

Texas Department of Insurance Fiscal Years 2011-2015 Workforce Plan

Introduction

Overview As required by Texas Government Code, §2056.002, the Texas Department of Insurance (TDI) conducted a strategic staffing analysis and developed the agency's *Fiscal Years 2011-2015 Workforce Plan*.

Key Findings TDI identified three gaps between the agency's current and future workforce. The strategies to mitigate the impact of these three gaps are outlined in the *Strategy Development* section of this report.

- Loss of Institutional Knowledge
 - Technology Staffing Shortages
 - Growing Agency Responsibilities
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**Workforce
Planning at
TDI**

TDI recognizes the importance of workforce planning and analyzes its workforce to ensure appropriate staffing levels, workforce skills and workforce composition. TDI workforce planning efforts include:

- analyzing/reviewing annual workforce data with Executive Management
- using workforce/succession planning information to identify specific skills needed for succession planning
- developing training to address skill shortages
- updating training manuals to capture and document agency processes
- monitoring progress on program workforce planning initiatives
- maintaining an effective agency retention program.

Specific workforce-related policies, activities, and initiatives are provided as an attachment to this report.

**Report
Components**

TDI's workforce plan contains the following sections.

- Agency Overview
 - Current Workforce Profile
 - Future Workforce Profile
 - Gap Analysis
 - Strategy Development
 - Attachments
-

Agency Overview

Introduction The Texas Department of Insurance (TDI) regulates the state’s insurance industry, oversees the administration of the Texas workers’ compensation system, performs the duties of the State Fire Marshal’s Office, and provides administrative support to the Office of Injured Employee Counsel.

Our Vision TDI envisions a financially stable and fair marketplace and an effective and efficient workers' compensation system.

Our Mission TDI’s mission is to protect insurance consumers by:

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

Our Core Values We have a passionate commitment to service in the public interest. We are:

- responsible stewards
- professional
- collaborative
- resilient and creative
- balanced.

Our Goals, Objectives and Strategies TDI has four broad goals with supporting objectives and strategies that facilitate achievement of the agency’s mission. A visual presentation of the agency’s goals, objectives, and strategies is an attachment to this report.

- Goal 1: Promote Consumer Access to Affordable Insurance Products within a Fair Market
- Goal 2: Promote the Financial Strength of the Insurance Industry and Reduce Loss Costs
- Goal 3: Reduce Loss of Life and Property Due to Fire
- Goal 4: Regulate Effectively the Texas Workers’ Compensation System

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Agency Overview, Continued

Our Core Functions

TDI's regulatory and administrative responsibilities are grouped into nine core functions:

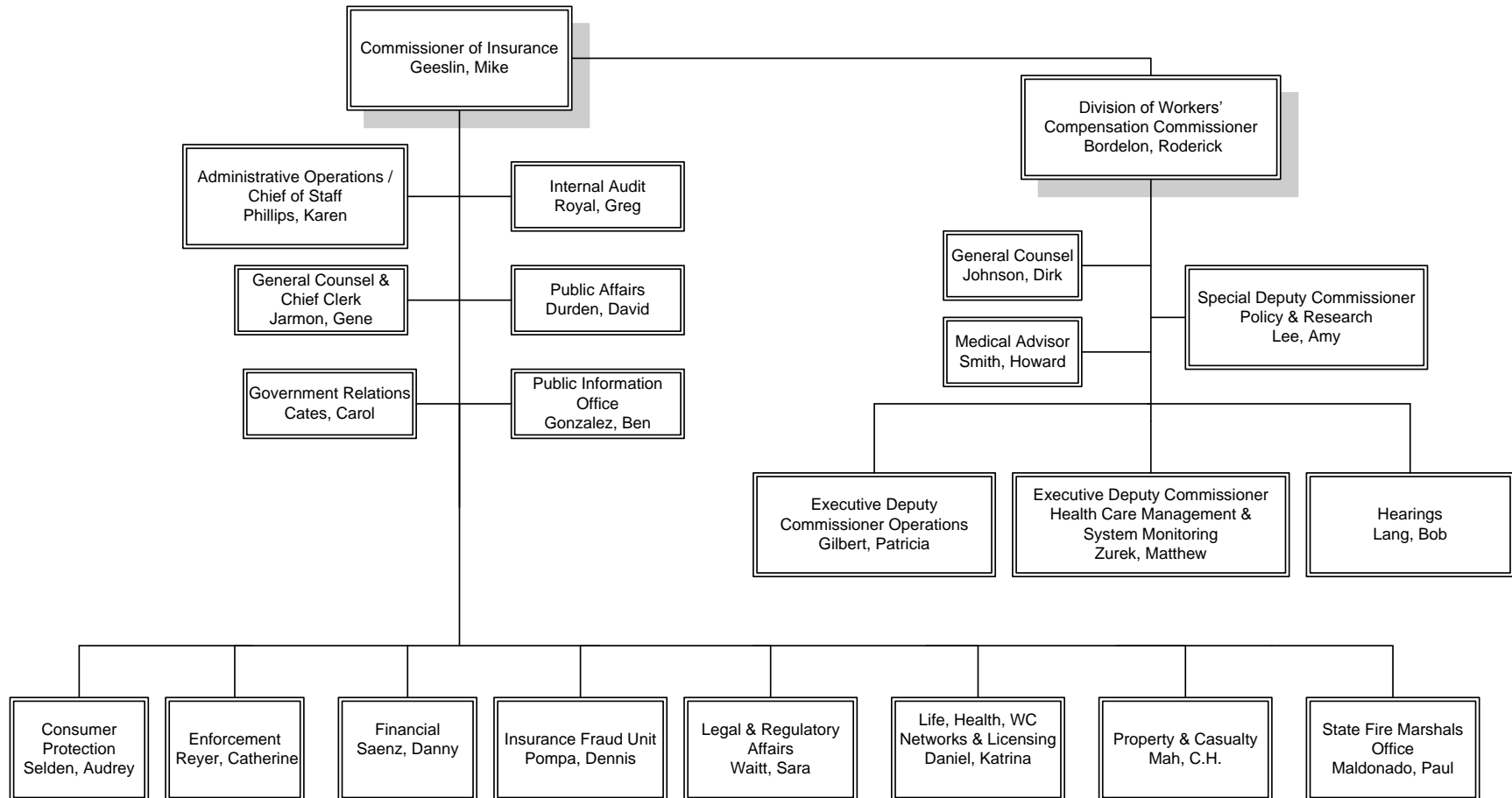
- licensing, certification, and registration
 - form, rate and advertising review
 - examination, monitoring, and solvency intervention
 - research and analysis
 - education, outreach, and customer assistance
 - complaint and dispute resolution
 - enforcement, fraud, and investigations
 - inspections and consultations
 - support services.
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Organizational Structure

The functional organization chart shown on the following page demonstrates how TDI is organized to fulfill its regulatory charge.

