner regarding orders in connection with agents and insurers, including 204 consent orders, 81 default orders, 37 contested orders, 2 cease and desist orders; and 146 amusement ride orders;
- issued 36 Commissioner's Bulletins;
- served as liaison to the NAIC and Interstate Insurance Product Regulation Commission.

Legal Services

The Legal Services Section counsels the agency on all matters, including operations, personnel, contracts, open records, and policymaking. The program interprets statutes, drafts rules, opinions, orders, bulletins, and assists the Financial Program with financial and receivership matters. The division has four sections: Agency Counsel, Financial Counsel, Policy Development Counsel, and Workers' Compensation Counsel.

FY 2012 Highlights

- reviewed and/or prepared 298 contracts or agreements for the agency under general counsel;
- processed 921 citations and 135 subpoenas under general counsel;
- adopted 75 rules; and
- repealed six rules.

Figure 15: Summary of Activity: Legal Services

	FY 2011	FY 2012
Open records requests received	11,439	11,811
Open records requests completed	11,397	11,809
AG referrals for opinions	86	161
Unemployment hearings	13	9

Public Affairs

PUBLIC AFFAIRS is comprised of Government Relations (GR) and the Public Information Office (PIO).

Government Relations

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.

FY 2012 Highlights

- assisted the Commissioner of Insurance and the Commissioner of Workers' Compensation in preparing for and presenting information on interim charges as developed by the Texas State leadership and heard by various interim committees such as Senate Business and Commerce, Senate State Affairs, House Insurance, and several select committees considering issues related to federal healthcare reform;
- participated in the agency project to coordinate and respond to the implementation of the federal healthcare reform passed by the U.S. Congress in March, 2010, including informing and updating the Legislature of the scope of the department's activities and assisting as necessary with legislative inquiries and interim hearings;
- continued during the interim to track, coordinate, and report to the Legislature on the implementation activities of the 195 insurance-related bills passed during the 82nd Legislative Session (2011) and 82nd First Called Special Session, resulting in approximately 209 implementation items for the TDI and the DWC;
- published and updated bill implementation information on the agency's website;
- worked with bill authors and sponsors of legislation and kept them advised of implementation developments, including stakeholder and working group meetings in the development of rules;
- monitored and attended meetings of various boards and committees, including legislative interim committees, for the Commissioner of Insurance and the Commissioner of Workers' Compensation;
- coordinated and prepared presentations by the Commissioner of Insurance, the Commissioner of Workers' Compensation, and agency staff for interim and regular session legislative committees charged with studying insurance and workers' compensation-related issues;
- continued to maintain a consumer liaison for approximately 1400 insurance inquiries;
- assisted TDI staff with appointment and re-appointment of 17 members to advisory committees and boards, including: the appointment of two new Advisory Boards, the Texas Bleeding Disorders Association Advisory Council and the Adjuster Advisory Board, and continued monitoring of the Utilization Review Advisory Committee;

- monitored the continued Administrative Oversight of the Texas Windstorm Insurance Association and the implementation of House Bill (HB) 3, 82nd Legislature, First Called Special and distributed monthly reports to leadership and bill author and sponsors;
- assisted TDI staff with implementation of the Coastal Outreach Program as established by HB 3, 82nd Legislature, First Called Special Session.

Public Information Office

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 2012 Highlights

- wrote and coordinated dissemination of 53 press releases, press statements, and media advisories;
- responded to 474 media calls and information requests;
- continued to provide a daily news clipping service, monitoring all major Texas newspapers for insurance-related news;
- published TDInsight, a newsletter for industry stakeholders and policymakers; 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 the addition of Google Analytics and Google-friendly site maps to improve TDI web site performance; acquisition of new accessibility checking software; and enhancements to the Kids' Page and agency job listings to make them more accessible and easier to read;
- distributed 116 e-mail updates to close to over 4,000 TDI eNews subscribers;
- provided live and archived Internet audio of eight 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 three offices: Research and Policy Initiatives, Managed Care and Quality Assurance, and Rate and Form Review.

FY 2012 Highlights: Property and Casualty

Personal and Commercial Lines

- restructured to align similar functions as part of the agency reorganization. Property and Casualty Intake was acquired, as well as the review of Workers' Compensation and Title manual policy forms and rules. In addition, all Property and Casualty and Title complaints shifted to the Consumer Protection Section of the Compliance Division. Title Examinations and Title Licensing functions transitioned to the Examinations and Licensing Services Sections of the Financial Regulation Division.

Inspections

- repealed 28 Texas Administrative Code Section 5.9600, concerning the conduct of commercial property inspections and rating functions by private entities and the department's regulatory oversight of these functions. The department determined that the oversight of commercial property inspections and rating functions was not supported by statute, was an obsolete departmental function, and thus, no longer required.
- conducted joint public presentations in collaboration with the Texas Board of Professional Engineers to provide new TBPE and TDI requirements for engineers appointed as qualified windstorm inspectors, pursuant to the changes in HB 3 (82nd Legislature, First Called Special Session).

Property and Casualty Actuarial

- issued a report to the Senate Business and Commerce Committee titled Homeowners' Premiums and Rates in Texas. The report concludes, after a state-by-state analysis of numerous variables, that the primary driver of high premiums is high losses, both actual ordinary losses and potential catastrophe losses. In addition, it points out that the main drivers of recent rate increases in Texas are increases in underlying repair costs, expanded coverage, and changes in the features of new homes; changes to hurricane models and the underlying assumptions used in the models; insurers' demands for the same return for assuming risk that reinsurers would demand; increases in expenses; and declines in interest rates.

Data Services and Special Projects

- acquired the functions of General Management, including the TexasSure program, which sent over two million notices to the owners of registered vehicles that appeared to be uninsured. TexasSure is used by all 254 county Tax Assessor-Collector offices and is available to law enforcement agencies statewide. The average number of insurance verification queries to the system in FY 2012 was 4.75 million per month.

FY 2012 Highlights: Life, Accident and Health

Research and Policy Initiatives

- spearheaded or participated in the proposal or adoption of rules pertaining to Utilization Reviews for Health Care Provided Under a Health Plan or Health Insurance Policy; Preferred and Exclusive Provider Plans, Network Adequacy Requirements; Memorandum of Understanding with the Department of Banking and the Texas Funeral Service Commission; Contribution and Participation Requirements for Guaranteed Issue Small Employer Health Benefit Plans; Consumer Credit Bill of Rights; and Health Care Collaboratives;
- coordinated multiple data calls, drafted related reports, and launched beta version of health reimbursement rate data search;
- monitored the impact of federal health reform on the Texas market;
- reached maximum Healthy Texas enrollment of 15,000 enrollees in August 2012;
- administered the Three-Share grant program and conducted a management audit of Three-Share entities.

Managed Care Quality Assurance Office

- conducted 53 HMO Quality Assurance Examinations;
- certified 30 networks with coverage areas in 250 of 254 Texas counties;
- certified/registered 204 URAs, certified 43 IROs, and completed 2,846 IRO assignments;
- completed review of 1,412 form review filings within 90 days.

Rate and Form Review

- assumed new review duties following transition to align functions: review of advertising material was moved from Consumer Protection, and review of HMO forms was moved from the Managed Care and Quality Assurance Office;
- reviewed and approved rates for Healthy Texas and the Texas Insurance Pool;
- implemented Texas Insurance Code 463 to update the Guarantee Fund notice;
- provided consumers with information about health insurance rate increases through TDI's website.

Figure 16: Summary of Activity: Property and Casualty Intake Program Filings Received/Processed

RATE FILINGS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Liability/Umbrella	64	40	42	51	57
Bond and Miscellaneous Lines	401	251	372	315	331
Commercial Automobile	774	489	524	703	687
General Liability	743	830	926	1,037	941
Homeowners	236	268	297	282	274
Interline Filing	18	45	61	53	76
Inland Marine	178	160	277	154	239
Identity Theft	2	1	2	1	0
Intake Unit	0	0	0	0	0
Commercial Multi-Peril	708	699	892	998	1,067
Personal Automobile	769	602	676	985	744
PC (Other Personal Lines)**	2	0	0	0	0
PC (Other Commercial Lines)**	0	5	5	5	6
Professional Liability	197	217	202	206	203
Commercial Property	343	319	372	343	562
Workers' Compensation	594	471	412	486	607
Total	5,029	4,397	5,060	5,619	5,794
POLICY FORM, ENDORSEMENT, AND RULE FILINGS					
Personal Liability/Umbrella	111	67	88	90	126
Bond and Miscellaneous Lines	691	593	500	538	466
Commercial Automobile	1,002	925	798	1,417	1,306
General Liability	3,258	2,759	2,410	2,294	2,674
Homeowners	342	310	345	353	405
Interline Filing	444	483	220	375	280
Inland Marine	772	586	498	446	591
Identity Theft	3	1	13	4	0
Intake Unit	0	3	2	0	0
Commercial Multi-Peril	3,507	3,238	3,235	3,578	3,605
Personal Automobile	697	540	498	821	634
PC (Other Personal Lines)**	2	0	0	0	0
PC (Other Commercial Lines)**	0	9	14	10	19
Professional Liability	599	764	661	642	641
Commercial Property	1,062	1,171	877	765	825
Workers' Compensation	399	187	269	437	232
Total	12,889	12,806	10,428	11,770	11,804
Total P&C Filings Received	17,918	17,203	15,488	17,389	*17,598
Intake Unit Filings Processed	114	197	175	140	336

* Total Includes 16,927 SERFF Filings.

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

Figure 17: Property and Casualty Rate Filings Completed

TYPE OF INSURANCE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Liability/Umbrella	49	36	60	45	56
Bond and Miscellaneous Lines	489	321	417	334	315
Commercial Automobile	838	542	473	564	758
General Liability	720	790	936	999	918
Homeowners	199	301	287	288	266
Interline Filing	18	44	56	62	63
Inland Marine	147	195	274	158	197
Identity Theft	4	3	2	1	1
Intake Unit	0	0	0	0	0
Commercial Multi-Peril	733	769	993	992	1,094
Personal Automobile	714	652	664	879	706
Personal Casualty	0	6	6	4	4
Professional Liability	162	98	364	185	124
Commercial Property	381	358	451	345	573
Workers' Compensation	157	658	196	554	417
Total	4,611	4,773	5,179	5,410	5,492

Figure 18: Property and Casualty Form Filings Completed

TYPE OF INSURANCE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Liability/Umbrella	117	64	90	93	136
Bond and Miscellaneous Lines	691	601	487	542	466
Commercial Automobile	897	978	764	1,335	1,464
General Liability	3,069	2,816	2,220	2,299	2,670
Homeowners	339	310	351	321	404
Interline Filing	406	490	232	332	323
Inland Marine	744	617	479	426	607
Identity Theft	1	3	11	5	1
Intake Unit	0	3	2	0	2
Commercial Multi-Peril	3,384	3,547	3,291	3,521	3,746
Personal Automobile	669	562	505	725	768
Personal Casualty	1	11	14	9	16
Professional Liability	569	693	713	645	636
Commercial Property	983	1,238	856	749	867
Workers' Compensation	386	227	266	438	242
Total	12,256	12,160	10,281	11,440	12,348

Figure 19: Summary of Title Insurance Activity

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Rates, Rules and Policy Forms	131	8	47	7	0

Figure 20: Summary of Activity: Commercial Property Oversight Inspections

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Property Inspections Conducted	1,175	1,199	1,200	800	100
Residential/Special Inspections	0	2	3	2	0
VIP Licenses/Certificates Issued	163	189	138	146	114

Figure 21: Summary of Activity: Windstorm Operations

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Applications	30,856	77,499	38,688	35,801	31,717
Inspections	11,038	*39,988	**11,223	9,343	7,308
Certificates of Compliance	31,212	66,831	39,226	36,481	32,177
Windstorm Fees Received	\$10,596.28	\$6,335.00	\$8,320	\$6,185	\$7,355

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

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

Figure 22: Summary of Activity: Engineering Services

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Building Code Interpretations	2,135	5,902	3,701	3,056	3,843
Product Evaluations	1,331	2,100	1,460	2,003	1,867

Figure 23: Summary of Activity: Loss Control

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Evaluations Completed	201	208	202	202	201
Companies Rated Adequate	201	204	201	193	199
Companies Rated Less than Adequate	0	1	1	9	2
Companies Evaluated for Licensure	2	10	11	8	7
Loss Control Representative Applications Reviewed	203	129	168	231	218
Field Safety Representatives with a Specialty in Hospitals	11	8	5	7	14

Figure 24: Summary of Activity: Amusement Ride Safety and Insurance Act

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Policies Reviewed	331	443	436	552	803
Inspection Certificates Approved	1,818	2,405	2,683	5,242	6,618
Injuries	128	78	54	64	87
Owners Under Compliance Monitoring	413	559	635	782	1,049

Figure 25: Summary of Activity: Workers' Compensation Classification/ Premium Calculation Office

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Experience Rating Modifiers Reviewed	532	624	469	485	*351
Responses to Written CIS Inquiries (Non Complaints)	1,267	1,379	1,433	1,126	1,175
Groups Certified	63	70	70	69	64

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

Figure 26: Data Services and Special Projects: Other Statistical Reports Collected

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Title Insurance Agents	629	634	615	585	563
Title Insurance Underwriters	23	21	21	17	16

Figure 27: Summary of Activity: Life/Health Filings

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Filed	26,234	24,831	19,884	19,787	21,274
Accepted	25,600	23,858	18,732	18,457	19,739
Approved	9,081	8,161	6,642	6,579	7,570
Disapproved	2,455	2,993	1,800	2,058	1,410
Exempt	5,625	4,898	4,149	4,832	5,658

Figure 28: Summary of Activity: HMO Filings

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Actual Performance	1,423	1,438	1,760	1,481	1,412

Figure 29: Summary of Activity: Utilization Review Filings

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Applications Received	20	5	18	11	30
Registered URAs Approved	2	0	1	0	0
Certified URAs Approved	14	9	12	11	15
Certified URAs Renewed	79	75	77	71	87

Figure 30: Summary of Activity: HMO Complaints

NUMBER OF COMPLAINTS AGAINST HMOS RESOLVED	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Actual Performance	905	668	620	755	470

Figure 31: Number of HMO Quality Assurance Examinations Conducted

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Actual Performance	16	23	28	38	53

Figure 32: Summary of Activity: HWCN Inquiries

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Inquiries Received	479	607	681	685	374
Inquiries Completed	469	591	687	685	374

Figure 33: Summary of Activity: IRO Applications

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
IRO Applications Received	7	10	6	2	4
IRO Applications Approved	7	9	6	0	4
IRO Renewals Approved	27	35	42	33	38

Figure 34: Summary of Activity: Certified Workers' Compensation Health Care Networks

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total No. of Certified WC Networks	34	33	30	32	30
No. of SAE's Approved	12	7	7	10	7
No. of Original WCNs Approved	3	1	1	5	3
No. of Counties Served	234	234	249	250	250

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 2012 Highlights

TEXFIRS

- continued discussions with Texas A&M Forest Service (TFS) regarding a pilot project between SFMO, TFS, and the Harris County Fire Marshal's Office to utilize the current TEXFIRS data to meet the fire incident data needs of the TFS and the various fire service entities in the state;
- 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;
- received and completed processing of 1,731,912 fire and non-fire 2011 TEXFIRS reports from 1,038 fire departments.

Outreach, Policy, and Research

- held the 13th 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;
- implemented Have an Exit Strategy (HAES), a fire and life safety education program, at 136 private universities and two-year community colleges. The program was funded through a FEMA Fire Prevention and Safety Grant for \$285,048.

Industry Licensing

- conducted 181 licensing investigations, of which 35 percent were referred to enforcement;
- effected over \$85,000 in repairs that were made by involved companies at no additional cost to the property owner;
- added a licensing investigator for the West Texas/Panhandle area;
- issued 13,378 licenses, registrations, and permits to the fire alarm, extinguisher, sprinkler, and fireworks industries. As of August 31, 2012, there are 2,842 licensed and registered firms and 10,704 licensed and permitted individuals. In addition, SFMO issued 563 display permits and 3,934 retail fireworks permits.
- issued 61 Fire Marshal Consent Orders relating to enforcement of fire extinguisher, alarm, sprinkler, and fireworks safety, generating over \$183,150 administrative penalties. This included one extinguisher firm with a penalty of \$45,000 that involved improper installations, the use of unlicensed individuals, and misrepresentations at numerous locations. Another FM Order revoked an individual's fire extinguisher license for repeatedly engaging in misrepresentations and improper service of portable extinguishers and fixed extinguishing systems.