The majority of TDI employees work in Austin and within 32 field offices across the state. Field employees include Division of Workers' Compensation (DWC) staff, financial examiners, fire inspectors and investigators, title examiners, windstorm inspectors and support staff.

**Texas Department of Insurance
Agency Organizational Chart
May 31, 2010**



Current Workforce Profile (Supply Analysis)

Demographic Profile

As of April 2010, the Texas Department of Insurance (TDI) had 1,545 employees.¹ Forty-five percent were minority employees and 64 percent were female employees. Of particular significance was the minority and female representation in TDI's management positions. Sixty-three percent of TDI's managers were minority and/or female. Among executive staff positions, 83 percent were minority and/or female. At mid-year FY 2010, the average age of a TDI employee was 48.

TDI compared the demographics of its workforce to the statewide agency workforce.² The data is presented by workforce group category as established by the Equal Opportunity Employment (EEO) Commission.

EEO Category	African American		Hispanic American		Females	
	TDI	State	TDI	State	TDI	State
Officials/Administrators	13.2%	9.1%	16.3%	12.8%	48.1%	49.3%
Professionals	11.4%	11.3%	23.0%	14.9%	60.4%	55.2%
Administrative Support	19.8%	19.5%	48.5%	27.5%	86.1%	88.2%
Service/Maintenance ³	15.8%	30.1%	46.2%	24.7%	87.2%	52.7%
Skilled Crafts	0.0%	7.9%	100%	24.4%	50.0%	4.5%
Technicians	12.6%	15.3%	13.6%	20.7%	30.1%	52.1%

As of April 2010, approximately 69 percent of TDI's workforce was classified as either officials/administrators or professionals, which include senior actuaries, senior financial examiners, executive staff, and directors/managers. Professionals include actuaries, financial examiners, auditors, attorneys, administrative law judges, insurance specialists, engineers, investigators, health and safety professionals/inspectors, inspectors, program specialists, program supervisors, and system analysts.

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¹TDI Human Resources Information System, April 30, 2010.

²Texas Workforce Commission Civil Rights Division Equal Opportunity and Minority Hiring Practices Report, January 2009.

³ Protective Services and Para-Professional categories are combined with Service and Maintenance Category.

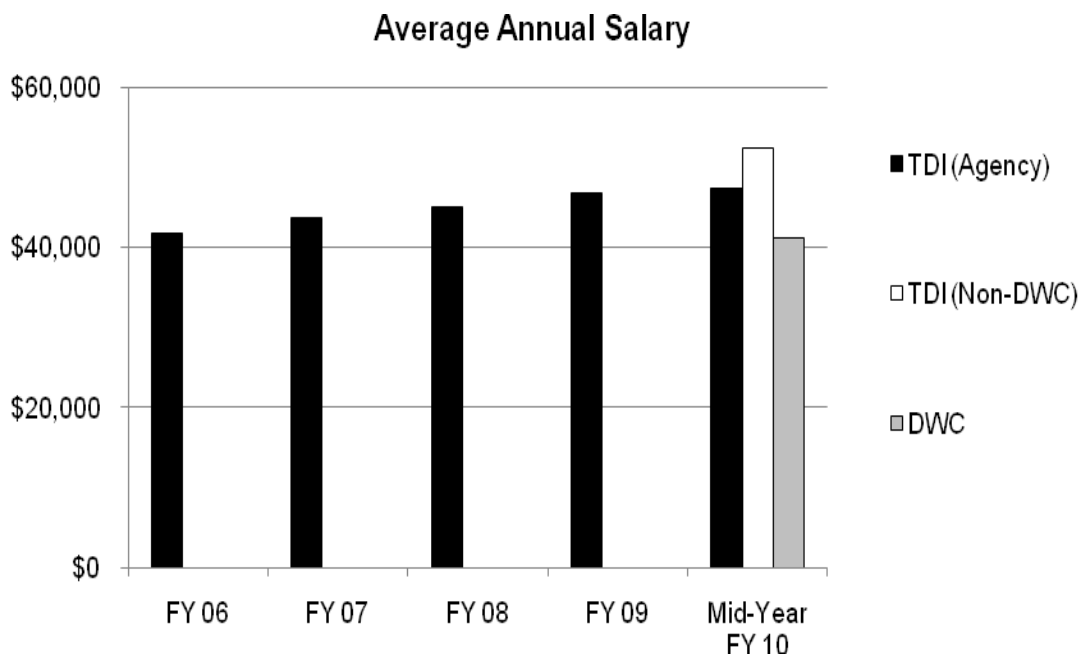
Current Workforce Profile (Supply Analysis), Continued

Demographic Profile (continued)

In FY 2009, the average annual TDI salary was \$46,693, which is slightly higher than the FY 2008 average of \$45,045, which is due in part to a State Auditor's Office reclassification of the professional (B) series in FY 2009.

For mid-year FY 2010, the average annual TDI salary, excluding DWC was \$52,314 and the average annual salary for DWC was \$41,235, giving the agency a mid-year average annual salary of \$47,391. Average annual salaries exclude Commissioners, part-time and temporary employees, the Medical Advisor, and the Chief Actuary.

Because TDI staffs many positions in the professional job series, the mid-year 2010 average salary of \$47,391 for agency employees is well above the state employee average annual salary of \$38,461.⁴ The following chart shows the average salary growth for TDI over the past five fiscal years.



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⁴ State Auditor's Office: State Employee Benefits as a Percentage of Total Compensation, Report Number 10-704, February 2010

Current Workforce Profile (Supply Analysis), Continued

Retiree Profile Retirement of critical staff creates a large potential for loss of experience and institutional knowledge and is the most significant staffing issue facing TDI, along with equitable pay.

Approximately 44 percent of TDI's total workforce and 49 percent of TDI managers are currently eligible to retire or will be eligible before August 31, 2015. Projected retirements include several executive staff.

Of the staff eligible for retirement now and before August 31, 2015, many are individuals with highly specialized skills in the following positions:

- Commissioner of Workers' Compensation
- Chief of Staff
- Executive Deputy Commissioner of DWC Operations
- Senior Associate Commissioners of Consumer Protection, Financial and Property & Casualty
- Associate Commissioners for Government Relations and Fraud
- Chief Financial Officer
- General Counsel and Chief Clerk
- Information Resources Manager
- Staff Services Director
- several other key and leadership positions throughout the agency.

Employee Turnover

According to the State Auditor's Office Online Systems, "there is an inverse relationship between the unemployment rate and the turnover rate. When the unemployment rate increases, the turnover rate decreases; when the unemployment rate decreases, the turnover rate increases."

For FY 2009, the statewide unemployment rate increased to 6.5 percent from 4.6 percent in FY 2008; consequently, the FY 2009 statewide turnover rate was 14.4 percent, which decreased from the FY 2008 rate of 17.3 percent and was the lowest turnover rate of the state for the past five fiscal years.⁵ Comparatively, TDI's FY 2009 turnover rate of 8.5 percent was below the state turnover rate, and similar to the state, it decreased from TDI's FY 2008 rate of 12.4 percent.

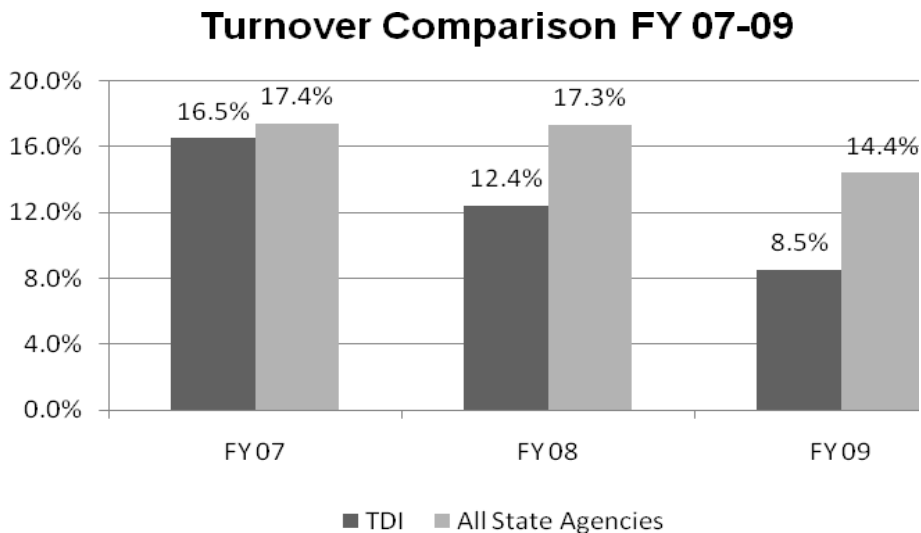
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⁵ State Auditor's Office: Classified Employee Turnover for Fiscal Year 2009, Report Number 10-702, December 2009.

Current Workforce Profile (Supply Analysis), Continued

Employee Turnover (continued)

The following chart compares TDI's turnover rates to all state agencies for the past three years.



The 79th Texas Legislature merged TDI and the Texas Workers' Compensation Commission, which established the Division of Workers' Compensation (DWC) within TDI. Since the merger, TDI has tracked turnover rates at three different levels: agency-wide, DWC only, and TDI excluding DWC.

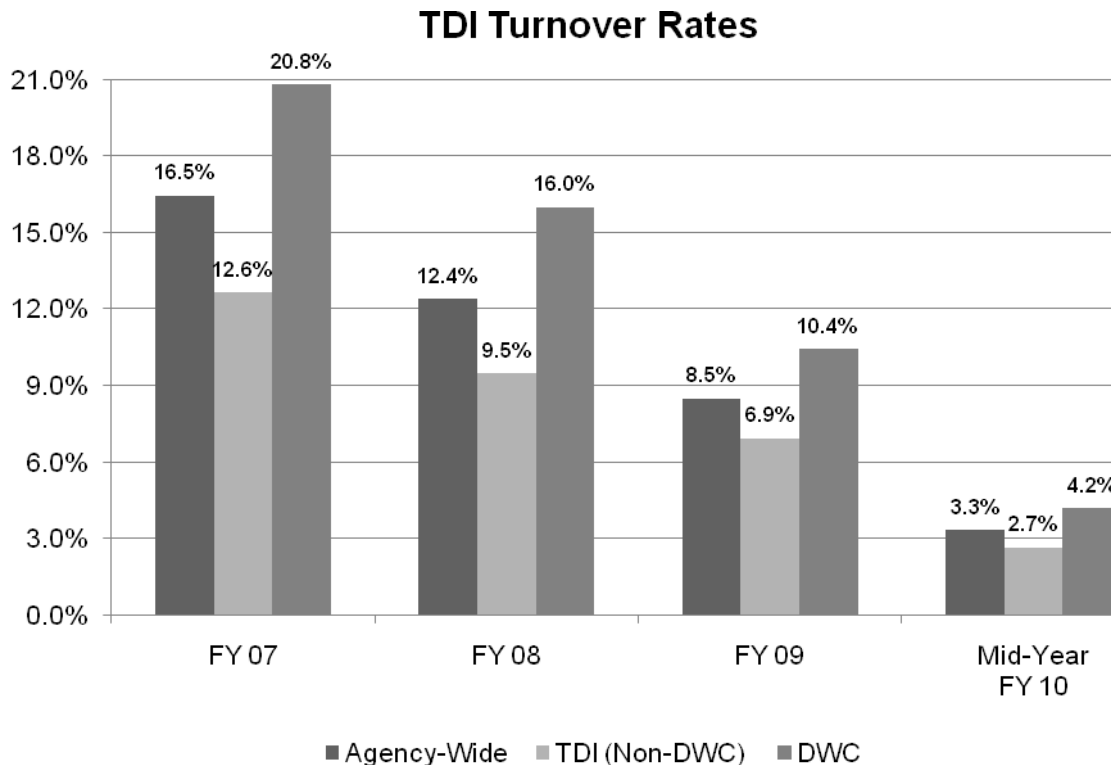
TDI's mid-year 2010 turnover rate was 3.3 percent agency-wide, with the DWC mid-year turnover rate reported at 4.2 percent. Agency-wide turnover is projected to be approximately 8 percent by the end of fiscal year 2010. The chart on the following page compares agency turnover rates for the last three fiscal years.