Fire Investigations

- began planning quarterly forensic science advisory group trainings per recommendations of the Forensic Science Report;
- 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;
- received \$90,800 from a Criminal Justice Grant via the Texas Governor’s Office to purchase an Accelerant Detection Canine (based in the Panhandle area), one cargo trailer, 22 inverters, 22 cordless tool combo kits, 22 remote area lighting systems, and 22 winches;
- purchased a new oven for the Arson Lab with fines from Fire Standard Compliant Cigarette violations, which is critical for evidence testing at the lab (the previous oven was over 10 years old);
- conducted four Line of Duty Death (LODD) investigations; one occurred during a training, two occurred while the firefighter was on duty, and one occurred at a fire scene. SFMO’s scope for investigating LODDs expanded in May 2011 to include firefighter fatalities that occur during training.

PPC Oversight

- continued meeting with members of the Texas Fire Chiefs 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 18 communities in Texas to discuss ISO classification and provide assistance to improve grading; 163 communities improved their ISO rating in FY 2012.

Fire Safety Inspections

- performed 374 inspections of facilities that are leased by Texas Facilities Commission (TFC) for occupation by state agencies;
- based on SFMO’s university inspection program, the focus of fire safety has come to the forefront at virtually every state owned university in Texas. Most Texas universities now employ a full time safety staff and in some cases a designated fire marshal. Numerous inspections have been conducted, resulting in a safer environment. SFMO inspectors will continue to maintain open communication with all state owned universities, conduct biannual inspection of all residential buildings every other year, and conduct inspections of new construction and major remodels or renovations.

Figure 35: Summary of Activity: State Fire Marshal’s Office

	FY 2011	FY 2012	ANNUAL TARGET
Fire investigations completed	412	483	507
Samples analyzed in arson laboratory	2,707	2,566	2,300
Investigations/inspections of complaints against fire protection equipment/fireworks industries	584	702	1,100
Buildings inspected/re-inspected for fire safety hazards	5,492	5,274	4,650
Number of communities or community partners accepting an SFMO fire prevention program or initiative	39	105*	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**

Division of Workers' Compensation (TDI-DWC)

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, basic goals of the Texas Labor Code, and other laws regarding workers' compensation are implemented and enforced. The basic goals of the Texas workers' compensation system are as follows:

- Each employee shall be treated with dignity and respect when injured on the job.
- Each injured employee shall have access to a fair 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 2011 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 and the Special Deputy Commissioner for Policy and Research.

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 program area and Self Insurance Regulation. 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, Records Management and Support, Outreach Planning and Coordination and Operations Support for TDI-DWC.

Designated Doctor Outreach and Oversight oversees, with the advice and direction of the Medical Advisor and the Medical Quality Review Panel, the testing and credentialing of Designated Doctor applicants and processes requests for Designated Doctor examinations. The program area also provides education, resources, and direction to Designated Doctors to ensure injured employees are evaluated by qualified doctors.

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 can contact field offices via a toll-free telephone number that routes calls to the closest 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 24,000 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 seminars with system stakeholders on workers' compensation topics.

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 the 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).

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 goal 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. The 82nd Texas Legislature amended sections of the Labor Code that govern certain aspects of the dispute resolution process. These changes became effective September 1, 2011 (except as otherwise specified) and are reflected in the following description of the program area.

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.

Other legislative changes addressed the situations in which the Appeals Panel can issue a written decision. In addition to writing opinions when the decision of the CCH is being overturned, the Appeals Panel may also issue a written decision on an affirmed case under certain conditions (for example, on an issue of first impression). BRCs and CCHs are held at TDI-DWC field offices and other sites throughout the state, and Appeals Panel reviews of decisions on indemnity disputes are conducted at TDI-DWC headquarters in Austin.

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 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 on or after June 1, 2012, Hearings is responsible for conducting BRCs regarding the appeal of a medical fee dispute decision 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 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 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 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.

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, Health Care Business Management, System Monitoring and Oversight, Workplace Safety and Provider Support, and Return-to-Work.

Health Care Policy 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 stakeholders and system participants.

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

- **Information Management** 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.
- **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.

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. This section also investigates and prepares cases for possible enforcement action.

Workplace Safety and Provider Support is responsible for providing outreach and education to system participants regarding medical benefits and other workers' compensation topics, as well as the provision of health and safety resources to Texas employers and employees.

- **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 (OSHCON) 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 that 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 state wide 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, bilingual, toll-free hotline can be used by anyone wishing to report suspected violations.
- **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 that 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.

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 the program areas. Workers' Compensation Counsel operates under the direction of the Commissioner of Workers' Compensation through the TDI Senior Associate Commissioner for Legal and Regulatory Affairs.

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 such as medical costs and utilization of care trends in Texas, return-to-work outcomes for injured Texas workers, and employer participation in the Texas 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, Labor Code.

Rulemaking Highlights

Pharmacy Fee Guideline: adopts a pharmacy fee guideline under Texas Labor Code §408.028(f) and amends rules to implement legislative changes made by HB 528, 82nd Texas Legislature, Regular Session (2011). Adopted September 30, 2011 (amends 28 TAC §§134.503 and 134.504). (Texas Labor Code §§408.028(f) and 408.0281). Effective October 23, 2011.

Benefit Review Conference: amends rules to address provisions of HB 2605, 82nd Texas Legislature, Regular Session (2011), to define "good cause" for rescheduling a BRC and to establish deadlines for requesting that a BRC be rescheduled. Adopted October 31, 2011 (amends 28 TAC §§141.2 and 141.3). (Texas Labor Code §410.028). Effective November 20, 2011.

Appeals Panel: amends rules to address provisions in HB 2605, 82nd Texas Legislature, Regular Session (2011) that authorize the Appeals Panel to issue a written decision affirming the decision of a hearings officer if the case is a case of first impression, involves a recent change in law, or involves errors at the Contested Case Hearing that require correction, but do not affect the outcome of the hearing. Adopted October 31, 2011 (amends 28 TAC §143.2). (Texas Labor Code §§410.203 and 410.204). Effective November 20, 2011.

Income Benefits: amends rules to address provisions of HB 2089, 82nd Texas Legislature, Regular Session (2011), regarding resolution of overpayment or underpayment of income benefits. Adopted December 12, 2011 (amends 28 TAC §128.1 and adds new §§126.15 and 126.16). (Texas Labor Code §408.0815). Effective January 1, 2012.

Monitoring and Enforcement: amends rules to address provisions of HB 2605 82nd Texas Legislature, Regular Session (2011), to codify procedures relating to onsite inspections, proposals for decision, and cease and desist orders. Adopted January 24, 2012 (amends 28 TAC §§180.1, 180.3, 180.5, 180.8 and 180.27 and adds new §§180.4, 180.9 and 180.10). (Texas Labor Code §§402.073, 414.005 and 415.0211). Effective February 14, 2012.

Medical Dispute Resolution: amends rules to address provisions of HB 2605 and SB 809, 82nd Texas Legislature, Regular Session (2011) which affect the dispute resolution process for medical fee disputes and medical necessity disputes. Adopted May 11, 2012 (amends 28 TAC §§133.307, 133.308, 144.1 - 144.7, and 144.9 - 144.16). (Texas Labor Code §§413.031, 413.0311, and 413.0312.) Effective May 31, 2012.

General Medical Provisions: amends rules to harmonize with other TDI utilization review agent rules, current agency policy, and certain provisions of Chapters 1305 and 4201 of the Insurance Code. Adopted March 26, 2012. (amends 28 TAC §§133.2, 133.240, 133.250, 133.270, 133.305 and 134.600). Effective July 1, 2012.

Non-Subscriber Reporting: amends rules to ensure 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 §§110.7, 110.103, 110.105, and 160.1). Effective August 2, 2012 (§§110.7 and 110.103); January 1, 2013 (§§110.1, 110.101, 110.105, and 160.1 – 160.3).

Designated Doctor Credentialing and General Procedures: amends rules to address 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). (Texas Labor Code §408.0041 and §408.1225). Effective September 1, 2012.

Accident Prevention Services: amends rules that regulate accident prevention services provided by insurance carriers to their insureds (amend and /or repeal rules in 28 TAC Chapter 166, as necessary). Stakeholder meeting held June 29, 2012. Anticipated adoption Fall 2012.

Medical Quality Review Panel: establishes rules to address 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) (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). (Texas Labor Code §413.05122). New rules were proposed in the July 27, 2012 issue of the *Texas Register*. Comment period closed August 27, 2012. Anticipated adoption Fall 2012.

Post Designated Doctor Examination: rules will address provisions of HB 2605, 82nd Texas Legislature, Regular Session (2011), regarding an injured employee's request for a post designated doctor exam to be performed by the injured employee's treating doctor or a referral doctor on an issue decided by the designated doctor. (adds new 28 TAC §126.17). Informal rules were posted August 2, 2012. Informal comment closes August 23, 2012. Anticipated adoption Winter 2012.

Medical State Reporting: amendments regarding submission of International Classification of Diseases (ICD) 10 codes. Informal rules providing two options under consideration were posted April 24, 2012. Informal comment closed May 24, 2012. Anticipated adoption to be determined.

Joint TDI/TDI-DWC Rulemaking Projects

Utilization Review Agent (URA): Existing Subchapters R and U of 28 TAC Chapter 19 are to be repealed and replaced with new rules to implement HB 4290, 81st Texas Legislature, Regular Session (2009), which amends the Insurance Code and Labor Code relating to retrospective utilization review and utilization review to determine the experimental or investigational nature of a health care service. (repeals 28 TAC §§19.1701 – 19.1724 and 19.2001 – 19.2021 and adds new §§19.1701 – 19.1719 and 19.2001 – 19.2017). Published in the *Texas Register* for formal comment on August 24, 2012. Public hearing scheduled for September 26, 2012.

URA Companion Project: will synchronize portions of workers' compensation bill processing, pre-authorization, and concurrent review with TDI's URA proposal. (Rules to be amended, date of formal proposal to be determined.)

FY 2012 Highlights

Health Care Quality Review

- performed 107 quality of care reviews based on complaints, plan based audits, or monitoring based reviews of health care providers, designated doctors, peer review doctors, IRO doctors, utilization review agents, and insurance carriers;
- investigated 686 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 initiated the Annual Audit Plan for CY 2012 and plan-based audits for lumbar spinal fusions, utilization review agents, and pain management services;
- extended the deadline for a Request for Qualifications to expand the number of practitioners and specialties contracting with TDI-DWC to provide professional services as members of the Medical Quality Review Panel;
- 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 section 413.0512(b):
 - Texas Medical Board
 - Texas Board of Chiropractic Examiners
 - Texas State Board of Pharmacy
 - Texas State Board of Podiatric Medical Examiners
 - Texas State Board of Dental Examiners
 - Texas Board of Occupational Therapy Examiners
 - Texas Board of Physical Therapy Examiners
- 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 Chiropractic Association
 - Texas Podiatric Medical Association
 - Texas Orthopedic Association
 - Texas Dental Association
 - The Texas Physical Therapy Association
 - The American Occupational Therapy Association
 - American Insurance Association
 - Texas Association of Business
 - Texas AFL-CIO
 - Insurance Council of Texas
 - Property Casualty Insurers Association of America
- proposed new rules related to the Medical Quality Review Panel (MQRP), Quality Assurance Panel and the Medical Quality Review Process to implement Texas Labor Code §§413.05115, 413.05121 and 413.05122, which were enacted or amended by HB 2605, 82nd Legislature, Regular Session, effective September 1, 2011.

Enforcement

- assessed \$1,117,562 in administrative penalties;
- obtained 153 enforcement orders issued by TDI-DWC against all system participants;
- obtained 34 enforcement orders issued by TDI-DWC against health care providers;
- issued 13 orders 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 Commissioner Bordelon's directive to resolve all cases or set them for informal settlement conference or hearing within 180 days of receipt.

Medical Fee Dispute Resolution (MFDR)

- decreased the backlog and reduced pending fee disputes from 17,054 in August of 2009 to 4,850 as of September 2012; "fair and reasonable" 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 Texas Administrative Code section 133.307, effective for disputes received on or after June 1, 2012.

Hearings

- held 14,403 Benefit Review Conferences;
- held 6,287 Contested Case Hearings;
- issued 2,376 Appeals Panel decisions;
- modified the procedure for receiving and processing Letters of Clarification;
- revised Appeals Panel review processes;
- continued to solicit and evaluate feedback from system participants related to the performance of presiding officers and the quality of the proceedings process;
- docketed 1,113 cases with SOAH;
- continued to update the *Appeals Panel Decision Manual* with current legal precedents and posted it on the TDI-DWC web site;
- continued to update the *Medical Contested Case Hearing Precedent Manual* for TDI-DWC hearing officers and system participants.

Audits, Complaints and Compliance

- completed 65 Performance Reviews (Audits) on health care providers and insurance carriers;
- handled more than 6,300 complaints, resulting in the return of over \$500,000 to workers' compensation system participants;
- issued more than 1,050 warning letters to system participants and referred more than 250 violations to Enforcement;
- sent approximately 600 letters to potential non-subscribing employers that failed to file the DWC Form-005, *Employer's Notice of No Coverage or Termination of Coverage*, inquiring about their coverage status, and resulting in 215 non-subscribing employers complying and filing the required form;
- sent approximately 600 letters to non-subscribing employers that had not filed the DWC Form-007, *Non-Covered Employer's Report of Occupational Injury or Illness*, inquiring about whether they had reportable occupational injuries or illnesses, resulting in 165 non-subscribing employers complying and filing the required form;
- conducted quarterly insurance carrier meetings to discuss emergent and ongoing compliance concerns in the workers' compensation system.

Performance-Based Oversight

- conducted assessments on 240 health care providers;
- finalized and published tier results of the health care providers in December 2011;
- issued preliminary findings for the 2012 Insurance Carrier Assessment in August 2012;
- held stakeholder meetings from February 2012 through May 2012 to receive input on the 2013 Health Care Provider Assessment.

Designated Doctor Outreach and Oversight

- ordered 42,541 designated doctor examinations;
- performed outreach to injured employees by sending 659 Injured Employee Surveys;
- produced two Designated Doctor Newsletters and distributed them to 1,200 recipients;
- designed, developed and delivered four designated doctor educational training programs that facilitated 495 re-certifications and 142 new designated doctor certifications;
- 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 in depth 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

- established the Outreach Planning and Coordination section to facilitate implementation of TDI-DWC rulemaking projects, maintain agency calendars, and coordinate educational opportunities for internal staff and system participants;
- conducted 30 basic workers' compensation educational events, seminars and webinars in partnership with several Small Business Development Centers, businesses and other organizations, providing training geared toward health care providers and medical office staff to 1,178 attendees;
- hosted two Workers' Compensation Educational Conferences in Austin and Dallas, providing information to 908 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 6,217 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 596 questions received via e-mail;
- made 518 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 84 seminars for stakeholders at field offices, attended by 809 people, covering topics such as Pharmacy Formulary, new TDI-DWC rules, Return-to-Work, and Medical Fee/Medical Necessity; conducted five additional training events on pharmacy formulary, training 267 people;
- provided customer assistance to approximately 240,000 system participants through the virtual call center;
- provided face-to-face customer service to 6,900 injured employees as walk-in customers at 21 field office locations across the state;
- assigned a Single Point of Contact to approximately 40,300 injured employees who requested assistance with their claims.

Workplace Safety

- conducted 2,764 OSHCON consultations with employers, identifying 5,920 occupational hazards;
- inspected 29 insurance groups representing 165 insurance companies for compliance with provision of required loss control services, which included onsite safety visits and phone consultations with 479 policyholders;
- processed 371 safety related calls through the Safety Violations Hotline; of these, established 66 safety violations cases, eliminating 246 safety and health hazards in workplaces;
- provided safety and health educational products and services to 9,911 employers and 92,455 employees:
 - conducted eight Regional Safety Summits across the state that provided information to target industries on preventing the leading causes of fatal occupational injuries, including transportation incidents; assaults and violent acts; and contact with objects and equipment, as well as common training requirements including lockout/tagout; hazard communication; and personal protective equipment;
 - conducted 45 free Occupational Safety and Health Administration (OSHA) 10-Hour Construction Seminars in either English or Spanish;
 - hosted the 16th Annual Health and Safety Conference, the Texas Safety Summit, in April 2012 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 3,030,146 times;
- sent educational materials to 192,629 injured employees for whom workers' compensation claims were established and 41,961 of their employers;
- presented best practices for obtaining source documents for the Census of Fatal Occupational Injury (CFOI) program at the national Bureau of Labor Statistics (BLS) Annual Conference;
- assisted the BLS Branch Chief with training two new staff in Ohio on the methods of nonfatal data collection for the Survey of Occupational Injuries and Illnesses (SOII);
- received national recognition from OSHA as the first large state to obtain a perfect score for overall performance and data quality during the 2010 OSHA Data Initiative data collection completed in FY 2012;
- received OSHA Region VI office recognition for several OSHCON staff at the Annual Onsite Conference in April 2012 for outstanding implementation of the Fall Protection Standard; outstanding contributions promoting safety and health by consulting employers in the residential, commercial, and highway construction business; outstanding bilingual abilities promoting and performing consultative visits in the construction industry; outstanding contributions in the home building, road construction, oil and gas and other promotional activities; and outstanding service conducting air and noise monitoring;
- the OSHCON Program Manager was elected to serve a two year term 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 7.17 % of the market share based on total written premium for workers' compensation in Texas; as of August 31, 2012, there were 42 active CSIs covering 235 companies that employ 128,217 employees;
- made presentations to the Commissioner and the Board at the Texas Certified Self-Insurer Guaranty Association public meetings, which approved one Initial Application, 42 Renewal Applications, 54 Status Reports on Withdrawn CSIs, and 10 Requests for Security Deposit Reduction;
- monitored 55 withdrawn CSIs, including two impaired employers and one non-renewal; one com-

pany started with the self-insurance program in FY 2012 and four companies withdrew from the program;

- managed security deposits totaling \$544,035,691 (includes both active and withdrawn companies) and consisting of \$156,600,000 in Letters of Credit, \$378,465,691 in Surety Bonds and \$8,970,000 in cash;
- collected \$670,654.50 in regulatory fees along with \$1,087,758.08 in maintenance taxes and \$8,447.15 in research maintenance taxes, totaling \$1,766,859.73;
- completed and approved 28 on-site safety program inspections.

Workers' Compensation Research and Evaluation Group (WCREG)

- completed the following five research projects and posted results to agency web site:
 - Annual return-to-work rates using employee wage data obtained from the Texas Workforce Commission
 - 2011 Network Report Card results
 - Access to Medical Care in the Texas Workers' Compensation System – 2012 Results
 - FY 2011 Pharmacy Utilization and Cost in the Texas Workers' Compensation System
 - Costs to Employers and Efficiencies in the Texas Workers' Compensation System
- presented current research findings to TDI-DWC educational conferences held in Austin and Dallas;
- presented current research findings to the Texas Medical Association, insurance carriers, and labor union representatives;
- presented 2011 Network Report Card results to nine 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 two network data calls and currently conducting an injured workers' survey in support of the 2012 annual network report card;
- 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 and the Office of Injured Employee Counsel to improve automated docketing processes and increase the efficiency of scheduling practices for Benefit Review Conferences and Contested Case Hearings;
- implemented changes to TXCOMP Provider and eClaims automated systems to support recent rule changes associated with Designated Doctor Outreach and Oversight;
- implemented sub-modules of the TDI-DWC Legacy System Rewrite, including automation of correspondence related to denial orders for Request for Designated Doctor Examination, Request for BRC, and Request for Letter of Clarification of Designated Doctor Examination Report;
- developed automation requirements to allow on-line filing of the Form DWC-005 *Employer Notice of No Coverage or Termination of Coverage*, Form DWC-007 *Employer's Report of Non-covered Employee's Occupational Injury or Illness*, and Form DWC-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 (RTW) training at TDI-DWC's 16th Annual Health and Safety Conference, the Texas Safety Summit;
- made 38 RTW presentations to employers across the state, including 11 presentations at Texas Business Conferences sponsored by the Texas Workforce Commission, reaching approximately 6,400 people;
- provided RTW training and information (not counting web-hits) to approximately 10,000 employers through seminars, consultations and/or printed information;
- developed workers' compensation training materials for the Department of Assistive and Rehabilitative Services (DARS) staff;
- processed applications for and updated the Registry of Private Providers of Vocational Rehabilitation Services;
- received and reviewed two applications for reimbursement from the Return-to-Work Reimbursement Program for Employers, providing reimbursements to the two employers in the aggregate amount of \$6,527.44;
- distributed more than 4,000 hard copies of the RTW 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 RTW information on the TDI-DWC web site, which was accessed approximately 47,000 times.



Part II Summary of Company Data

This section of the Texas Department of Insurance's 137th Annual Report

- **summarizes the agency's company licensing activities during fiscal year 2012 , including issuance of new certificates of authority;**
- **summarizes the agency's regulatory interventions initiated due to solvency concerns with certain insurers and related entities;**
- **provides a summary of annual statement data by types of insurance coverage, including total annual premiums paid by Texans for various lines of insurance.**

10-Year History-Certificate of Authority

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Life/Health insurers										
Texas	206	196	190	186	175	170	161	161	157	153
Non-Texas	580	561	552	546	529	520	514	504	499	485
Non-U.S.	0	0	0	0	0	0	0	0	0	7
Sub-Total	786	757	742	732	704	690	675	665	656	645
Property & Casualty insurers										
Texas	244	245	250	248	252	250	250	243	238	236
Non-Texas	916	915	917	926	932	942	948	948	947	935
Non-U.S.	0	0	0	0	0	0	0	0	0	18
Sub-Total	1,160	1,160	1,167	1,174	1,184	1,192	1,198	1,191	1,185	1,189
Other entities										
Texas	362	348	352	341	341	348	353	350	332	324
Non-Texas	456	462	479	485	471	486	504	515	512	487
Non-U.S.	0	0	0	0	0	0	0	0	0	7
Sub-Total	818	810	831	826	812	834	857	865	844	818
Grand Total	2,764	2,727	2,740	2,732	2,700	2,716	2,730	2,721	2,685	2652*

Life/Health includes: Stock life, mutual life, stipulated premium, non-profit life insurance, fraternal, multiple employer welfare arrangements, local mutual aid, local mutual burial, exempt associations, and non-profit hospital service corporations.

Property & Casualty includes: Stock fire, stock fire and casualty, mutual fire and casualty, stock casualty, Mexican casualty, Lloyds, reciprocals, title, risk retention groups, joint underwriting associations, workers' compensation self insurance groups, county mutuals, and farm mutuals.

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.

* FY 2012 Grand Total includes 1,843 licensed insurance companies, 51 HMOs, 31 CCRCs, and 760 TPAs. It does not include 194 premium finance companies and their 10 branch offices.

Reconciliation

Companies Licensed as of August 31, 2011	2,685
Companies Organized or Licensed During Year	65
Less Companies Reinsured, Merged, Withdrawn,	98
Canceled, Dissolved, Redomesticated, Domesticated	
or Placed In Permanent Receivership During Year	
Companies Licensed as of August 31, 2011	2,652

Types and Totals of Entities Licensed in Texas as of August 31, 2012

	TEXAS	NON-TEXAS	NON-US	TOTAL
Property & Casualty	236	935	18	1,189
Life	153	485	7	645
Other	324	487	7	818
Total	713	1,907	32	2,652

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

Types and Totals of Entities Holding a Certificate of Authority in Texas as of August 31, 2012

	TEXAS	NON-TEXAS	NON-US	TOTAL
Stock Life Insurance Companies	100	432	4	536
Mutual Life Insurance Companies	2	27	0	29
Stipulated Premium Life Insurance Companies	29	0	0	29
Life Port of Entry	0	0	2	2
Stock Fire Insurance Companies	1	3	0	4
Stock Fire & Casualty Insurance Companies	103	669	4	776
Mutual Fire & Casualty Insurance Companies	2	47	1	50
Stock Casualty Insurance Companies	12	150	0	162
Mexican Casualty Insurance Companies	0	0	13	13
Lloyds	52	0	0	52
Reciprocal Exchanges	7	16	0	23
Fraternal Benefit Societies	6	23	1	30
Title Insurance Companies	5	18	0	23
Non-Profit Legal Service Corporations	2	0	0	2
Health Maintenance Organizations	49	2	0	51
Risk Retention Groups	1	0	0	1
Multiple Employer Welfare Arrangements	4	2	0	6
Joint Underwriting Associations	0	2	0	2
Third Party Administrators	246	481	7	734
Workers' Compensation Self Insurance Groups	6	0	0	6
Continuing Care Retirement Communities	27	4	0	31
Retirement System and Pension	0	1	0	1
Government Created Life and Health Companies	1	0	0	1
Government Created Fire and Casualty Companies	3	0	0	3
Mutual Fire Insurance Companies	1	0	0	1
Mortgage Guaranty Insurance Companies	2	22	0	24
Total	662	1,907	32	2,601
Local Mutual Aid Associations	2	0	0	2
Local Mutual Burial Associations	2	0	0	2
Exempt Associations	6	0	0	6
Non-Profit Hospital Service Corporations	1	0	0	1
County Mutual Fire Insurance Companies	23	0	0	23
Farm Mutual Fire Insurance Companies	17	0	0	17
Total	51	0	0	51
Grand Total	713	1,907	32	2,652

New Companies Organized or Admitted to Texas between September 1, 2011 and August 31, 2012

	TEXAS	NON-TEXAS	NON-US	TOTAL
Stock Life Insurance Companies	0	3	0	3
Life Port of Entry	0	0	1	1
Stock Fire & Casualty Insurance Companies	0	4	0	4
Mutual Fire & Casualty Insurance Companies	0	3	0	3
Stock Casualty Insurance Companies	0	9	0	9
Title	1	0	0	1
Health Maintenance Organization	4	0	0	4
Third Party Administrators	12	24	4	40
Total	17	43	5	65

Canceled Certificate of Authority Report

Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated, Domesticated or Placed in Receivership between September 1, 2011 and August 31, 2012

	REINSURED OR MERGED	DISSOLVED, WITHDRAWN OR CANCELLED	REDOMESTICATED OR DOMESTICATED	*PERMANENT RECEIVERSHIP	TOTAL
Texas Companies					
Stock Life	3	2	0	0	5
Stock Fire & Casualty	1	1	0	0	2
Health Maintenance Organization	1	2	0	0	3
Workers' Comp Self Insured Group	0	1	0	0	1
Third Party Administrators	0	21	0	0	21
Total	5	27	0	0	32
Non-Texas Companies					
Stock Life	3	3	0	6	
Mutual Life	1	2	0	3	
Stock Fire & Casualty	3	1	0	4	
Mutual Fire & Casualty	1	1	0	2	
Stock Casualty	0	3	0	3	
Reciprocal	0	1	0	1	
Joint Underwriting Association	0	1	0	1	
Health Maintenance Organization	0	1	0	1	
Third Party Administrators	0	45	0	45	
Total	8	58	0	0	66
Grand Total	13	85	0	0	98

* The amounts 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 amounts do not reconcile to the number of receiverships for FY 2012. 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 2012

BEGINNING BALANCE	NEW ACTIONS	RELEASED TO MANAGEMENT	DISSOLVED	ACQUIRED	MERGED OR BANKRUPTCY	PLACED IN RECEIVERSHIP	YEAR END BALANCE
6	8	5	1	0	0	0	8

Balance at End of FY12

ACTION	DATE	COMPANY NAME
404	05/17/10	North America Life Insurance Company
Oversight	02/28/11	Texas Windstorm Insurance Assoc.
Supervision	03/13/12	*Confidential*
Supervision	07/27/12	*Confidential*

Receiverships by Fiscal Year Fiscal Years 2008 - 2012

FISCAL YEAR	BEGINNING BALANCE	NEW RECEIVERSHIPS	RECEIVERSHIPS CLOSED
2008	25	7	2
2009	30	10	1
2010	39	3*	1
2011	41	0	3
2012	38	0	4

*Two closed receiverships were re-opened for purposes of making claims distributions.

Open Receiverships at Year-end FY 2012

Employers Casualty Company
Employers of Texas Lloyds (re-opened)
Employers National Insurance Company (re-opened)
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.
Guardian Fidelity Title Company, Ltd, et al
Esquire Title, L.L.C.
Austin Indemnity Lloyds Insurance Company, and
Austin Indemnity Management Co., LLC
Southern Star Title Company, LLC
Mi Tierra Title, LLC
National Charity Title
AmeriTrust Title Company
W.I.N. Association; and
Healthshare America, LLC;
Chamberhealth USA, and
Healthshare Marketing, LLC
Texas Memorial Life Insurance Company
Texas Memorial Administrators, LLC
TME Holdings, Inc.
Texas Nations Title Agency, Inc.
First American Life Insurance Company

Overview: Texas Insurance Market

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

Total Texas Market – 2011

TYPE OF BUSINESS	TEXAS PREMIUMS
Life	\$9,774,161,648
Annuity	20,151,813,659
Accident & Health	24,253,488,910
Property & Casualty	39,278,322,689
HMO	14,077,901,191
Title	1,154,595,449
Other	*3,150,443
Grand Total	\$108,693,433,989
Recap: Total Admitted Market	\$105,003,747,427
Total Alternative Market	**3,689,686,562
Grand Total	\$108,693,433,989

* 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 - 2011

TYPE OF BUSINESS	TEXAS INSURANCE COMPANIES	NON-TEXAS INSURANCE COMPANIES	TOTAL ADMITTED MARKET
Life	\$795,484,420	\$8,978,677,228	\$9,774,161,648
Annuity	1,747,780,854	18,404,032,814	20,151,813,659
Accident & Health	1,452,819,015	22,800,669,895	24,253,488,910
Property & Casualty	17,541,180,066	18,047,456,061	35,588,636,127
HMO	13,744,923,959	332,977,232	14,077,901,191
Title	347,363,780	807,231,669	1,154,595,449
Other	* 3,150,443		* 3,150,443
Total	\$35,633,142,289	\$69,370,605,138	\$105,003,747,427

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

Alternative Market - 2011

TYPE OF BUSINESS	TEXAS PREMIUMS
Surplus Lines Insurers	*** \$3,248,590,309
Foreign Risk Retention Groups	87,096,685
Certified Self Insurers	336,420,355
Self Insurance Group	17,579,213
Total	**\$3,689,686,562

* 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 2010-2011

	AS OF DECEMBER 31, 2010	AS OF DECEMBER 31, 2011
Primary Lines		
Automobile	15,120,890,540	15,506,793,468
Workers' Compensation	1,922,770,862	2,163,990,743
Homeowners	5,809,476,010	5,974,451,903
Fire & Allied Lines	4,934,664,402	5,670,152,326
Liability	4,563,669,219	4,576,745,995
Medical Professional Liability	226,648,307	226,007,323
* All Other Lines	1,449,016,040	1,470,494,368
Total	34,027,135,385	35,588,636,126

* Does not include \$562,781,494 in Accident & Health premiums for 2010 and \$586,641,301 in Accident & Health premiums for 2011 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 2010-2011

	AS OF DECEMBER 31, 2010	AS OF DECEMBER 31, 2011
Life		
Ordinary	7,056,200,027	7,487,185,471
Group	2,068,657,745	2,191,283,055
Industrial	1,665,204	1,508,153
Credit	89,395,413	94,184,969
Total	9,215,918,389	9,774,161,648
Annuity		
Annuities	13,854,733,099	15,327,675,969
Other Considerations	2,868,935,513	3,230,669,190
Deposit Type Contracts	1,776,909,378	1,593,468,500
Total	18,500,577,990	20,151,813,659
* Accident & Health	23,399,958,246	24,253,488,910
Total	51,116,454,625	54,179,464,217

* Includes \$562,781,494 in Accident & Health premiums for 2010 and \$586,641,301 in Accident & Health premiums for 2011 written by Property & Casualty companies not included in All Other Lines reflected in the exhibit above.