For FY 2007, the significant spike in DWC's turnover rate is attributed to legislation that transferred specific functions and DWC employees to the Office of Injured Employee Counsel.

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Current Workforce Profile (Supply Analysis), Continued

Employee Turnover (continued)



Critical Workforce Skills

TDI relies on a skilled workforce of administrators who set broad policies, direct individual departments and supervise the agency's operations. The agency also employs professionals with specialized and theoretical knowledge usually acquired through college, training, or work experience.

Accordingly, TDI employees currently working in administrative and professional positions have the following skills, which enable agency staff to effectively perform mission-critical business functions:

- ability to analyze and solve problems
 - ability to explain complex technical material to consumers
 - actuarial expertise
 - bilingual communication capabilities
 - computer literacy
 - effective oral and written communication
 - engineering skills
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Current Workforce Profile (Supply Analysis), Continued

Critical Workforce Skills (continued)

- financial examiner expertise
 - interpreting and enforcing statutes and policies
 - investigation expertise
 - leadership and coaching skills
 - negotiation strategies and techniques
 - presentation skills
 - project management
 - public administration skills
 - records management
 - safety professionals
 - time management.
-

Hard-to-Fill Positions

Positions that are most critical to TDI functions include mid and upper level management positions such as senior associate, associate and deputy commissioners, directors, managers, chiefs, and team leads, as well as positions in highly specified fields such as medicine, investigation, law, technology and regulation. These positions all require extensive experience, specialized certifications, and detailed knowledge of the agency's functions, missions, rules, and regulations. Agency programs have developed succession plans for critical and leadership positions to ensure business continuity given a vacancy.

With the agency's growing responsibilities and heavy workloads, TDI must be prepared to quickly fill positions. In particular, certain TDI positions are difficult to fill due to their specialized nature, and at mid-year FY 2010, the average time to fill a position at TDI was 58 days compared to 52 days in FY 2009.⁶ Program areas with hard-to-fill positions took twice as long to fill positions, which contributed to the mid-year FY 2010 increase in the time to fill positions.

Traditionally, TDI has had difficulty filling the following job classifications:

- actuaries
 - engineers
 - financial examiners
 - safety professionals.
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⁶ Time to fill is determined by calculating the days between the date the job is posted until the date the job is offered.

Current Workforce Profile (Supply Analysis), Continued

Hard-to-Fill Positions (continued)

Despite the agency's nearly full staffing level and low agency turnover, TDI still had difficulty filling financial examiner, engineer, and safety professional positions. Moreover, TDI will need to hire additional actuaries to implement federal health care reform.

Actuaries

While actuarial positions have historically been challenging to fill, increased recruitment efforts have helped the agency address this need and TDI currently maintains a full staff of actuaries.

The actuarial positions at TDI provide a critical examination and regulatory function. An actuarial career path is rigorous in terms of technical difficulty, the number of hours of study, and the high cost of exams to become certified. Actuaries tend to be in high demand and seek employment which provides competitive compensation, programs for passing exams, and experience.

Historically, TDI has faced difficulty in recruiting actuaries, as the salaries it offers are not competitive with those in the private sector. In previous years, turnover for this position has been high because as staff gain experience and earn professional designations, they are often recruited into better paying jobs in the private sector.

TDI has successfully recruited actuarial students from the University of Texas. These students interned with TDI as a condition of their Actuarial Studies Loan Fund, which the University of Texas established through an agreement with Fireman's Fund Insurance Company, USF&G Corporation, and the Office of the Attorney General. These partners created the fund to persuade students to study actuarial science and seek employment with TDI after completing an internship with the agency.

However, to implement federal health care reform, TDI estimates that it will need to hire additional actuaries. Accordingly, the agency has been proactive and has taken several measures to identify potential candidates for these positions. For example, TDI has discovered several Internet sites to assist with recruiting efforts. Additionally, Human Resources will review former applicants from previous job postings and existing agency staff to gauge relevant skills, experience, availability, and interest in these positions.

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Current Workforce Profile (Supply Analysis), Continued

**Hard-to-Fill
Positions**
(continued)

Engineers

Engineer positions are challenging to fill because TDI requires applicants to have an engineering degree, a Texas Professional Engineer's license, and four years experience. However, the agency is unable to compete with private sector salaries. TDI has not had any vacant engineer positions for two years, but competitive salaries in the private sector typically make it difficult to recruit engineers.

Previously, TDI established a partnership with the University of Texas School of Engineering for the purpose of creating an intern program. To attract interns to the program, the university agreed to pay a stipend and TDI, a part-time salary. This partnership mutually benefits both parties - the agency receives much needed skills and interns gain hands-on experience, which applies toward their course work.

Safety Professionals

TDI's Division of Workers' Compensation has faced difficulty attracting applicants with the training and experience necessary for the job functions required of the inspector position. Effective August 1, 2009, the State Auditor's Office reclassified safety officers as inspectors because the reclassification more accurately fit the job duties of these positions and provided higher salary ranges for these highly technical, hard-to-fill positions. TDI is not able to offer compensation competitive with that of the private sector or the federal government for positions in this field. In order to increase the pool of qualified applicants for inspector positions, TDI began posting open positions to various websites and has experienced positive results through these Internet recruiting efforts.

Financial Examiners

Examiner positions are challenging to fill due to applicants' educational requirements, which include holding a degree from an accredited four-year university with a major in accounting, finance, insurance, statistics, computer science, math, actuarial science, business administration, or economics. The career ladder for this position, which coincides with National Association of Insurance Commissioners accreditation standards, requires working towards a specific professional designation of Accredited Financial Examiner and Certified Financial Examiner within a specific timeframe.

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Current Workforce Profile (Supply Analysis), Continued

**Hard-to-Fill
Positions**
(continued)

Financial Examiners, continued

Once recruited, retention of qualified, well-performing staff is particularly important because it takes two to three years to train most examiners. The training period is lengthy because most new examiners do not have insurance backgrounds. Furthermore, the financial examiner classification is subject to market conditions. When the economy is good and unemployment is low, this classification is difficult to retain.

Effective September 1, 2009, the State Auditor's Office reallocated the salary groups in the state's *Position Classification Plan*, which resulted in significant pay increases for many financial examiners.

Future Workforce Profile (Demand Analysis)

Anticipated Workforce Demands

Many external and internal factors will influence the future profile of the Texas Department of Insurance (TDI) workforce. To identify these factors, TDI considered demographic, technological, and economic trends as well as the agency's strategic plan challenges, Sunset Advisory Commission reports, program business and succession plans, and other workforce planning data.

The key factors that will impact TDI's future workforce include:

- continued fiscal resource concerns
- continued employee dissatisfaction with fair pay
- changing attitudes about employees' roles in the workplace
- federal health care reform implementation
- growing need for automation and technology acquisition
- competition for skilled employees
- increased customer demand for access to services "24/7"
- increased use of social networking tools to communicate
- increasing number of insurer insolvencies due to slow economic recovery
- more complex insurance products and sophisticated fraud schemes
- more diverse and global environment
- need for enhanced professional development and continuing education programs in order to maintain a skilled workforce
- new legislation expanding statutory responsibilities disproportionately to resource allocation
- shifting to a more proactive and prevention-focused strategic direction in the State Fire Marshal's Office.

Future Workforce Skills Needed

In addition to the skill requirements for officials/administrators and professionals, as listed in the *Current Workforce Profile* section of this report, TDI's future workforce will need skill or knowledge of:

- effective process improvement
- document management
- health care terminology, coverage options, billing practices
- curriculum development and instruction to "teach" fire prevention/regulation to local communities
- database analyses/application architecture
- Web administration and content management
- project management.

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Future Workforce Profile (Demand Analysis), Continued

Anticipated Increase or Decrease in Number of Employees Needed to do the Work

TDI anticipates a shift in the number of employees needed to do the work, primarily due to federal health care reform and new state legislation.

Federal health care reform may require additional actuaries for review of health-related rate and form filings as well as several program-identified positions to conduct other aspects of health care regulation. Likewise, TDI anticipates that the 82nd Texas Legislature will pass bills expanding the agency's responsibilities. For instance, the Sunset Advisory Commission recommends that TDI certify preferred provider organizations (PPO) to provide consumer protections to the 80 percent of fully-insured Texans who receive health care coverage through PPO plans.

Similarly, the agency's technology needs are outpacing current resources. TDI will need to explore options to expand technological resources, including the possibility of seeking FTE increases and/or outsourcing or partnering with other entities.

Additionally, TDI foresees:

- any decreases in staffing significantly impacting the agency's ability to perform all statutorily required duties
- automating processes and increasing the use of technology to work smarter.
- prioritizing functions to achieve more effective resource allocation
- leveraging partnerships to regulate more effectively in an increasingly global environment
- expanding the agency's telecommuting program to recruit and retain skilled employees
- reallocating FTEs within the agency to address increased demands
- redesigning or eliminating outdated processes to be more efficient.

Critical Activities

TDI's role as a regulator is evolving to be more than a disseminator of information and monitor of solvency and compliance. TDI's statutory duties now include development of innovative insurance solutions and more direct consumer assistance. The passage of federal health care reform will certainly change TDI's role, but in ways yet to be defined. In addition, TDI has been charged with regulatory responsibilities such as administering the Texas workers' compensation system and serving as the State Fire Marshal.

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Future Workforce Profile (Demand Analysis), Continued

Critical Activities (continued)

Notably, the role of the regulator becomes increasingly important during a recession. Insolvencies, fraud and consumer complaints increase, insurance availability declines, and the public expects governmental protection from market misconduct.

TDI does not anticipate a significant change to its nine core functions. As the agency's role continues to evolve, critical activities may emerge due to:

- federal health care reform
 - expanding statutory responsibilities
 - continued demand for technology proliferation
 - Sunset Advisory Commission recommendations.
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Gap Analysis

Overview

The Texas Department of Insurance (TDI) conducted a strategic planning analysis of its workforce and has determined that there are three main gaps between the agency's current and future workforce:

- Loss of Institutional Knowledge
- Technology Staffing Shortages
- Growing Agency Responsibilities.

These gaps in the agency's workforce are explained in further detail below.

Loss of Institutional Knowledge

Human Resources (HR) closely monitors and tracks positions eligible for retirement and provides information on eligibility to program areas. Approximately 44 percent of TDI's total workforce is currently eligible or will be eligible to retire before August 31, 2015. Forty-nine percent of agency managers are eligible to retire within this timeframe. Many others are staff with highly specialized skills that are instrumental in the daily functions of the agency. Consequently, retirement of critical staff creates the potential for loss of experience and institutional knowledge — the most significant staffing issue facing TDI.

In the past, some retirees with critical expertise have returned to TDI to continue working in their respective programs which has mitigated the potential loss of their significant experience. However, the 81st Legislature passed new laws regarding retirees. State agencies are now required to pay 6.5 percent of a returning retiree's salary to the state, which may be achieved by reducing a retiree's base salary or increasing agency operating costs. Also, the timeframe for rehiring a retiree increased from 30 to 90 days, which may discourage some return-to-work retirees from seeking state employment. TDI cannot expect retirees to solve the long-term issues related to loss of institutional knowledge. Accordingly, HR has intensified its work with program areas to maintain succession plans in order to ensure minimal disruption to program operations in the event of separation by mission-critical staff.

In fiscal years 2008 and 2009, the turnover rates for TDI were 12.4 percent and 8.5 percent, respectively. Although TDI's turnover rate continues to be below the average for state agencies, retention efforts remain a priority for TDI. Loss of experienced staff may cause instability and morale problems, reduce productivity among newly hired and departing employees, and increase hiring and training costs.