Top 40 Insurers/Accident and Health

Based on 2011 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	7,511,727,711	30.97%
79413	Unitedhealthcare Insurance Company	2	3,642,564,336	15.02%
60054	Aetna Life Insurance Company	3	1,723,311,247	7.11%
73288	Humana Insurance Company	4	1,721,220,938	7.10%
62308	Connecticut General Life Insurance Company	5	655,668,561	2.70%
12558	Care Improvement Plus of Texas Insurance Company	6	514,159,172	2.12%
65978	Metropolitan Life Insurance Company	7	441,001,224	1.82%
71013	Superior Healthplan Network	8	387,592,014	1.60%
60380	American Family Life Assurance Company of Columbus	9	333,263,059	1.37%
62235	Unum Life Insurance Company of America	10	239,690,327	0.99%
60069	Texas Health Insurance Pool	11	223,947,395	0.92%
67660	Pennsylvania Life Insurance Company	12	199,287,350	0.82%
61271	Principal Life Insurance Company	13	194,419,530	0.80%
64246	Guardian Life Insurance Company of America, The	14	188,252,560	0.78%
81396	Delta Dental Insurance Company	15	187,259,077	0.77%
69868	United of Omaha Life Insurance Company	16	164,511,741	0.68%
70815	Hartford Life and Accident Insurance Company	17	155,400,933	0.64%
62286	Golden Rule Insurance Company	18	152,274,440	0.63%
69477	Time Insurance Company	19	151,141,462	0.62%
65498	Life Insurance Company of North America	20	130,377,977	0.54%
39616	Vision Service Plan Insurance Company	21	127,800,208	0.53%
70025	Genworth Life Insurance Company	22	111,035,832	0.46%
25178	State Farm Mutual Automobile Insurance Company	23	109,831,088	0.45%
80802	Sun Life Assurance Company of Canada	24	108,505,478	0.45%
68284	Pyramid Life Insurance Company, The	25	107,288,569	0.44%
69019	Standard Insurance Company	26	102,212,082	0.42%
90328	First Health Life & Health Insurance Company	27	101,874,422	0.42%
65676	Lincoln National Life Insurance Company, The	28	98,889,129	0.41%
70785	Pacificare Life and Health Insurance Company	29	97,464,519	0.40%
67105	Reliastar Life Insurance Company	30	96,776,579	0.40%
68241	Prudential Insurance Company of America, The	31	94,839,664	0.39%
13778	Molina Healthcare of Texas Insurance Company	32	87,061,945	0.36%
65838	John Hancock Life Insurance Company (U.S.A.)	33	86,645,696	0.36%
61301	Ameritas Life Insurance Corp.	34	84,333,104	0.35%
78611	HCSC Insurance Services Company	35	82,766,576	0.34%
10155	Wellcare Prescription Insurance, Inc.	36	78,112,317	0.32%
62049	Colonial Life and Accident Insurance Company	37	77,900,044	0.32%
71412	Mutual of Omaha Insurance Company	38	77,304,956	0.32%
60534	American Heritage Life Insurance Company	39	76,275,628	0.31%
65080	John Alden Life Insurance Company	40	75,325,257	0.31%
Total Top 40 Accident & Health Premiums			20,799,314,147	85.76%
All Other Accident & Health Premiums			3,454,174,763	14.24%
Total Accident & Health Premiums			24,253,488,910	100.00%

Top 40 Insurers/Annuities

Based on 2011 Texas Written Premium with Percentage of Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
61050	Metlife Investors USA Insurance Company	1	1,346,204,383	6.68%
65056	Jackson National Life Insurance Company	2	1,239,566,315	6.15%
79227	Pruco Life Insurance Company	3	1,090,531,272	5.41%
65838	John Hancock Life Insurance Company (U.S.A.)	4	1,026,031,059	5.09%
65676	Lincoln National Life Insurance Company, The	5	879,691,368	4.37%
90611	Allianz Life Insurance Company of North America	6	772,486,990	3.83%
86509	ING Life Insurance and Annuity Company	7	754,145,603	3.74%
88072	Hartford Life Insurance Company	8	593,815,179	2.95%
66869	Nationwide Life Insurance Company	9	591,300,643	2.93%
61271	Principal Life Insurance Company	10	571,167,285	2.83%
91596	New York Life Insurance and Annuity Corporation	11	530,435,539	2.63%
70432	Western National Life Insurance Company	12	525,168,975	2.61%
61689	Aviva Life and Annuity Company	13	497,480,793	2.47%
62944	AXA Equitable Life Insurance Company	14	475,548,571	2.36%
86231	Transamerica Life Insurance Company	15	442,104,480	2.19%
65935	Massachusetts Mutual Life Insurance Company	16	389,363,473	1.93%
	College Retirement Equities Fund	17	379,979,444	1.89%
65978	Metropolitan Life Insurance Company	18	374,045,366	1.86%
69345	Teachers Insurance and Annuity Association of America	19	359,514,780	1.78%
65005	Riversource Life Insurance Company	20	339,862,922	1.69%
92738	American Equity Investment Life Insurance Company	21	334,671,507	1.66%
70238	Variable Annuity Life Insurance Company, The	22	326,154,825	1.62%
69663	USAA Life Insurance Company	23	298,775,877	1.48%
67466	Pacific Life Insurance Company	24	288,207,599	1.43%
60941	Sunamerica Annuity and Life Assurance Company	25	247,833,687	1.23%
60895	American United Life Insurance Company	26	238,509,902	1.18%
68136	Protective Life Insurance Company	27	211,516,405	1.05%
93696	Fidelity Investments Life Insurance Company	28	193,105,998	0.96%
79065	Sun Life Assurance Company of Canada (U.S.)	29	180,750,164	0.90%
68322	Great-West Life & Annuity Insurance Company	30	177,051,153	0.88%
69019	Standard Insurance Company	31	177,008,530	0.88%
68241	Prudential Insurance Company of America, The	32	166,126,251	0.82%
65528	Life Insurance Company of the Southwest	33	162,906,385	0.81%
68675	Security Benefit Life Insurance Company	34	162,053,015	0.80%
56014	Thrivent Financial For Lutherans	35	151,557,571	0.75%
80942	ING USA Annuity and Life Insurance Company	36	141,472,171	0.70%
66915	New York Life Insurance Company	37	138,083,607	0.69%
70688	Transamerica Financial Life Insurance Company	38	128,041,335	0.64%
68608	Symetra Life Insurance Company	39	115,250,201	0.57%
66850	National Western Life Insurance Company	40	110,328,556	0.55%
	Total Top 40 Annuity Premium		17,127,849,179	84.99%
	All Other Annuity Premium		3,023,964,480	15.01%
	Total Annuity Premium		20,151,813,659	100.00%

Top 40 Health Maintenance Organization/Accident and Health

Based on 2011 Texas Written Premium with Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
95174	Unitedhealthcare Benefits of Texas, Inc.	1	2,198,472,100	15.62%
95314	Amerigroup Texas, Inc.	2	1,613,949,398	11.46%
95647	Superior Healthplan, Inc.	3	1,119,733,261	7.95%
95024	Humana Health Plan of Texas, Inc.	4	1,033,190,062	7.34%
11141	Unitedhealthcare Community Plan of Texas, L.L.C.	5	758,402,292	5.39%
12902	Healthspring Life & Health Insurance Company, Inc.	6	747,385,491	5.31%
95490	Aetna Health Inc.	7	715,309,171	5.08%
10096	Selectcare of Texas, L.L.C.	8	594,523,189	4.22%
95329	Texas Children's Health Plan, Inc.	9	584,155,131	4.15%
95099	Scott and White Health Plan	10	550,463,714	3.91%
95615	Community Health Choice, Inc.	11	512,561,764	3.64%
95414	Parkland Community Health Plan, Inc., A Program of Dallas County Hospital District	12	486,803,919	3.46%
11494	Physicians Health Choice of Texas, LLC	13	350,615,898	2.49%
10134	Bravo Health Texas, Inc.	14	348,517,737	2.48%
10757	Molina Healthcare of Texas, Inc.	15	324,965,818	2.31%
95248	Community First Health Plans, Inc.	16	258,077,117	1.83%
95138	Sha, L.L.C.	17	254,459,057	1.81%
12827	KS Plan Administrators, LLC	18	214,513,537	1.52%
95822	Cook Children's Health Plan	19	198,264,054	1.41%
70670	Blue Cross and Blue Shield of Texas, A Division of Health Care Service Corporation	20	187,535,472	1.33%
95809	Driscoll Children's Health Plan	21	150,047,214	1.07%
12151	Arcadian Health Plan, Inc.	22	134,642,516	0.96%
52635	El Paso First Health Plans, Inc.	23	118,991,678	0.85%
12964	Wellcare of Texas, Inc.	24	99,235,667	0.70%
95383	Cigna Healthcare of Texas, Inc.	25	86,940,727	0.62%
10768	Selectcare Health Plans, Inc.	26	71,299,125	0.51%
95799	Valueoptions of Texas, Inc.	27	70,260,972	0.50%
95420	Unicare Health Plans of Texas, Inc.	28	47,032,458	0.33%
95910	Aetna Dental Inc.	29	39,556,279	0.28%
13636	Universal HMO of Texas, Inc.	30	33,495,604	0.24%
95161	Denticare, Inc.	31	32,828,816	0.23%
95037	Cigna Dental Health of Texas, Inc.	32	31,599,143	0.22%
95240	Seton Health Plan, Inc.	33	21,535,849	0.15%
95251	National Pacific Dental, Inc.	34	15,745,845	0.11%
95051	Safeguard Health Plans, Inc.	35	10,845,765	0.08%
12282	Arkansas Community Care, Inc.	36	10,799,244	0.08%
95142	United Dental Care of Texas, Inc.	37	9,703,344	0.07%
95387	Block Vision of Texas, Inc.	38	9,168,283	0.07%
95163	Alpha Dental Programs, Inc.	39	8,137,870	0.06%
52556	Managed Dentalguard, Inc.	40	7,282,580	0.05%
Total Top 40 Health Maintenance Organizations			14,061,047,161	99.88%
All Other Health Maintenance Organizations			16,854,030	0.12%
Total Health Maintenance Organizations			14,077,901,191	100.00%

Top 40 Insurers/Life

Based on 2011 Texas Written Premium with Percentage Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
65978	Metropolitan Life Insurance Company	1	593,364,370	6.07%
67091	Northwestern Mutual Life Insurance Company, The	2	453,100,740	4.64%
66915	New York Life Insurance Company	3	414,019,469	4.24%
65676	Lincoln National Life Insurance Company, The	4	397,225,069	4.06%
69108	State Farm Life Insurance Company	5	319,414,336	3.27%
68241	Prudential Insurance Company of America, The	6	310,705,654	3.18%
65838	John Hancock Life Insurance Company (U.S.A.)	7	265,993,978	2.72%
65935	Massachusetts Mutual Life Insurance Company	8	249,138,968	2.55%
60488	American General Life Insurance Company	9	223,876,692	2.29%
67466	Pacific Life Insurance Company	10	216,682,706	2.22%
86231	Transamerica Life Insurance Company	11	175,388,198	1.79%
66168	Minnesota Life Insurance Company	12	149,015,283	1.52%
65919	Primerica Life Insurance Company	13	146,748,721	1.50%
71129	Dearborn National Life Insurance Company	14	146,144,729	1.50%
63177	Farmers New World Life Insurance Company	15	143,803,668	1.47%
65498	Life Insurance Company of North America	16	137,434,813	1.41%
60739	American National Insurance Company	17	136,640,184	1.40%
71153	Hartford Life and Annuity Insurance Company	18	133,062,304	1.36%
91596	New York Life Insurance and Annuity Corporation	19	131,376,056	1.34%
62944	AXA Equitable Life Insurance Company	20	130,028,414	1.33%
66044	Midland National Life Insurance Company	21	129,315,379	1.32%
68136	Protective Life Insurance Company	22	126,632,163	1.30%
67105	Reliastar Life Insurance Company	23	122,988,140	1.26%
62235	Unum Life Insurance Company of America	24	117,375,935	1.20%
79227	Pruco Life Insurance Company	25	117,143,712	1.20%
68896	Southern Farm Bureau Life Insurance Company	26	114,579,510	1.17%
65595	Lincoln Benefit Life Company	27	114,128,006	1.17%
69868	United of Omaha Life Insurance Company	28	106,603,883	1.09%
69663	USAA Life Insurance Company	29	105,492,953	1.08%
80802	Sun Life Assurance Company of Canada	30	105,334,775	1.08%
64246	Guardian Life Insurance Company of America, The	31	104,298,822	1.07%
61050	Metlife Investors USA Insurance Company	32	99,730,775	1.02%
65005	Riversource Life Insurance Company	33	89,591,170	0.92%
65536	Genworth Life and Annuity Insurance Company	34	85,588,856	0.88%
70815	Hartford Life and Accident Insurance Company	35	83,924,123	0.86%
61689	Aviva Life and Annuity Company	36	79,298,994	0.81%
68357	Reliable Life Insurance Company, The	37	78,367,138	0.80%
69019	Standard Insurance Company	38	77,952,870	0.80%
61271	Principal Life Insurance Company	39	77,565,447	0.79%
68713	Security Life of Denver Insurance Company	40	66,762,261	0.68%
Total Top 40 Life Premium			6,875,839,264	70.35%
All Other Life Premium			2,898,322,380	29.65%
Total Life Premium			9,774,161,644	100.00%

Top 40 Insurers/Private Passenger Auto

Based on 2011 Texas Written Premium with Percentage of Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
25178	State Farm Mutual Automobile Insurance Company	1	2,489,133,695	18.29%
24392	Farmers Texas County Mutual Insurance Company	2	1,266,564,885	9.31%
29203	Progressive County Mutual Insurance Company	3	1,178,487,539	8.66%
22063	Government Employees Insurance Company	4	657,632,095	4.83%
29688	Allstate Fire and Casualty Insurance Company	5	644,303,491	4.73%
29378	Old American County Mutual Fire Insurance Company	6	478,777,821	3.52%
19240	Allstate Indemnity Company	7	436,442,601	3.21%
25941	United Services Automobile Association	8	404,901,504	2.98%
29297	Home State County Mutual Insurance Company	9	402,052,189	2.95%
29246	Consumers County Mutual Insurance Company	10	327,375,657	2.41%
25968	USAA Casualty Insurance Company	11	324,963,381	2.39%
29262	Colonial County Mutual Insurance Company	12	308,824,989	2.27%
29335	Allstate County Mutual Insurance Company	13	275,067,595	2.02%
13004	Texas Farm Bureau Casualty Insurance Company	14	257,237,520	1.89%
19544	Liberty County Mutual Insurance Company	15	252,949,049	1.86%
26816	State Farm County Mutual Insurance Company of Texas	16	241,753,010	1.78%
11198	Loya Insurance Company	17	231,921,392	1.70%
27863	Southern County Mutual Insurance Company	18	231,576,105	1.70%
22055	Geico Indemnity Company	19	203,746,572	1.50%
25380	Texas Farm Bureau Mutual Insurance Company	20	178,529,482	1.31%
29254	Foremost County Mutual Insurance Company	21	153,175,815	1.13%
29327	AAA Texas County Mutual Insurance Company	22	152,133,619	1.12%
23787	Nationwide Mutual Insurance Company	23	133,422,234	0.98%
18600	USAA General Indemnity Company	24	127,789,492	0.94%
21253	Garrison Property and Casualty Insurance Company	25	124,853,658	0.92%
10807	ACCC Insurance Company	26	107,975,591	0.79%
11521	Germania Select Insurance Company	27	100,117,821	0.74%
17230	Allstate Property and Casualty Insurance Company	28	96,843,571	0.71%
19976	Amica Mutual Insurance Company	29	92,249,888	0.68%
13938	Metropolitan Lloyds Insurance Company of Texas	30	85,946,139	0.63%
34789	21st Century Centennial Insurance Company	31	83,079,795	0.61%
29351	Unitrin County Mutual Insurance Company	32	75,976,812	0.56%
13820	Infinity County Mutual Insurance Company	33	74,777,881	0.55%
33120	Bristol West Specialty Insurance Company	34	72,619,174	0.53%
27820	Farm Bureau County Mutual Insurance Company of Texas	35	64,471,271	0.47%
26441	Dairyland County Mutual Insurance Company of Texas	36	63,999,273	0.47%
29394	Mercury County Mutual Insurance Company	37	59,892,240	0.44%
19232	Allstate Insurance Company	38	53,813,906	0.40%
35882	Geico General Insurance Company	39	52,502,951	0.39%
19887	Trinity Universal Insurance Company	40	49,599,189	0.36%
	Total Top 40 Private Passenger Auto Premium		12,617,480,892	92.73%
	All Other Private Passenger Auto Premium		989,830,053	7.27%
	Total Private Passenger Auto Premium		13,607,310,945	100.00%

Top 40 Insurers/Workers' Compensation

Based on 2011 Texas Written Premium with Percentage of Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
22945	Texas Mutual Insurance Company	1	729,912,131	33.73%
42404	Liberty Insurance Corporation	2	74,103,717	3.42%
16535	Zurich American Insurance Company	3	70,848,272	3.27%
23841	New Hampshire Insurance Company	4	63,376,959	2.93%
30104	Hartford Underwriters Insurance Company	5	56,486,455	2.61%
43389	Service Lloyds Insurance Company	6	48,189,127	2.23%
19429	Insurance Company of the State of Pennsylvania, The	7	47,528,063	2.20%
25658	Travelers Indemnity Company, The	8	40,422,811	1.87%
40142	American Zurich Insurance Company	9	40,257,858	1.86%
43575	Indemnity Insurance Company of North America	10	35,839,922	1.66%
22667	Ace American Insurance Company	11	33,745,737	1.56%
23035	Liberty Mutual Fire Insurance Company	12	31,584,869	1.46%
29424	Hartford Casualty Insurance Company	13	30,858,102	1.43%
37478	Hartford Insurance Company of the Midwest	14	28,004,786	1.29%
25682	Travelers Indemnity Company of Connecticut, The	15	25,929,907	1.20%
19410	Commerce and Industry Insurance Company	16	25,798,833	1.19%
20281	Federal Insurance Company	17	24,007,568	1.11%
24171	Netherlands Insurance Company, The	18	23,475,985	1.08%
26042	Wausau Underwriters Insurance Company	19	23,318,946	1.08%
19038	Travelers Casualty and Surety Company	20	21,939,391	1.01%
19070	Standard Fire Insurance Company, The	21	19,670,853	0.91%
20508	Valley Forge Insurance Company	22	18,263,813	0.84%
23043	Liberty Mutual Insurance Company	23	15,371,566	0.71%
22357	Hartford Accident and Indemnity Company	24	15,009,774	0.69%
19488	Amerisure Insurance Company	25	14,652,733	0.68%
20427	American Casualty Company of Reading, Pennsylvania	26	14,310,562	0.66%
23396	Amerisure Mutual Insurance Company	27	14,287,253	0.66%
15563	Seabright Insurance Company	28	13,430,586	0.62%
41483	Farmington Casualty Company	29	12,774,473	0.59%
11150	Arch Insurance Company	30	12,667,385	0.59%
19046	Travelers Casualty Insurance Company of America	31	12,359,102	0.57%
10166	Accident Fund Insurance Company of America	32	11,666,529	0.54%
29459	Twin City Fire Insurance Company	33	10,845,435	0.50%
13269	Zenith Insurance Company	34	10,782,341	0.50%
19445	National Union Fire Insurance Company of Pittsburgh, PA.	35	10,130,268	0.47%
20478	National Fire Insurance Company of Hartford	36	10,013,206	0.46%
31895	American Interstate Insurance Company	37	9,956,828	0.46%
12157	Companion Property and Casualty Insurance Company	38	9,494,051	0.44%
21709	Truck Insurance Exchange	39	9,422,357	0.44%
19682	Hartford Fire Insurance Company	40	9,407,357	0.43%
Total Top 40 Workers' Compensation Premium			1,730,145,911	79.95%
All Other Workers' Compensation Premium			433,844,832	20.05%
Total Workers' Compensation Premium			2,163,990,743	100.00%

Top 40 Insurers/Homeowners

Based on 2011 Texas written Premium with Percentage of Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
43419	State Farm Lloyds	1	1,678,075,665	28.09%
26530	Allstate Texas Lloyd's	2	462,398,477	7.74%
21695	Texas Farmers Insurance Company	3	356,802,156	5.97%
11120	USAA Texas Lloyd's Company	4	250,543,279	4.19%
25941	United Services Automobile Association	5	240,141,972	4.02%
29688	Allstate Fire and Casualty Insurance Company	6	226,817,288	3.80%
21652	Farmers Insurance Exchange	7	188,693,882	3.16%
41564	Travelers Lloyds of Texas Insurance Company	8	173,905,203	2.91%
11215	Safeco Insurance Company of Indiana	9	164,939,055	2.76%
27774	Chubb Lloyds Insurance Company of Texas	10	119,944,407	2.01%
37877	Nationwide Property and Casualty Insurance Company	11	116,061,601	1.94%
11059	ASI Lloyds	12	115,494,445	1.93%
27998	Travelers Home and Marine Insurance Company, The	13	103,261,884	1.73%
41688	Foremost Lloyds of Texas	14	93,333,272	1.56%
25380	Texas Farm Bureau Mutual Insurance Company	15	85,626,422	1.43%
21660	Fire Insurance Exchange	16	83,832,912	1.40%
25399	Texas Farm Bureau Underwriters	17	75,097,184	1.26%
42404	Liberty Insurance Corporation	18	69,657,795	1.17%
42110	Nationwide Lloyds	19	68,549,364	1.15%
10896	Amica Lloyd's of Texas	20	65,427,777	1.10%
11543	Texas Fair Plan Association	21	58,582,135	0.98%
11008	Auto Club Indemnity Company	22	57,520,339	0.96%
15474	National Lloyds Insurance Company	23	56,674,181	0.95%
13938	Metropolitan Lloyds Insurance Company of Texas	24	51,206,060	0.86%
11041	Liberty Lloyds of Texas Insurance Company	25	48,015,811	0.80%
19208	Republic Lloyds	26	42,811,253	0.72%
34690	Property and Casualty Insurance Company of Hartford	27	41,996,187	0.70%
22608	National Specialty Insurance Company	28	40,552,323	0.68%
23035	Liberty Mutual Fire Insurance Company	29	40,009,483	0.67%
10759	Universal North America Insurance Company	30	34,823,516	0.58%
12536	Homeowners of America Insurance Company	31	33,672,612	0.56%
11578	Cypress Texas Lloyds	32	33,645,122	0.56%
11000	Sentinel Insurance Company, Ltd.	33	32,224,583	0.54%
25127	State Auto Property & Casualty Insurance Company	34	30,164,485	0.50%
22390	Wellington Insurance Company	35	26,561,083	0.44%
20230	Central Mutual Insurance Company	36	26,557,580	0.44%
11070	Safeco Lloyds Insurance Company	37	21,788,157	0.36%
19216	Southern Insurance Company	38	20,847,114	0.35%
19402	Chartis Property Casualty Company	39	20,790,283	0.35%
10349	Acceptance Casualty Insurance Company	40	20,441,221	0.34%
Total Top 40 Homeowners Premium			5,477,487,568	91.68%
All Other Homeowners Premium			496,964,335	8.32%
Total Homeowners Premium			5,974,451,903	100.00%

Top Insurers/Title

Based on 2011 Texas Written Premium with Percentage Market Share

NAIC #	INSURANCE COMPANY	RANK	WRITTEN PREMIUM	% OF MARKET
50814	First American Title Insurance Company	1	225,622,359	19.54%
50121	Stewart Title Guaranty Company	2	211,825,719	18.35%
51586	Fidelity National Title Insurance Company	3	174,266,176	15.09%
50229	Chicago Title Insurance Company	4	154,655,889	13.39%
50016	Title Resources Guaranty Company	5	91,286,793	7.91%
50520	Old Republic National Title Insurance Company	6	90,994,857	7.88%
50598	Alamo Title Insurance	7	41,711,712	3.61%
50083	Commonwealth Land Title Insurance Company	8	32,086,514	2.78%
12309	Alliant National Title Insurance Company, Inc.	9	31,545,321	2.73%
50377	National Investors Title Insurance Company	10	26,321,570	2.28%
51020	National Title Insurance of New York, Inc.	11	25,814,952	2.24%
51152	WFG National Title Insurance Company	12	14,731,794	1.28%
50130	North American Title Insurance Company	13	14,422,221	1.25%
50050	Westcor Land Title Insurance Company	14	12,069,101	1.05%
50026	Premier Land Title Insurance Company	15	4,700,915	0.41%
12591	Sierra Title Insurance Guaranty Company	16	2,539,556	0.22%
	Total Top Title Premium		1,154,595,449	100.00%

Top 40 Premium Finance

Based on 2011 Texas Written Premium with Percentage of Market Share

PREMIUM FINANCE COMPANY	RANK	PREMIUM FINANCED	% OF MARKET
IPFS dba Premium Financing Specialists Corp.	1	510,893,941	20.76%
First Insurance Funding Corp.	2	340,358,608	13.83%
AFCO Credit Corporation	3	299,559,699	12.17%
Aon Premium Finance LLC	4	190,431,823	7.74%
Premium Assignment Corporation	5	142,786,766	5.80%
AFCO Premium Credit LLC	6	132,456,825	5.38%
Prime Rate Premium Finance Corporation, Inc.	7	83,646,844	3.40%
AFCO Credit Corporation	8	63,132,138	2.57%
AFS/IBEX Financial Services, Inc.	9	59,221,250	2.41%
Meridian Credit Services, Inc.	10	52,706,795	2.14%
Camden Premium Finance, LLC	11	42,855,849	1.74%
Capital Premium Financing, Inc.	12	41,241,848	1.68%
CAA Premium Finance Company, L.L.C.	13	40,296,761	1.64%
Premium Funding Associates, Inc.	14	25,398,917	1.03%
CG Premium Finance, Inc.	15	19,897,807	0.81%
Wellington Premium Finance, Inc.	16	19,897,807	0.81%
Banner Premium Finance, Inc.	17	18,913,486	0.77%
Impact Finance Corporation	18	18,835,061	0.77%
Heritage Premium Assignment Company	19	16,300,894	0.66%
Advantage Premium Finance Company	20	13,370,109	0.54%
Gotopremiumfinance.com, LLC	21	11,753,361	0.48%
Pronote, Inc.	22	11,543,881	0.47%
Ideal Premium Finance, Inc.	23	11,519,892	0.47%
Western Commerce Bank	24	9,022,925	0.37%
Associated Acceptance, Inc	25	8,594,693	0.35%
CAC Acceptance Corporation	26	7,825,327	0.32%
Texas Farm Bureau Premium Finance Company	27	7,585,009	0.31%
Monthly Pay Plan	28	7,054,732	0.29%
Insurance Credit Corp.	29	6,873,869	0.28%
Talbot Premium Financing, LLC	30	6,780,433	0.28%
Premium Convenience Services, Inc.	31	6,608,661	0.27%
Rust-Ewing Financial Services, Inc.	32	6,588,882	0.27%
Insurors Group, L.L.C.	33	6,492,181	0.26%
Affirmative Premium Finance, Inc.	34	6,242,414	0.25%
Insurance Finance Corporation	35	6,099,942	0.25%
Medical Protective Finance Corporation	36	5,703,533	0.23%
General Agents Acceptance Corporation	37	5,518,548	0.22%
Select Premium Services, Inc.	38	5,516,619	0.22%
Custom Premium Finance, L.L.C.	39	5,386,680	0.22%
Combined Group Insurance Services, Inc.	40	5,286,213	0.21%
Total Top 40 Premium Finance Companies		2,280,201,024	92.66%
All Other Premium Finance Companies		180,497,409	7.34%
Total Premium Financed		2,460,698,433	100.00%





Texas Department of Insurance

2012

Annual Financial Report

For the Fiscal Year Ending August 31, 2012



Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C
333 Guadalupe • P.O. Box 149104, Austin, Texas 78714-9104
512 463-6464 telephone • 512 475-2005 fax • www.tdi.state.tx.us

November 20, 2012

Honorable Rick Perry, *Governor*
Honorable Susan Combs, *Texas Comptroller*
Ursula Parks, *Acting 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, 2012, 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 "Eleanor Kitzman".

Eleanor Kitzman
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2012**

TABLE OF CONTENTS

Exhibit I	Combined Balance Sheet/Statement of Net Assets – Governmental Funds	1
Exhibit II	Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds	5
Exhibit III	Combined Statement of Net Assets – Proprietary Funds	9
Exhibit IV	Combined Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	10
Exhibit VI	Combined Statement of Fiduciary Net Assets – Fiduciary Funds	11
Exhibit VII	Combined Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	12
	Notes to the Financial Statements	13
Exhibit A-1	Combining Balance Sheet - All General and Consolidated Funds	27
Exhibit A-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All General and Consolidated Funds	29
Exhibit I-1	Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds	31
Exhibit I-2	Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	32
Exhibit J-1	Combining Statement of Changes in Assets and Liabilities – Agency Funds	33
Exhibit L-1	Combining Statement of Net Assets – Discretely Presented Proprietary Component Units	35
Exhibit L-2	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Discretely Presented Proprietary Component Units	36
Schedule 1A	Schedule of Expenditures of Federal Awards	37
Schedule 1B	Schedule of Expenditures of State Awards	40
Schedule 6	Summary of Revenues/Transfers In	41
Schedule 6A	Comparative Statement of Revenues	43

UNAUDITED

Texas Department of Insurance (454)

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

August 31, 2012

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
On Hand	\$ -	\$ -	\$ -
In Bank	264,830.58		264,830.58
Legislative Appropriations	25,348.55		25,348.55
In State Treasury	236,494,566.01		236,494,566.01
Cash Equivalents	4,566,199.36		4,566,199.36
Receivables from:			
Federal Receivable	558,620.33		558,620.33
Interest & Dividends Receivable	20.22		20.22
Accounts Receivable	1,847,551.74		1,847,551.74
Due From Other Funds	26,770.01		26,770.01
Due From Other Agencies	475,027.43	12,184.06	487,211.49
Consumable Inventories	123,528.32		123,528.32
Total Current Assets	244,382,462.55	12,184.06	244,394,646.61
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	\$ 244,382,462.55	\$ 12,184.06	\$ 244,394,646.61
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 3,918,617.22	\$ 12,184.06	\$ 3,930,801.28
Payroll	7,508,210.03		7,508,210.03
Due To Other Funds	26,770.01		26,770.01
Due to Other Agencies	3,666,248.14		3,666,248.14
Deferred Revenue	95,086.24		95,086.24
Claims and Judgments (Note 5)			
Employees Compensable Leave (Note 5)			
Total Current Liabilities	15,214,931.64	12,184.06	15,227,115.70

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ -	\$ -	\$ -
			264,830.58
			25,348.55
			236,494,566.01
			4,566,199.36
			558,620.33
			20.22
			1,847,551.74
			26,770.01
			487,211.49
			123,528.32
-	-	-	244,394,646.61
5,791,242.97			5,791,242.97
(5,485,171.17)			(5,485,171.17)
1,035,611.00			1,035,611.00
(524,901.22)			(524,901.22)
37,899.30			37,899.30
(13,345.66)			(13,345.66)
2,395,276.83			2,395,276.83
(2,384,245.33)			(2,384,245.33)
852,366.72	-	-	852,366.72
\$ 852,366.72	\$ -	\$ -	\$ 245,247,013.33
\$ -	\$ -	\$ -	\$ 3,930,801.28
			7,508,210.03
			26,770.01
			3,666,248.14
			95,086.24
	568,450.42		568,450.42
	4,858,935.43		4,858,935.43
-	5,427,385.85	-	20,654,501.55

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 Assets – Governmental Funds

August 31, 2012

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
Non-Current Liabilities:			
Claims and Judgments (Note 5)	\$ -	\$ -	\$ -
Employees Compensable Leave (Note 5)	-	-	-
Total Non-Current Liabilities	-	-	-
Total Liabilities	15,214,931.64	12,184.06	15,227,115.70
 FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Nonspendable	123,528.32	-	123,528.32
Restricted	-	-	-
Committed	229,036,555.09	-	229,036,555.09
Unassigned	7,447.50	-	7,447.50
Total Fund Balances	229,167,530.91	-	229,167,530.91
Total Liabilities and Fund Balances	\$ 244,382,462.55	\$ 12,184.06	\$ 244,394,646.61

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets:

Invested in Capital Assets, Net of Related Debt

Unrestricted

Total Net Assets

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ 14,589,055.62	\$ -	\$ 14,589,055.62
	3,580,433.89		3,580,433.89
-	18,169,489.51	-	18,169,489.51
-	23,596,875.36	-	38,823,991.06
-	-	-	123,528.32
			-
			229,036,555.09
			7,447.50
			229,167,530.91
852,366.72	(23,596,875.36)	-	852,366.72
\$ 852,366.72	\$ (23,596,875.36)	\$ -	\$ 245,247,013.33

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, 2012

	General Funds (Ex A-2)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
REVENUES			
Original Appropriations	\$ 224,406.00	\$ -	\$ 224,406.00
Additional Appropriations	152,498.71		152,498.71
Taxes	1,096,205.23		1,096,205.23
Federal Revenue (Sch 1A)	4,453,732.31		4,453,732.31
Federal Pass-Through Revenue (Sch 1A)	5,187,228.13		5,187,228.13
State Grant Pass-Through Revenue	35,795.22		35,795.22
Licenses, Fees & Permits	50,760,688.79		50,760,688.79
Sales of Goods and Services	9,125.82		9,125.82
Interest and Other Investment Income	3,526.21		3,526.21
Other	8,502,687.28		8,502,687.28
Total Revenues	70,425,893.70	-	70,425,893.70
EXPENDITURES			
Salaries and Wages	74,665,203.88		74,665,203.88
Payroll Related Costs	23,834,801.37		23,834,801.37
Professional Fees and Services	7,719,852.01	2,078,935.72	9,798,787.73
Travel	2,079,883.46		2,079,883.46
Materials and Supplies	2,717,405.91	470,000.00	3,187,405.91
Communication and Utilities	1,483,766.16	11,552.32	1,495,318.48
Repairs and Maintenance	913,605.05		913,605.05
Rentals & Leases	4,110,596.97		4,110,596.97
Printing and Reproduction	330,946.83		330,946.83
Claims and Judgments	5,410,740.57		5,410,740.57
Intergovernmental Payments	932,788.22		932,788.22
Public Assistance Payments	3,929.84		3,929.84
Other Expenditures	15,118,071.19		15,118,071.19
Capital Outlay	263,351.59		263,351.59
Depreciation Expense			
Total Expenditures/Expenses	139,584,943.05	2,560,488.04	142,145,431.09
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,159,049.35)</u>	<u>(2,560,488.04)</u>	<u>(71,719,537.39)</u>

OTHER FINANCING SOURCES (USES)

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 224,406.00
			152,498.71
			1,096,205.23
			4,453,732.31
			5,187,228.13
			35,795.22
			50,760,688.79
			9,125.82
			3,526.21
			<u>8,502,687.28</u>
-	-	-	<u>70,425,893.70</u>
			74,313,059.09
			23,834,801.37
			9,798,787.73
			2,079,883.46
			3,187,405.91
			1,495,318.48
			913,605.05
			4,110,596.97
			330,946.83
	(1,779,345.90)		3,631,394.67
			932,788.22
			3,929.84
			15,118,071.19
(263,351.59)			-
<u>398,767.61</u>			<u>398,767.61</u>
<u>135,416.02</u>	<u>(2,131,490.69)</u>	<u>-</u>	<u>140,149,356.42</u>
<u>(135,416.02)</u>	<u>2,131,490.69</u>	<u>-</u>	<u>(69,723,462.72)</u>