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Gap Analysis, Continued

Technology Staffing Shortages

The use of automation and technology will continue to change the way TDI does business. Increased access to the Internet has allowed consumers to research a greater number of insurance-related and workers' compensation claim processing questions online. Similarly, the use of the Internet has fueled customer demand for information to be delivered virtually around the clock. TDI embraces the use of technology and has many examples of how technology has improved processes and allowed staff to work smarter. However, our continued need for technology expansion is severely limited due to technology staffing shortages within the agency.

In the *Future Workforce Profile* section of this report, TDI identified the need for technology skills, such as database analysts, application architects, Web content managers, and Web administrators. Furthermore, the agency is gradually moving from a paper-based to an electronic environment and foresees the need for staff with advanced document management skills. Inadequate funding and heavy workload has also inhibited professional development of existing staff.

To identify technology-related projects, TDI uses business planning. After each legislative session, TDI programs prepare business plans to facilitate resource allocation. Each biennium, TDI programs request projects that involve automation, database integration/consolidation, new software, Web applications, and other technology-related system enhancements.

To ensure the operability of agency systems and databases, TDI's Information Technology Services Division must first complete critical planned infrastructure and legislatively mandated technology projects before proceeding with program business plan projects. With increased constraints on capital budget and development staff, many TDI program technology goals are not completed because resources are not available.

In summary, our technology needs exceed current technology staffing levels within the agency, which limits TDI's ability to achieve greater operational efficiencies and work smarter.

Growing Agency Responsibilities

The last gap affecting TDI's future workforce is the agency's growing responsibilities. New statutory responsibilities and mandated studies reflect a changing role, but existing regulatory responsibilities continue. TDI must assume the additional responsibilities without compromising service levels. Increased workload and budget constraints could have profound implications on TDI's workforce. The agency's responsibilities continue to increase disproportionately to appropriated resources.

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Gap Analysis, Continued

Growing Agency Responsibilities (continued)

As previously mentioned TDI regulates the insurance industry, oversees the workers' compensation system, and serves as the State Fire Marshal. Each legislative session, TDI acquires additional functions and/or statutory responsibilities. Recent new duties and responsibilities include:

- implementing Healthy Texas to provide access to quality small employer health benefit plans at an affordable price
- participating in innovative insurance initiatives for health care coverage
- establishing new websites to educate consumers and help consumers find affordable coverage options
- responding to disasters by staffing state disaster recovery centers, handling increased call volume, monitoring industry practices, facilitating claim resolution, and inspecting structures for wind and hail coverage
- expanding third party administrator licensure for workers' compensation
- resolving appeals of contested case hearing decisions for medical disputes
- certifying and inspecting fire standard compliant cigarettes
- conducting mandated studies for state decision makers
- certifying and regulating discount health care plans
- regulating PPO network adequacy.

State budgets are not expected to return to 2008 levels until at least 2013,⁷ and TDI's agency budget has not increased proportionally to service expansion. Furthermore, there is an expectation that TDI will provide increased oversight, consumer protections, and rate regulation of insurers and non risk bearing entities. The Federal government has a greater role in insurance and regulation, which may further impact the agency's functions. Likewise, the Texas Legislature looks to TDI to help solve the uninsured problem. Consumers expect immediate online access to information, and the increasingly global market demands a more coordinated, multistate approach to regulation. These trends are anticipated to further expand TDI's services.

Moreover, TDI has noted in its workforce supply and demand analyses that the agency will continue to need skilled employees to perform the highly specialized functions associated with regulation. However, limited financial resources directly impact the agency's ability to hire staff for hard-to-fill positions, as TDI cannot compete with the salaries offered by the private sector for these positions.

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⁷Seminar: *Rising Above Budget Cuts: How It Can Save Money in Difficult Times*, May 11, 2010. John Miri, Senior Fellow, Center for Digital Government and Former Director of E-Government and Web Services, State of Texas.

Gap Analysis, Continued

Growing Agency Responsibilities (continued)

Furthermore, skilled employees are often obligated to fulfill professional development and continuing education requirements. TDI employs financial examiners, actuaries, fraud investigators, and other professionals who must complete educational requirements. TDI's limited resources for advanced professional development and continuing education courses impact our ability to recruit, develop, and retain a skilled workforce.

To illustrate this point, TDI's Internal Audit Division completed a workforce planning survey and expressed concern with regard to acquiring the skills necessary to audit "federal money" associated with federal health care reform implementation. Internal Audit indicated that professional development will be fundamental to understanding and putting into practice any changes to internal auditing standards resulting from this legislation.

Moreover, TDI's Financial Program established the *Insurance Educational Development Program*. The primary objectives of this program are to:

- strengthen employee expertise and knowledge of insurance solvency
- strengthen the process for regulating the insurance industry
- enhance employee knowledge and skills for reviewing insurance contracts and transactions to effectively determine compliance with Texas laws and regulations
- keep employees current on new and developing insurance-related issues and topics
- maintain National Association of Insurance Commissioners accreditation by developing and retaining a qualified, skilled workforce.

Since 1995, TDI's Financial Program had received a grant from the Foundation for Insurance Regulatory Studies in Texas (FIRST) to fund this program. In 2009, FIRST indicated it would not continue funding the program. One of the key factors influencing FIRST's decision was their belief that the program costs should be funded by TDI in its usual course of business; however, TDI does not have the fiscal resources for this resource-intensive training program. Consequently, TDI's Financial Program has not benefited from formal educational courses with regard to insurance regulation since 2007.

Additionally, cross-training is a primary goal in TDI's program succession plans. Nevertheless, as TDI's responsibilities expand, the agency's limited resources adversely impact program cross-training efforts. Instead of hiring new FTEs, programs distribute the increased workload among existing staff, which inhibits the amount of time available for cross-training opportunities.

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Gap Analysis, Continued

**Growing
Agency
Responsibilities**
(continued)

To further emphasize the criticality of funding, each biennium TDI's staff rate "pay" the lowest of all constructs on the *Survey of Employee Engagement*. As the economy improves and job opportunities increase, TDI may lose skilled staff because funds for merit increases and promotions to match competition are scarce. Salary inequity, whether perceived or real, coupled with expanding workloads increase employee stress, lower morale, and lead to burnout, which may significantly affect the agency's ability to recruit and retain a skilled future workforce. Furthermore, budget limitations require the agency to continue seeking creative non-monetary incentives and benefits. TDI recently changed its one-time merit criteria to decrease the number of months required for eligibility in an effort to more frequently reward employee performance.

When funding has not kept pace with increased workload, TDI has shifted resources to ensure the function is appropriately performed. TDI recognizes, however, that as new responsibilities are assumed, the risk of not meeting certain obligations increases. For example, the more intensive analysis required during routine financial exams coupled with the agency's lean staffing levels is impeding TDI's ability to meet statutory exam time frames.

Over the past several biennia, TDI has voluntarily returned unused funds and/or requested less in appropriations, which has resulted in decreased funding. Further, over time the agency has continued to assume additional work and absorb expenses for which no appropriation was made. For example, TDI absorbed approximately \$1 million of salary costs associated with mandated statewide reclassifications following the 81st Legislative Session. This effectively reduced staffing levels by at least 25 positions. In brief, TDI has taken a fiscally streamlined approach and sought efficiency at an enterprise level for several years. TDI will continue efforts to operate in the most efficient and effective manner; however, meeting statutory obligations may be compromised if agency responsibilities continue to grow at a fiscally unsustainable pace.

Strategy Development

Strategy for Loss of Institutional Knowledge

To mitigate the loss of institutional knowledge, the Texas Department of Insurance (TDI) will continue succession planning and cross-training efforts to assure that vital knowledge is not lost when leadership and employees in critical positions retire or separate employment.

Rationale

Forty-four percent of TDI employees are eligible now or will be eligible to retire before August 31, 2015, potentially exposing TDI to a significant loss of institutional knowledge.

Action Steps

- Continue succession planning efforts and develop training in response to succession planning needs.
- Document internal procedures continually to cross-train staff.
- Update/develop internal procedure manuals for documentation of standard operating procedures and to use in cross-training and succession planning.
- Continue comprehensive training programs to educate current and future managers and prepare them to be more effective leaders.
- Evaluate critical positions and skills and potential training needs on an ongoing basis for effective succession planning, to develop less experienced staff, and ensure continuity of operations following retirements.
- Ensure that appropriate training is available for all employees.
- Use analysis reports to monitor agency and program retirement projections.
- Continue Roundtable events to distribute information to employees.
- Encourage flexible work schedules and telecommuting.
- Review job functions and identify staff for cross-training.
- Continue monthly deputy commissioner meetings to facilitate intra-agency communication and prepare mid-level management for leadership positions.
- Assess employee satisfaction and address areas where satisfaction is lowest.
- Maintain a supportive work environment for all employees.
- Seek opportunities to involve all levels of employees in decision-making.
- Seek creative non-monetary incentives to recognize and reward deserving employees.
- Promote workforce planning activities, such as “35/5,” “Three-Deep,” and cross training.
- Commit to “TDI Academy” expansion (see attachment).

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Strategy Development, Continued

Strategy for Technology Staffing Shortage

To improve the agency's management of regulatory data, documents, and information, and to successfully consolidate records management systems, integrate databases, and optimize the use of the Internet for two-way communication with stakeholders, TDI will identify and reallocate obsolete positions and seek additional FTEs through the legislative appropriations request process.

Rationale

Technology offers an opportunity to improve service to customers and regulatory effectiveness by automating the collection, management, security, and exchange of information. Trends influencing the need for adequate technology staffing levels are as follows.

- Regulation in a global market requires coordination and information sharing with other entities.
- Growth in insurance and title company interventions equates to more records and assets to be managed.
- Stakeholders expect to access and submit information electronically.
- Industry technology solutions for information management outpace TDI.
- Social networking tools for instant two-way communication are gaining popularity.
- State legislators expect insurance regulators to collect, analyze and present data in an interactive format for improved consumer decision making.
- Optimizing use of technology enhances retention of skilled employees.
- Effective regulatory decision making requires timely access to and efficient flow of information.
- Current shift toward enterprise management at the agency and state level requires different, advanced technology skill sets.

Action Steps

- Reallocate positions for obsolete functions to ensure technology staffing resources are sufficient to meet agency needs.
- Seek FTE increases through the legislative appropriations process.
- Commit resources to implement priority automated solutions and support management of electronic records/information.
- Identify program staff with technology skills.
- Work with the Department of Information Resources to acquire assistance with executing key infrastructure technology-related projects.
- Consider short-term outsourcing, cloud computing, and seat management for viable, cost-effective technology solutions.

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Strategy Development, Continued

Strategy for Technology Staffing Shortage (continued)

Action Steps, continued

- Implement “THIN-client” to reduce ITS staff travel and shipping costs while effectively managing field office technology needs remotely.
 - Analyze ITS functions and streamline processes to align with the agency’s business needs.
 - Use succession planning to develop technology skills and ensure continuity of operations.
-

Strategy for Growing Agency Responsibilities

To mitigate the adverse impact of service expansion without proportionate funding, TDI will reexamine core activities to eliminate outdated and inefficient functions, and thereby reduce the agency’s overall budget. Conversely, TDI will seek creative solutions to fund essential operations.

Rationale

State budgets are not expected to return to 2008 levels until at least 2013, and TDI’s agency budget has not increased proportionally to service expansion. TDI anticipates that federal health care reform and new legislation will further expand the agency’s functions and statutory responsibilities while the current economic climate continues to increase the agency’s workload. Furthermore, recruiting and retaining skilled employees will depend on TDI’s ability to offer competitive salaries and advanced professional development programs. Training and development of employees are critical to agency success.