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, 2012

	General Funds (Ex A-2)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
Transfers In	\$ 223,368,031.23	\$ 2,560,488.04	\$ 225,928,519.27
Transfers Out	(141,009,927.25)		(141,009,927.25)
Sale of Capital Assets	70,983.00		70,983.00
Insurance Recovery	-		-
Appropriations Lapsed	(0.34)		(0.34)
Gain (Loss) on Sale of Capital Assets			-
Total Other Financing Sources and Uses	<u>82,429,086.64</u>	<u>2,560,488.04</u>	<u>84,989,574.68</u>
Net Change in Fund Balances/Net Assets	<u>13,270,037.29</u>	<u>-</u>	<u>13,270,037.29</u>

FUND FINANCIAL STATEMENT-FUND BALANCES

Fund Balances--Beginning	215,897,493.62	-	215,897,493.62
Restatements (Note 14)			-
Fund Balances, September 1, 2011, as Restated	<u>215,897,493.62</u>	<u>-</u>	<u>215,897,493.62</u>
Fund Balances--August 31, 2012	<u>\$ 229,167,530.91</u>	<u>\$ -</u>	<u>\$ 229,167,530.91</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets/Change in Net Assets		<u>\$ 229,167,530.91</u>
Net Assets-Beginning		
Restatements (Note 14)		
Net Assets, September 1, 2011, as Restated		
Net Assets-August 31, 2012		<u>\$ 229,167,530.91</u>

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 225,928,519.27
			(141,009,927.25)
(70,983.00)			-
			-
			(0.34)
35,475.86			35,475.86
(35,507.14)	-	-	84,954,067.54
(170,923.16)	2,131,490.69	-	15,230,604.82
1,023,289.88	(25,728,366.05)	-	191,192,417.45
			-
1,023,289.88	(25,728,366.05)	-	191,192,417.45
<u>\$ 852,366.72</u>	<u>\$ (23,596,875.36)</u>	<u>\$ -</u>	<u>\$ 206,423,022.27</u>
<u>\$ (170,923.16)</u>	<u>\$ 2,131,490.69</u>	<u>\$ -</u>	<u>\$ 231,128,098.44</u>
1,023,289.88	(25,728,366.05)	-	(24,705,076.17)
			-
1,023,289.88	(25,728,366.05)	-	(24,705,076.17)
<u>\$ 852,366.72</u>	<u>\$ (23,596,875.36)</u>	<u>\$ -</u>	<u>\$ 206,423,022.27</u>

UNAUDITED

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

August 31, 2012

	Total Proprietary Component Units (Exhibit L-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ 67,527,659.00
Cash Equivalents (Note 3)	343,757,922.00
Short Term Investments (Note 3)	127,816,406.00
Receivables from:	
Accounts Receivable	78,454,282.00
Other	92,067.00
Deferred Acquisition Costs	33,814,612.00
Total Current Assets	651,462,948.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	11,401,519.00
Less Accumulated Depreciation	(8,151,196.00)
Other Non-Current Assets	5,837,691.00
Total Non-Current Assets	9,088,014.00
Total Assets	660,550,962.00
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 103,996,929.00
Payroll	36,917.00
Employee's Compensable Leave	61,434.00
Deferred Revenue	237,800,643.00
Other Liabilities	253,819,302.00
Total Current Liabilities	595,715,225.00
Total Liabilities	595,715,225.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	7,754,734.00
Unrestricted	57,081,003.00
Total Net Assets	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

UNAUDITED

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

For the Fiscal Year Ended August 31, 2012

	Total Proprietary Component Units (Exhibit L-2)
OPERATING REVENUES:	
Federal Revenue	\$ 9,243,990.00
Sales of Goods and Services:	
Other Sales of Goods and Services	1,952,657.00
Premium Revenue	536,531,691.00
Interest and Investment Income	340,067.00
Other Operating Revenues	94,820,888.00
Total Operating Revenues	642,889,293.00
OPERATING EXPENSES:	
Salaries and Wages	16,402,491.00
Payroll Related Costs	2,989,270.00
Professional Fees and Services	12,984,078.00
Travel	7,783.00
Materials and Supplies	76,704.00
Communication and Utilities	36,874.00
Repairs and Maintenance	43,504.00
Rentals and Leases	1,284,582.00
Printing and Reproduction	2,891.00
Depreciation and Amortization	916,729.00
Other Operating Expenses	590,559,779.00
Total Operating Expenses	625,304,685.00
Operating Income (Loss)	17,584,608.00
Change in Net Assets	17,584,608.00
Total Net Assets, September 1, 2011	51,330,589.00
Restatements	(4,079,460.00)
Total Net Assets, September 1, 2011, as Restated	47,251,129.00
Total Net Assets, August 31, 2012	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

UNAUDITED

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

August 31, 2012

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 196,242.24	\$ -	\$ 196,242.24
Cash in State Treasury	646,083.41	9,309,562.48	9,955,645.89
Cash Equivalents	435,557,340.50		435,557,340.50
Interest Receivable	1,135.22		1,135.22
Accounts Receivable	780.07	978,056.42	978,836.49
Other Assets		1,631,049,449.80	1,631,049,449.80
Securities Held in Trust	91,291,849.88		91,291,849.88
Total Assets	<u>527,693,431.32</u>	<u>1,641,337,068.70</u>	<u>2,169,030,500.02</u>
LIABILITIES			
Accounts Payable	\$ 838.00	\$ -	\$ 838.00
Due to Other Agencies		978,056.42	978,056.42
Funds Held for Others	91,291,849.88	1,640,359,012.28	1,731,650,862.16
Total Liabilities	<u>91,292,687.88</u>	<u>1,641,337,068.70</u>	<u>1,732,629,756.58</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	436,400,743.44		436,400,743.44
Total Net Assets	<u>\$ 436,400,743.44</u>	<u>\$ -</u>	<u>\$ 436,400,743.44</u>

UNAUDITED

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

August 31, 2012

	Private- Purpose Trust (Exhibit I-2)	Totals
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 332,120.09	\$ 332,120.09
Total Investing Income	332,120.09	332,120.09
Less Investing Activities Expense		-
Net Income from Investing Activities	332,120.09	332,120.09
 Total Net Investment Income	 332,120.09	 332,120.09
 Other Additions		
Other Revenue	158,116,777.81	158,116,777.81
Total Other Additions	158,116,777.81	158,116,777.81
 Total Additions	 158,448,897.90	 158,448,897.90
DEDUCTIONS		
Repairs and Maintenance	20,000.00	20,000.00
Claims & Judgments	88,144,410.42	88,144,410.42
Other Expense	43,874,773.21	43,874,773.21
Total Deductions	132,039,183.63	132,039,183.63
 NET INCREASE (DECREASE)	 26,409,714.27	 26,409,714.27
 Net Assets- September 1, 2011	409,991,029.17	409,991,029.17
Net Assets, September 1, 2011 As Restated	409,991,029.17	409,991,029.17
 Net Assets - August 31, 2012	 \$ 436,400,743.44	 \$ 436,400,743.44

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 entities.

- The 70th Legislature of the State of Texas created the Surplus Lines Stamping Office of Texas in August, 1987 to assist the Texas Department of Insurance in surplus lines insurance regulation and encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of TDI. TDI approves operating procedures for the administration of the Stamping Office.
- The Texas Health Reinsurance System is a not-for-profit entity created to ensure the availability of appropriate health care coverage to Texas residents and provide a reinsurance mechanism to facilitate the provision of small employer coverage. The Commissioner of Insurance approves the assessment formula for conducting reinsured carriers assessments.
- The Texas Health Insurance Pool provides access to quality health care at minimum cost to the public, to relieve the insurable population of the disruptive cost of sharing coverage and to maximize reliance on strategies of managed care proven successful by the private sector. It is governed by a nine-member board appointed by the Commissioner of Insurance, who also approves premium rates and rate schedules used by the Pool.
- The Texas Windstorm Insurance Association (TWIA) is the State's insurer of last resort for wind and hail coverage in the 14 coastal counties and parts of Harris County (east of Hwy 146). TWIA provides wind and hail coverage when insurance companies exclude it from their homeowners and other property policies sold to coastal residents. Effective January 1, 2010, the Commissioner of Insurance appoints the members to the TWIA Board of Directors.

UNAUDITED

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.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. 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.
3. 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.

UNAUDITED

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. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, and full accrual revenues and expenses. The activity will be recognized in these fund types.

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 ASSETS

ASSETS

Cash and Cash Equivalents

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

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.

Current Receivables - Other

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

UNAUDITED

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.

Current Payables - Other

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 assets.

FUND BALANCE/NET ASSETS

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 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 Assets

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 Assets

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.

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

UNAUDITED

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, 2012 is presented below:

GOVERNMENT Asset Type	Balance 9/1/11	Adjustments	Completed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans	PRIMARY		Balance 8/31/12
						Additions	Deletions	
Governmental activities:								
Non-depreciable Assets								
Other Capital Assets	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00
Total non-depreciable assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Depreciable Assets								
Furniture and Equipment	7,021,497.10	0.00	0.00	0 00	0.00	25,934 07	(1,256,188 20)	5,791,242 97
Vehicles	1,130,942.12	0.00	0.00	0 00	(38,065.31)	220,417 52	(277,683 33)	1,035,611 00
Other Capital Assets	25 899 30	0 00	0 00	0 00	0 00	17 000 00	(5 000 00)	37 899 30
Total depreciable assets at historical costs	8,178,338 52	0 00	0 00	0 00	(38,065.31)	263,351 59	(1,538,871 53)	6,864,753 27
Accumulated Depreciation								
Furniture and Equipment	(6,486,730 85)	0 00	0 00	0 00	0 00	(240,463 36)	1,242,023 04	(5,485,171.17)
Vehicles	(670,217 84)	0 00	0 00	0 00	32,989.84	(144,014 57)	256,341 35	(524,901 22)
Other Capital Assets	(15,252 04)	0 00	0 00	0 00	0 00	(3,093.62)	5,000 00	(13,345.66)
Total accumulated depreciation	(7,172,200.73)	0 00	0 00	0 00	32,989.84	(387,571 55)	1,503,364 39	(6,023,418 05)
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
BC Other Capital Intangible Assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
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	(2,378,124.74)	0 00	0 00	0 00	0 00	(6,120 59)	0 00	(2,384,245 33)
BC A/A Other Intangible Capital Assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Accumulated Amortization	(2,378,124.74)	0 00	0 00	0 00	0 00	(6,120 59)	0 00	(2,384,245 33)
Total Governmental activities , net	\$ 1,023,289.88	0 00	0 00	0 00	(5,075.47)	(130,340 55)	(35,507.14)	\$ 852,366.72

DISCRETELY PRESENTED COMPONENT UNITS

Asset Type	Balance		Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	Balance
	9/1/11	Adjustments						8/31/12
Proprietary activities:								
Depreciable Assets								
Furniture and Equipment	\$ 10,826,371 00	\$ 197,074 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 385,913.00	\$ (7,839.00)	\$ 11,401,519.00
Total depreciable assets at historical costs								
Less accumulated depreciation for:								
Furniture and Equipment	(7,037,392 00)	(197,075 00)	0 00	0 00	0 00	(916,729.00)	0 00	(8,151,196.00)
Total accumulated depreciation								
Depreciable assets, net	3,788,979 00	(1 00)	0 00	0 00	0 00	(530,816 00)	(7,839.00)	3,250,323.00
Business-Type activities capital assets, net	\$ 3,788,979.00	(1 00)	0 00	0 00	0 00	(530,816.00)	(7,839.00)	\$ 3,250,323.00

UNAUDITED

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, 2012, the carrying amount of deposits was \$67,988,731.82 as presented below:

Governmental and Business-Type Activities	
Cash In Bank – Carrying Value	\$ 264,830.58
	<u>\$ 264,830.58</u>
Cash In Bank Per AFR	
Governmental Funds Current Assets Cash in Bank	\$ 264,830.58
	<u>\$ 264,830.58</u>
Cash in Bank per AFR	
 Fiduciary Funds	
Cash In Bank – Carrying Value	\$ 182,154.70
Cash In Bank - Texas Treasury Safekeeping Trust Co.	14,087.57
	<u>\$ 196,242.24</u>
Cash In Bank Per AFR	
	<u>\$ 196,242.24</u>
Fiduciary Funds Current Assets Cash in Bank	\$ 196,242.24
Cash in Bank per AFR	<u>\$ 196,242.24</u>
 Discrete Component Units	
Cash In Bank – Carrying Value	\$ 67,527,659.00
	<u>\$ 67,527,659.00</u>
Cash In Bank Per AFR	
	<u>\$ 67,527,659.00</u>
Discrete Component Unit Current Assets Cash in Bank	\$ 67,527,659.00
	<u>\$ 67,527,659.00</u>
Cash in Bank per AFR	<u>\$ 67,527,659.00</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, 2012 the total bank balance was as follows:

Governmental and Business-Type Activities	\$254,011.72	Fiduciary Funds	\$196,242.24	Discrete Component Units	\$67,527,659.00
---	--------------	-----------------	--------------	--------------------------	-----------------

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 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 Risk 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. TWIA deposits exceed the insured limit, but the deposits are held in the Transaction Account Guarantee Program that guarantees 100% of their cash. The bank balances that were exposed to custodial credit risks are as follows:

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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	\$426,059.00		

INVESTMENTS

As of August 31, 2012, the carrying value and fair value of investments are as presented below:

Governmental and Business-Type Activities	Fair Value
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$ 4,566,199.36
Total	\$ 4,566,199.36
Fiduciary Funds	Fair Value
U.S. Government:	
U.S. Treasury Securities	\$ 2,945,027.68
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	432,612,312.82
Total	\$ 435,557,340.50
Discrete Component Units	Fair Value
U.S. Government:	
U.S. Treasury Securities	\$ 143,068,773.00
Miscellaneous	328,505,555.00
Total	\$ 471,574,328.00

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. TWIA held investments backed by the U.S. Treasury Money Market Funds program and other investments backed by the U.S. government. As of August 31, 2012 credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	NR
01	9999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$4,566,199.36			
15	3159	Certificates of deposits				\$4,752,610.00
15	4152	U.S. Gov't Agency Obligations	\$20,004,977.00			
15	4152	U.S. Treasury Securities	\$23,000,000.00			
15	4154	U.S. Gov't Money Market Mutual Funds	\$423,816,741.00			
20	2999	U.S. Treasury Securities Money Market Mutual Fund	\$2,945,027.68			
20	2999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$256,412,612.75			
20	3204	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$176,199,700.07			

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 4: SUMMARY OF SHORT-TERM DEBT

N/A

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities:

Governmental Activities	PRIMARY GOVERNMENT				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/11	Additions	Reductions	Balance 8/31/12		
Claims and Judgments	\$ 16,936,851.94	477,023.43	2,256,369.33	15,157,506.04	568,450.42	\$ 14,589,055.62
Compensable Leave	8,791,514.11	7,232,623.42	7,584,768.21	8,439,369.32	4,858,935.43	3,580,433.89
Total Governmental Activities	\$ 25,728,366.05	7,709,646.85	9,841,137.54	23,596,875.36	5,427,385.85	\$ 18,169,489.51

Proprietary Activities	DISCRETELY PRESENTED COMPONENT UNITS				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/11	Additions	Reductions	Balance 8/31/12		
Employees Compensable Leave	\$ 54,527.00	6,907.00	0.00	61,434.00	61,434.00	\$ 0.00
Total Proprietary Activities	\$ 54,527.00	6,907.00	0.00	61,434.00	61,434.00	\$ 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

UNAUDITED

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)	\$30,000.00
01 (Appn Fund 0036)	\$2,976,983.53
15 (Component Units)	\$1,159,431.00

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, 2012

2013	\$ 2,873,971.99
2014	1,148,279.72
2015	672,163.88
2016	618,138.84
2017	230,876.66
2018-2022	80,444.88
2023-2027	0.00
2028-2032	0.00
2033-2037	0.00
2038-2042	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 7,292,283.96</u>

DISCRETELY PRESENTED COMPONENT UNITS

Calendar Year Ended August 31, 2012

2013	\$ 839,992.00
2014	307,369.00
2015	212,319.00
2016	195,529.00
2017	200,675.00
2018-2022	0.00
2023-2027	0.00
2028-2032	0.00
2033-2037	0.00
2038-2042	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 1,755,884.00</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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

N/A

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 ASSETS

Texas Windstorm Insurance Association (TWIA) was a new component unit in FY 2011. TWIA financial statements have been restated for FY 2011 to adjust the allocation of paid loss adjustment expenses as it relates to Hurricane Ike and the related reinsurance agreements which affected the following statement of net asset accounts: amounts recoverable from reinsurers, loss and loss adjustment expense reserves, ceded reinsurance premiums payable, funds held by company under reinsurance treaties and statutory funds payable. Th effect of the restatement decreased total net assets by \$4 million.