Action Steps

- Increase liquidation oversight and title examiner allocated positions as approved by the Legislative Budget Board.
 - Communicate the fiscal and operational impact of proposed legislation.
 - Review impact of federal health care reform requirements on state regulation and adjust resources to implement new federal programs.
 - Explore principles-based regulation as an approach to focus on outcomes rather than compliance and possibly alleviate enforcement case workloads.
 - Shift workers’ compensation claims and records management activities to system participants so DWC may focus on policies and dispute resolution.
 - Develop agency approach for continuing critical operations with reduced resources; prioritize needs and assess risks.
 - Explore alternative funding solutions for essential functions, including grants, self-directed funding, partnerships, and regulatory response riders.
 - Identify triggers for workload surges and develop staffing/funding plans.
 - Seek creative solutions for meeting continuing education needs (e.g., web training, streaming videos, CDs/DVDs, and mentor/protégé programs).
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Strategy Development, Continued

**Strategy for
Growing
Agency
Responsibilities**
(continued)

Action Steps, continued

- Leverage resources through partnerships (e.g., cross-state exams, joint regulation of workers' compensation quality of care, NAIC initiatives).
 - Embrace telecommuting, teleconferencing, other technologies as cost-effective means to improve morale and perform essential functions.
 - Revisit/prioritize functions and reallocate staff to essential activities.
 - Target training to address core competencies and functions.
 - Evaluate alternate service delivery methods to meet customer expectations with fewer resources, including possible centralization of field office duties.
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Attachment: Workforce Planning at TDI

Workforce Planning Activities

To facilitate retention of skilled employees, the Texas Department of Insurance (TDI) has implemented policies and practices, such as annual performance evaluations, employee and management training, succession planning, and the Employee Assistance Program.

TDI strives to equitably distribute salary increases through merits and promotions and uses a number of non-monetary incentives that enhance recruitment and retention of skilled employees, which include:

- telecommuting
- flex-time and compressed work weeks
- management training program
- cross-training opportunities
- agency wellness program
- continued Reality Check meetings
- continued participation in the Employee Assistance Program.

As of June 2010, TDI had 86 staff from nine program areas participating in the agency's telecommuting program. Telecommuting allows eligible employees to work remotely from one to four days each week and has resulted in reduced leave requests, substantial savings on monthly fuel expenditures, and a report of overall job satisfaction for participating employees.

Other workforce planning activities include:

- "Three-Deep Concept," where at least three employees are cross-trained to perform each critical function
- Consumer Protection's "35/5" Program, which allows employees to spend five hours a week learning a function not related to current job duties
- succession planning, which ensures TDI is prepared for the loss of knowledge when leadership and employees in critical positions retire or separate employment
- Consumer Protection's Diversity Training and Awareness Project, which enhances employees' understanding of changing service needs
- TDI Excellence Program, where managers nominate outstanding employees to participate in projects of interest to the agency
- TDI Academy, where TDI professionals work with Huston-Tillotson University to teach basic insurance courses.

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Attachment: Workforce Planning at TDI, Continued

**Workforce
Planning
Activities**
(continued)

- Administrative Operations Diamond Initiative – “*Dedicated to Brilliance in all Facets of TDI’s Work.*” The goals of this initiative are to:
 - maximize customer satisfaction
 - ensure compliance with governmental standards
 - support TDI operations to optimize efficiency and effectiveness
 - develop a workforce that is highly skilled, high performing and committed to TDI’s success.
-

Attachment: Agency Goals, Objectives and Strategies

GOALS	OBJECTIVES	STRATEGIES			
1: Access to Affordable Insurance	1.1: Educate Consumers	1.1.1: Consumer Education and Outreach			
	1.2: Reduce Statute and Rule Violations	1.2.1: Resolve Complaints	1.2.2: Investigation and Enforcement	1.2.3: Insurer Fraud	
	1.3: Reduce Impediments	1.3.1: Process Rates, Forms & Licenses	1.3.2: Promote Underserved Coverage	1.3.3: Texas Online	1.3.4: Certify Self-Insurance
	1.4 Innovative Insurance Initiatives	1.4.1: Long-term Care		1.4.2: Three-Share Programs	1.4.3: Healthy Texas
2: Promote Insurer Financial Strength	2.1: Industry Solvency	2.1.1 Insurers Financial Condition			
	2.2: Reduce Losses	2.2.1: Loss Control Programs	2.2.2: Provider and Consumer Fraud	2.2.3: Workers' Compensation Fraud	
3: Reduce Losses Due to Fire	3.1: Protect the Public	3.1.1: Fire Protection			
4: Regulate Workers' Comp System	4.1: Workers' Comp Benefits & Delivery	4.1.1: Oversight and Enforcement	4.1.2: Dispute Resolution	4.1.3: Subsequent Injury Fund Admin	
	4.2 Educate/Inform System Participants	4.2.1: Health and Safety Services		4.2.2: Customer Service & Records Admin	

Attachment: TDI Academy

Overview The Texas Department of Insurance (TDI) recognizes the importance of insurance to the state's economy. With the rapidly changing characteristics of the Texas insurance market, the need for cultivating a strong system of insurance education will continue to be of great public importance.

The volume of intellectual resources in Texas - both public and private - can be leveraged to create a network of renowned insurance programs. By aligning the insurance industry and higher education in Texas, we can create centers that foster the next generation of insurance leaders, promote diversity among the insurance industry, as well as improve consumer education across all sectors of society.

TDI Academy serves as the focal point for this endeavor.

The Inspiration The inspiration for TDI Academy is a TDI partnership with Huston-Tillotson University, in which TDI professionals work with the University to teach basic insurance courses. Further, the changing dynamics of the state's demographics and global economics send a clear signal that Texas should take an exemplary role in promoting leadership in regulatory, industry, and public education sectors.

The First Step TDI hosted inaugural symposiums in 2008 and 2009. The goal of the symposiums was to begin building a network of ideas and knowledge. By leading with the lessons learned from the TDI experience and presenting the views and analysis from academic and insurance industry professionals, the foundation was built for future action.

The Vision Long term, Texas should be home to at least two to three public and private academic institutions that offer insurance professional education, executive development, or insurance consumer education components. The ideal locations will be institutions with diverse student bodies, prominent faculty members, and strong partnerships with external stakeholders.

The decisions made at the point of sale or around the globe should take into account the diverse needs and changing nature of the Texas insurance market. TDI Academy hopes to build on this state's primary strength - its people - by developing the next generation of leaders and teachers of insurance that will enrich this important aspect of our economy.