Proprietary Funds – Component Units

	Proprietary Fund – Component Units	Total
Net Assets 8-31-2011	\$ 41,552,890.00	\$ 41,552,890.00
Restatement	<u>(4,079,460.00)</u>	<u>(4,079,460.00)</u>
Net Assets 9-1-2011, As Restated	<u>\$ 37,473,430.00</u>	<u>\$ 37,473,430.00</u>

NOTE 15: CONTINGENT LIABILITIES

- Regulatory- There are a number of pending actions to which the Texas Department of Insurance is a party in connection with Texas Department of Insurance's regulatory duties. These generally do not seek monetary relief, other than attorneys' fees, but rather seek to reverse a regulatory action of the agency. There is one pending lawsuit stemming from regulatory action that seeks additional monetary damages based on an alleged violation of due process argument. As of August 31, 2012 the Subsequent Injury Fund had 118 pending requests for a total of \$1,576,680.79.

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, 82nd Leg. Sess, Article VIII, p. VIII-23, #25 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.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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 2011 and 2012 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2011	\$	\$ 1,633.84	\$ 1,633.84	\$
2012	\$	\$ 44,820.00	\$ 44,820.00	\$

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.

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.

1. The *Surplus Lines Stamping Office of Texas* was created pursuant to Chapters 981.151 – 981.160 of the Texas Insurance Code 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 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. TDI 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 and TWIA is subject to the Texas Sunset Act.

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Administrative Offices

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

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

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

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

Related Organizations

1. The **Life, Accident, Health and Hospital Service Insurance Guaranty Association** was created pursuant to Chapter 463 of the Texas Insurance Code (TIC), for the protection of 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. The Commissioner of Insurance appoints the nine-member board of directors of the association.
2. The **Texas Title Insurance Guaranty Association** was created pursuant to Chapter 2602 of the TIC, for the purpose of providing funds for the protection of holders of "covered claims". This shall apply to all title insurance written by title insurance companies authorized to do business in this state. The Commissioner of Insurance appoints the nine-member board of directors.
3. 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.
4. 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

Life, Accident, Health and Hospital Service Insurance
Guaranty Association
6504 Bridge Point Parkway, Suite 450
Austin, TX 78730

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

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.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 21: TOBACCO SETTLEMENT

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

N/A

NOTE 25: TERMINATION BENEFITS

N/A

NOTE 26: SEGMENT INFORMATION

N/A

This page intentionally left blank.

Texas Department of Insurance (454)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

August 31, 2012

	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			
On Hand	\$ -	\$ -	\$ -
In Bank		164,145.58	100,685.00
Legislative Appropriations	25,348.55		
In State Treasury			145,047,048.01
Cash Equivalents		4,566,199.36	
Receivables from:			
Federal Receivable			558,620.33
Interest/Dividend Receivable		20.22	
Accounts Receivable		193,704.62	978,140.59
Due From Other Funds			26,770.01
Due From Other Agencies			465,441.32
Consumable Inventories			123,528.32
Total Current Assets	25,348.55	4,924,069.78	147,300,233.58
Total Assets	\$ 25,348.55	\$ 4,924,069.78	\$ 147,300,233.58
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 2,895.12	\$ 85,812.90	\$ 3,770,666.39
Payroll	15,005.93		7,493,204.10
Due To Other Funds			26,770.01
Due To Other Agencies			3,666,248.14
Deferred Revenue			95,086.24
Total Current Liabilities	17,901.05	85,812.90	15,051,974.88
Total Liabilities	17,901.05	85,812.90	15,051,974.88
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Nonspendable	-	-	123,528.32
Committed		4,838,256.88	132,124,730.38
Assigned			
Unassigned	7,447.50		
Total Fund Balances	7,447.50	4,838,256.88	132,248,258.70
Total Liabilities and Fund Balances	\$ 25,348.55	\$ 4,924,069.78	\$ 147,300,233.58

UNAUDITED

Consolidated Accounts

GR Account -Subsequent Injury Fund (5101)	GR Account -Premium Stabilization Fund (0329)	GR Account - Federal American Recovery & Reinvestment Act Fund (0369)	GR Account -Fire Prevention & Public Safety (5138)	Total (Ex I)
\$ -	\$ -	\$ -	\$ -	\$ -
				264,830.58
				25,348.55
63,377,057.32	27,926,355.71		144,104.97	236,494,566.01
				4,566,199.36
				558,620.33
				20.22
675,706.53				1,847,551.74
				26,770.01
		9,586.11		475,027.43
				123,528.32
<u>64,052,763.85</u>	<u>27,926,355.71</u>	<u>9,586.11</u>	<u>144,104.97</u>	<u>244,382,462.55</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,926,355.71</u>	<u>\$ 9,586.11</u>	<u>\$ 144,104.97</u>	<u>\$ 244,382,462.55</u>
\$ -	\$ 46,032.86	\$ 9,586.11	\$ 3,623.84	\$ 3,918,617.22
				7,508,210.03
				26,770.01
				3,666,248.14
				95,086.24
<u>-</u>	<u>46,032.86</u>	<u>9,586.11</u>	<u>3,623.84</u>	<u>15,214,931.64</u>
<u>-</u>	<u>46,032.86</u>	<u>9,586.11</u>	<u>3,623.84</u>	<u>15,214,931.64</u>
				123,528.32
64,052,763.85	27,880,322.85		140,481.13	229,036,555.09
				7,447.50
<u>64,052,763.85</u>	<u>27,880,322.85</u>	<u>-</u>	<u>140,481.13</u>	<u>229,167,530.91</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,926,355.71</u>	<u>\$ 9,586.11</u>	<u>\$ 144,104.97</u>	<u>\$ 244,382,462.55</u>

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, 2012

	General		Consolidated Accounts
	General Revenue (0001)	Local - GAAP General Fund (9999)	GR Account -Tx Department of Insurance Operating (0036)
REVENUES			
Original Appropriations	\$ 224,406.00	\$ -	\$ -
Additional Appropriations	152,498.71		
Taxes			1,096,205.23
Federal Revenue	289,606.53		4,164,125.78
Federal Pass-Through Revenue	147,009.22		4,959,793.90
State Grant Pass-Through Revenue			35,795.22
Licenses, Fees & Permits	6,669.00		50,754,019.79
Settlement of Claims			
Sales of Goods and Services			9,125.82
Interest and Other Investment Income		3,522.76	
Other		1,145,526.49	1,449,582.55
Total Revenues	820,189.46	1,149,049.25	62,468,648.29
EXPENDITURES			
Salaries and Wages	207,068.40	844,046.56	73,614,088.92
Payroll Related Costs	46,671.31	159,546.98	23,628,583.08
Professional Fees and Services		13,040.00	6,675,131.43
Travel		29,797.61	2,050,085.85
Materials and Supplies	70,000.00	81.18	2,543,492.42
Communication and Utilities		4,904.69	1,478,861.47
Repairs and Maintenance			907,946.05
Rentals & Leases	52,700.00		4,057,896.97
Printing and Reproduction			330,946.83
Claims and Judgments (Note 17)			44,820.00
Intergovernmental Payments	539,657.43		393,130.79
Public Assistance Payments			3,929.84
Other Expenditures	7,548.00	242,607.53	9,216,198.51
Capital Outlay	12,572.34		216,345.18
Total Expenditures/Expenses	936,217.48	1,294,024.55	125,161,457.34
Excess (Deficiency) of Revenues			
Over Expenditures	(116,028.02)	(144,975.30)	(62,692,809.05)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	134,662,930.64
Transfers Out	(460,380.91)		(51,844,442.30)
Sale of Capital Assets	29,790.00		41,193.00
Insurance Recovery			
Appropriations Lapsed	(0.34)		
Total Other Financing Sources and Uses	(430,591.25)	-	82,859,681.34
Net Change in Fund Balances/Net Assets	(546,619.27)	(144,975.30)	20,166,872.29
FUND FINANCIAL STATEMENT-FUND BALANCES			
Fund Balances--Beginning	554,066.77	4,983,232.18	112,081,386.41
Restatements			
Fund Balances, September 1, 2011, as Restated	554,066.77	4,983,232.18	112,081,386.41
Fund Balances--August 31, 2012	\$ 7,447.50	\$ 4,838,256.88	\$ 132,248,258.70

UNAUDITED

Consolidated Accounts				
GR Account - Subsequent Injury Fund (5101)	GR Account - Premium Stabilization Fund (0329)	GR Account - Federal American Recovery & Reinvestment Act Fund (0369)	GR Account - Fire Prevention & Public Safety Fund (5138)	Total (Ex II)
\$ -	\$ -	\$ -	\$ -	\$ 224,406.00
				152,498.71
				1,096,205.23
				4,453,732.31
		80,425.01		5,187,228.13
				35,795.22
				50,760,688.79
				-
				9,125.82
		3.45		3,526.21
<u>5,907,578.24</u>				<u>8,502,687.28</u>
<u>5,907,578.24</u>	<u>-</u>	<u>80,428.46</u>	<u>-</u>	<u>70,425,893.70</u>
-	-	-	-	74,665,203.88
				23,834,801.37
	1,031,680.58			7,719,852.01
				2,079,883.46
		62,666.94	41,165.37	2,717,405.91
				1,483,766.16
		3,300.00	2,359.00	913,605.05
				4,110,596.97
5,365,920.57				330,946.83
				5,410,740.57
				932,788.22
				3,929.84
	5,648,697.15		3,020.00	15,118,071.19
		14,458.07	19,976.00	263,351.59
<u>5,365,920.57</u>	<u>6,680,377.73</u>	<u>80,425.01</u>	<u>66,520.37</u>	<u>139,584,943.05</u>
<u>541,657.67</u>	<u>(6,680,377.73)</u>	<u>3.45</u>	<u>(66,520.37)</u>	<u>(69,159,049.35)</u>
54,876,100.59	33,829,000.00		-	223,368,031.23
(54,876,100.59)	(33,829,000.00)	(3.45)		(141,009,927.25)
				70,983.00
				-
				(0.34)
		(3.45)		82,429,086.64
<u>541,657.67</u>	<u>(6,680,377.73)</u>	<u>(0.00)</u>	<u>(66,520.37)</u>	<u>13,270,037.29</u>
63,511,106.18	34,560,700.58	-	207,001.50	215,897,493.62
				-
<u>63,511,106.18</u>	<u>34,560,700.58</u>	<u>-</u>	<u>207,001.50</u>	<u>215,897,493.62</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,880,322.85</u>	<u>\$ (0.00)</u>	<u>\$ 140,481.13</u>	<u>\$ 229,167,530.91</u>

UNAUDITED

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

August 31, 2012

	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	\$ -	\$ -	\$ 196,242.24	\$ 196,242.24
Cash in State Treasury		646,083.41		646,083.41
Cash Equivalents	176,199,700.07		259,357,640.43	435,557,340.50
Interest Receivable			1,135.22	1,135.22
Accounts Receivable	780.07			780.07
Securities Held in Trust			91,291,849.88	91,291,849.88
Total Assets	<u>176,200,480.14</u>	<u>646,083.41</u>	<u>350,846,867.77</u>	<u>527,693,431.32</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 838.00	\$ 838.00
Funds Held for Others			91,291,849.88	91,291,849.88
Total Liabilities	<u>-</u>	<u>-</u>	<u>91,292,687.88</u>	<u>91,292,687.88</u>
NET ASSETS				
Held in trust for:				
Individuals, Organizations, and Other Governments	176,200,480.14	646,083.41	259,554,179.89	436,400,743.44
Total Net Assets	<u>\$ 176,200,480.14</u>	<u>\$ 646,083.41</u>	<u>\$ 259,554,179.89</u>	<u>\$ 436,400,743.44</u>

UNAUDITED

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

August 31, 2012

	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	\$ 119,735.13	\$ 4,109.76	\$ 208,275.20	\$ 332,120.09
Total Investing Income	119,735.13	4,109.76	208,275.20	332,120.09
Less Investing Activities Expense				-
Net Income from Investing Activities	119,735.13	4,109.76	208,275.20	332,120.09
Total Net Investment Income	119,735.13	4,109.76	208,275.20	332,120.09
Other Additions				
Other Revenue	46,164,688.00	159,372.22	111,792,717.59	158,116,777.81
Total Other Additions	46,164,688.00	159,372.22	111,792,717.59	158,116,777.81
Total Additions	46,284,423.13	163,481.98	112,000,992.79	158,448,897.90
DEDUCTIONS				
Repairs and Maintenance	-	-	20,000.00	20,000.00
Claims & Judgments			88,144,410.42	88,144,410.42
Other Expense	8,005.61	142,409.53	43,724,358.07	43,874,773.21
Total Deductions	8,005.61	142,409.53	131,888,768.49	132,039,183.63
NET INCREASE (DECREASE)	46,276,417.52	21,072.45	(19,887,775.70)	26,409,714.27
Net Assets- September 1, 2011	129,924,062.62	625,010.96	279,441,955.59	409,991,029.17
Restatements				-
Net Assets, September 1, 2011, As Restated	129,924,062.62	625,010.96	279,441,955.59	409,991,029.17
Net Assets - August 31, 2012	\$ 176,200,480.14	\$ 646,083.41	\$ 259,554,179.89	\$ 436,400,743.44

UNAUDITED

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

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (1000) U/F (0003)				
ASSETS				
Cash in State Treasury	\$ -	\$ 21,428,538.14	\$ 21,428,538.14	\$ -
Accounts Receivable, Net	435,575.70	978,056.42	435,575.70	978,056.42
Total Assets	435,575.70	22,406,594.56	21,864,113.84	978,056.42
LIABILITIES				
Accounts Payable	0.00	79,800.61	79,800.61	0.00
Due to other Agencies	435,575.70	978,056.42	435,575.70	978,056.42
Funds Held for Others	0.00	21,432,438.14	21,432,438.14	0.00
Total Liabilities	435,575.70	22,490,295.17	21,947,814.45	978,056.42
Child Support Employ Deduct (0807) U/F (0807)				
ASSETS				
Cash in State Treasury	14,490.32	170,289.16	172,580.16	12,199.32
Total Assets	14,490.32	170,289.16	172,580.16	12,199.32
LIABILITIES				
Accounts Payable	0.00	158,089.84	158,089.84	0.00
Funds Held for Others	14,490.32	155,798.84	158,089.84	12,199.32
Total Liabilities	14,490.32	313,888.68	316,179.68	12,199.32
City, Cty, Mta & Spd (0882) U/F (0882)				
ASSETS				
Cash in State Treasury	0.00	143.80	143.80	0.00
Total Assets	0.00	143.80	143.80	0.00
LIABILITIES				
Funds Held for Others	0.00	143.80	143.80	0.00
Total Liabilities	0.00	143.80	143.80	0.00
Tx Worker's Comp Self Insurance Fund (0893) U/F (0893)				
ASSETS				
Cash in State Treasury	10,020,000.10	13,068,609.36	14,108,684.30	8,979,925.16
Other Current Assets	563,465,691.21	0.00	28,399,999.90	535,065,691.31
Total Assets	573,485,691.31	13,068,609.36	42,508,684.20	544,045,616.47
LIABILITIES				
Accounts Payable	0.00	2,041,227.35	2,041,227.35	0.00
Funds Held for Others	573,485,691.31	3,048,609.26	32,488,684.10	544,045,616.47
Total Liabilities	573,485,691.31	5,089,836.61	34,529,911.45	544,045,616.47
Departmental Suspense (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	0.00	16,442,363.47	16,442,363.47	0.00
Total Assets	0.00	16,442,363.47	16,442,363.47	0.00
LIABILITIES				
Accounts Payable	0.00	110,799.35	110,799.35	0.00
Funds Held for Others	0.00	16,442,363.47	16,442,363.47	0.00
Total Liabilities	0.00	16,553,162.82	16,553,162.82	0.00

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

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
<u>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</u>				
ASSETS				
Cash in State Treasury	277,588.00	317,588.00	277,738.00	317,438.00
Other Assets	1,092,430,853.49	394,524,225.38	390,971,320.38	1,095,983,758.49
Total Assets	1,092,708,441.49	394,841,813.38	391,249,058.38	1,096,301,196.49
LIABILITIES				
Accounts Payable	0.00	150.00	150.00	0.00
Funds Held for Others	1,092,708,441.49	394,841,813.38	391,249,058.38	1,096,301,196.49
Total Liabilities	1,092,708,441.49	394,841,963.38	391,249,208.38	1,096,301,196.49
<u>Direct Deposit Correction Fund (0980) U/F (0980)</u>				
ASSETS				
Cash in State Treasury	0.00	148,526.02	148,526.02	0.00
Total Assets	0.00	148,526.02	148,526.02	0.00
LIABILITIES				
Funds Held for Others	0.00	148,526.02	148,526.02	0.00
Total Liabilities	0.00	148,526.02	148,526.02	0.00
Totals - All Agency Funds (Exhibit VI)				
ASSETS				
Cash in State Treasury	\$ 10,312,078.42	\$ 51,576,057.95	\$ 52,578,573.89	\$ 9,309,562.48
Accounts Receivable, Net	435,575.70	978,056.42	435,575.70	978,056.42
Other Assets	1,655,896,544.70	394,524,225.38	419,371,320.28	1,631,049,449.80
Total Assets	\$ 1,666,644,198.82	\$ 447,078,339.75	\$ 472,385,469.87	\$ 1,641,337,068.70
LIABILITIES				
Accounts Payable	0.00	\$ 2,390,067.15	\$ 2,390,067.15	0.00
Due to Other Agencies	435,575.70	978,056.42	435,575.70	978,056.42
Funds Held for Others	1,666,208,623.12	436,069,692.91	461,919,303.75	1,640,359,012.28
Total Liabilities	\$ 1,666,644,198.82	\$ 439,437,816.48	\$ 464,744,946.60	\$ 1,641,337,068.70

UNAUDITED

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

For the Fiscal Year Ended August 31, 2012

	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)	Totals (Ex III)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in Bank	\$ 912,975.00	\$ 570,419.00	\$ 15,168,069.00	\$ 50,876,196.00	\$ 67,527,659.00
Cash Equivalents			20,004,977.00	323,752,945.00	343,757,922.00
Short Term Investments	4,752,610.00		23,000,000.00	100,063,796.00	127,816,406.00
Receivables from:					
Accounts Receivable	204,316.00	962.00	62,128,004.00	16,121,000.00	78,454,282.00
Other	92,067.00				92,067.00
Deferred Acquisition Costs				33,814,612.00	33,814,612.00
Total Current Assets	5,961,968.00	571,381.00	120,301,050.00	524,628,549.00	651,462,948.00
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable:					
Furniture and Equipment	6,728,070.00	-	58,760.00	4,614,689.00	11,401,519.00
Less Accumulated Depreciation	(3,588,025.00)		(47,768.00)	(4,515,403.00)	(8,151,196.00)
Other Non-Current Assets	43,266.00		8,588.00	5,785,837.00	5,837,691.00
Total Non-Current Assets	3,183,311.00	-	19,580.00	5,885,123.00	9,088,014.00
Total Assets	9,145,279.00	571,381.00	120,320,630.00	530,513,672.00	660,550,962.00
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts	\$ 12,298.00	\$ 21,308.00	\$ 1,180,183.00	\$ 102,783,140.00	\$ 103,996,929.00
Payroll	36,917.00				36,917.00
Employee's Compensable Leave	61,434.00				61,434.00
Deferred Revenue			78,212,489.00	159,588,154.00	237,800,643.00
Other Liabilities	77,745.00	550,073.00	40,927,958.00	212,263,526.00	253,819,302.00
Total Current Liabilities	188,394.00	571,381.00	120,320,630.00	474,634,820.00	595,715,225.00
Total Liabilities	188,394.00	571,381.00	120,320,630.00	474,634,820.00	595,715,225.00
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,140,045.00	-	-	4,614,689.00	7,754,734.00
Unrestricted	5,816,840.00			51,264,163.00	57,081,003.00
Total Net Assets	\$ 8,956,885.00	\$ -	\$ -	\$ 55,878,852.00	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

UNAUDITED

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

For the Fiscal Year Ended August 31, 2012

	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)	Totals (Ex IV)
OPERATING REVENUES:					
Federal Revenue	\$ -	\$ -	\$ 9,243,990.00	\$ -	\$ 9,243,990.00
Sales of Goods and Services:					-
Other Sales of Goods and Services	1,952,657.00				1,952,657.00
Premium Revenue		46,948.00	214,703,405.00	321,781,338.00	536,531,691.00
Interest and Investment Income	35,316.00	729.00	13,157.00	290,865.00	340,067.00
Other Operating Revenues			94,648,143.00	172,745.00	94,820,888.00
Total Operating Revenues	1,987,973.00	47,677.00	318,608,695.00	322,244,948.00	642,889,293.00
OPERATING EXPENSES:					
Salaries and Wages	1,204,433.00	-	364,203.00	14,833,855.00	16,402,491.00
Payroll Related Costs	391,109.00			2,598,161.00	2,989,270.00
Professional Fees and Services	433,403.00		12,550,675.00		12,984,078.00
Travel	4,323.00		3,460.00		7,783.00
Materials and Supplies	32,504.00		44,200.00		76,704.00
Communication and Utilities	36,874.00				36,874.00
Repairs and Maintenance	43,504.00				43,504.00
Rentals and Leases	252,661.00		75,149.00	956,772.00	1,284,582.00
Printing and Reproduction	2,891.00				2,891.00
Depreciation and Amortization	236,994.00		4,805.00	674,930.00	916,729.00
Other Operating Expenses	170,091.00	47,677.00	305,566,203.00	284,775,808.00	590,559,779.00
Total Operating Expenses	2,808,787.00	47,677.00	318,608,695.00	303,839,526.00	625,304,685.00
Operating Income (Loss)	(820,814.00)	-	-	18,405,422.00	17,584,608.00
Change in Net Assets	(820,814.00)	-	-	18,405,422.00	17,584,608.00
Total Net Assets, September 1, 2011	9,777,699.00	-	-	41,552,890.00	51,330,589.00
Restatements				(4,079,460.00)	(4,079,460.00)
Total Net Assets, September 1, 2011, as Restated	9,777,699.00	-	-	37,473,430.00	47,251,129.00
Total Net Assets, August 31, 2012	\$ 8,956,885.00	\$ -	\$ -	\$ 55,878,852.00	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

UNAUDITED

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

For the fiscal year ended August 31, 2012

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	\$ 80,425.01	\$ -
Total U.S. Department of Justice				<u>\$ 80,425.01</u>	<u>\$ -</u>
U.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>-</u>	<u>-</u>
U.S. Dept of Health and Human Svcs					
Direct Programs:					
Affordable Care Act Grants to States for Health Insurance Premium Review	93.511			-	-
Affordable Care Act - Consumer Assistance Program Grants	93.519			-	-
State Planning & Establishment Grants for the Affordable Care Act Exchanges	93.525			-	-
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	4,859,416.54	-
Research, Demonstrations and Evaluations	93.779		539	141,287.36	-
Total U.S. Dept. of Health and Human Svcs				<u>\$ 5,000,703.90</u>	<u>\$ -</u>
U.S. Dept of Homeland Security					
Direct Program:					
Assistance to Firefighters Grant				-	-
Total U.S. Dept of Homeland Security	97.044			<u>-</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 5,081,128.91</u>	<u>\$ -</u>

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		
\$ -	\$ 80,425.01		\$ -	\$ -	\$ 80,425.01	\$ 80,425.01
\$ -	\$ 80,425.01		\$ -	\$ -	\$ 80,425.01	\$ 80,425.01
258,115.89	258,115.89		-	-	258,115.89	258,115.89
2,476,714.79	2,476,714.79		-	-	2,476,714.79	2,476,714.79
102,238.62	102,238.62		-	-	102,238.62	102,238.62
<u>2,837,069.30</u>	<u>2,837,069.30</u>		<u>-</u>	<u>-</u>	<u>2,837,069.30</u>	<u>2,837,069.30</u>
259,511.17	259,511.17		-	-	259,511.17	259,511.17
1,111,902.15	1,111,902.15		-	-	1,111,902.15	1,111,902.15
73,846.55	73,846.55		-	-	73,846.55	73,846.55
-	4,859,416.54		-	-	4,859,416.54	4,859,416.54
-	141,287.36		-	-	141,287.36	141,287.36
<u>\$ 1,445,259.87</u>	<u>\$ 6,445,963.77</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,445,963.77</u>	<u>\$ 6,445,963.77</u>
277,502.36	277,502.36		-	-	277,502.36	277,502.36
277,502.36	277,502.36		-	-	277,502.36	277,502.36
<u>\$ 4,559,831.53</u>	<u>\$ 9,640,960.44</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,640,960.44</u>	<u>\$ 9,640,960.44</u>

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

For the fiscal year ended August 31, 2012

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	\$ 4,559,831.53
Federal Grant Pass-Through Revenue	<u>5,081,128.91</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$ 9,640,960.44</u></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.	\$ 9,243,990.00
--	-----------------

UNAUDITED

Texas Department of Insurance (454)

Schedule 1B - Schedule Of State Grant Pass-Throughs From/To State Agencies

For the fiscal year ended August 31, 2012

STATE GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass-Through From			
	CFDA number	Agy./ Univ. #	Agencies or Univ. Amount	State Entities Amount
Office of the Governor				
Pass-Through From:				
Equipment Purchase and Arson Canine Replacement	300.0021	300	\$ 35,795.22	\$ 35,795.22
Total Office of the Governor			\$ 35,795.22	\$ 35,795.22
TOTAL STATE FINANCIAL ASSISTANCE			\$ 35,795.22	\$ 35,795.22

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

For the fiscal year ended August 31, 2012

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Fire Prevention & Safety (5138)	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	\$ -	\$ 152,498.71	\$ -	\$ -	\$ 152,498.71
TOTAL ADDITIONAL APPROPRIATIONS	-	152,498.71	-	-	152,498.71
TAXES					
Fund 0036 - Taxes - Certified Self-Insurers	\$ 1,096,205.23	\$ -	\$ -	\$ -	\$ 1,096,205 23
TOTAL TAXES	1,096,205.23	-	-	-	1,096,205 23
FEDERAL FUNDS					
U.S. Department of Labor	\$ 2,547,462.77	\$ 289,606 53	\$ -	\$ -	\$ 2,837,069 30
U.S. Department of Health & Human Services	6,298,954.55	147,009 22	-	-	6,445,963.77
Department of Homeland Security	277,502.36	-	-	-	277,502 36
Department of Justice - Pass Thru	80,425.01	-	-	-	80,425 01
The Governor's Office - Pass Thru	35,795.22	-	-	-	35,795 22
TOTAL FEDERAL FUNDS	9,240,139.91	436,615.75	-	-	9,676,755 66
LICENSES, FEES AND PERMITS					
Catastrophic Pool Inspection Fees	\$ 7,355.00	\$ -	\$ -	\$ -	\$ 7,355.00
License Fee - Title Insurance Companies	198,334.35	-	-	-	198,334 35
Filing Fees - Life	218,430.97	-	-	-	218,430 97
Filing Fees - Property and Casualty	245,921.00	-	-	-	245,921 00
Filing Fees - Workers' Compensation	15,000.00	-	-	-	15,000 00
Fees - Certified Self-Insurers	670,654.50	-	-	-	670,654 50
License Fees - Insurance Adjusters and Agents	16,606,198.92	6,669.00	-	-	16,612,867 92
Agents Certification and Clearance Letters	63,849.61	-	-	-	63,849 61
Filing Fees - Third Party Administrators	156,449.46	-	-	-	156,449.46
Filing Fees - Risk Retention & Purchasing Groups	15,000.00	-	-	-	15,000 00
Examination Q of C Sal/Travel	52,981.96	-	-	-	52,981 96
Examination Fees - Overhead Assessment	28,066,617.21	-	-	-	28,066,617 21
Examination Premium Finance	16,298.86	-	-	-	16,298 86
Filing Fees - Policy Approval	413,150.00	-	-	-	413,150 00
Filing Fees - Health Maintenance Organizations	108,227.67	-	-	-	108,227 67
Filing Fees - Insurance Premium Finance	45,553.00	-	-	-	45,553 00
Examination and Assessment Fees	268,850.74	-	-	-	268,850.74
Amusement Ride Safety Inspections	271,945.10	-	-	-	271,945.10
State Fire Marshal Fees	2,925,937.88	-	-	-	2,925,937 88
Miscellaneous Certification Fees	1,396.50	-	-	-	1,396.50
Administrative Fees	345,319.75	-	-	-	345,319.75
Conservation Fees	40,547.31	-	-	-	40,547 31
TOTAL LICENSES, FEES, AND PERMITS	50,754,019.79	6,669.00	-	-	50,760,688.79
SALES OF GOODS AND SERVICES					
Sale of Lists, Bulletins, Rating Data, etc.	\$ 9,125.82	\$ -	\$ -	\$ -	\$ 9,125.82
TOTAL SALES OF GOODS AND SERVICES	9,125.82	-	-	-	9,125.82

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

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

For the fiscal year ended August 31, 2012

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Fire Prevention & Safety (5138)	Total
OTHER REVENUES					
Warrants Voided By Statute of Limitations	\$ 7,456.96	\$ -	\$ 35,269.22	\$ -	\$ 42,726.18
Reimbursements - Third Party	1,438,231.61	-	-	-	1,438,231.61
Other Miscellaneous Governmental Revenue	3,893.98	-	-	-	3,893.98
Workers' Compensation Insurance Benefits to State	-	-	5,872,309.02	-	5,872,309.02
TOTAL OTHER REVENUES	1,449,582.55	-	5,907,578.24	-	7,357,160.79
TOTAL GENERAL FUNDS COLLECTIONS	62,549,073.30	820,189.46	5,907,578.24	-	69,276,841.00
AGENCY FUNDS COLLECTIONS					
State Sales Tax/Discounts	\$ -	\$ 446.18	\$ -	\$ -	\$ 446.18
Viatical Settlement Registration Fees		2,030.00		-	2,030.00
Utilization Review Fees/ Independent Review Organization		102,327.00		-	102,327.00
Filing Fees - Continuing Care Facilities		39,464.00		-	39,464.00
Returned Check Fees		1,110.00		-	1,110.00
Interest on Local Deposits		85.33		-	85.33
Judgments (Secured by Court Action)		11,636.31		-	11,636.31
Penalty In Lieu of Suspension/Cancellation		6,244,365.40		-	6,244,365.40
Unauthorized Insurance/Administrative Penalties		14,210,436.60		-	14,210,436.60
Other Miscellaneous Governmental Revenue		1,559.40		-	1,559.40
SFMO-Fireworks, Educ Safety		56,990.00		-	56,990.00
License Fees - Insurance Adjusters and Agents		294,635.00		-	294,635.00
Continuing Education Provider Fees		249,409.50		-	249,409.50
TOTAL AGENCY FUNDS COLLECTIONS	-	21,214,494.72	-	-	21,214,494.72
TOTAL COLLECTIONS TEXAS DEPARTMENT OF INSURANCE	\$ 62,549,073.30	\$ 22,034,684.18	\$ 5,907,578.24	\$ -	\$ 90,491,335.72
<u>TRANSFERS IN</u>					
From Comptroller of Public Accounts					
Motor Vehicle Maintenance Tax	\$ 12,119,383.90	\$ -	\$ -	\$ -	\$ 12,119,383.90
Fire and Allied Lines Maintenance Tax	32,267,030.27	-	-	-	32,267,030.27
Workers' Compensation Maintenance Tax	4,926,419.76	-	-	-	4,926,419.76
Casualty Maintenance Tax	7,340,523.18	-	-	-	7,340,523.18
Title Maintenance Fee	4,552,116.97	-	-	-	4,552,116.97
Life/Accident and Health Maintenance Tax	12,033,084.07	-	-	-	12,033,084.07
Third Party Administrator Maintenance Tax	1,305,151.41	-	-	-	1,305,151.41
Health Maintenance Organization Maintenance Tax	4,858,100.20	-	-	-	4,858,100.20
Prepaid Legal Services Maintenance Tax	1,099.85	-	-	-	1,099.85
Annual Statement Filing Fees	226,812.94	-	-	-	226,812.94
Division of Workers' Compensation Maintenance Tax	54,511,445.06	-	-	-	54,511,445.06
Workers' Compensation Research Maint Tax	521,763.03	-	-	-	521,763.03
COMPTROLLER OF PUBLIC ACCOUNTS	134,662,930.64	-	-	-	134,662,930.64
From Other Sources					
From Sale of Fixed Assets	\$ -	\$ 29,790.00	\$ -	\$ -	\$ 29,790.00
TOTAL REVENUES FROM TRANSFERS IN	-	29,790.00	-	-	29,790.00
TOTAL TRANSFERS IN	134,662,930.64	29,790.00	-	-	134,692,720.64
TOTAL REVENUES/TRANSFERS IN	\$ 197,212,003.94	\$ 22,064,474.18	\$ 5,907,578.24	\$ -	\$ 225,184,056.36

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

2003 - 2012

<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>
2003	55,759,840.69	34,507,376.73	4,056,802.81	94,324,020.23
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

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