

APPENDIX E WORKFORCE PLAN FISCAL YEAR 2013-2017

Overview

As required by Texas Government Code, §2056.002, TDI conducted a strategic staffing analysis and developed the agency's *Fiscal Years 2013-2017 Workforce Plan*.

Key Findings

TDI identified two gaps between the agency's current and future workforce.

The strategies to mitigate the impact of these two gaps are outlined in the *Strategy Development* section of this report.

- Knowledge & Skill Development
- Technology Staffing & Resource Shortages

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 periodic annual workforce data with executive management;
- using workforce/succession planning information to identify specific skills needed for succession planning;
- providing training to mitigate skill shortages;
- updating internal procedures to capture and document agency processes;
- monitoring progress on division workforce planning initiatives; and
- 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
- Attachment

Introduction

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; and
- providing information that makes a difference.

Our Philosophy (Core Values)

We have a 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.

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

Our Core Functions

TDI's regulatory and administrative responsibilities include the following 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; and
- support services.

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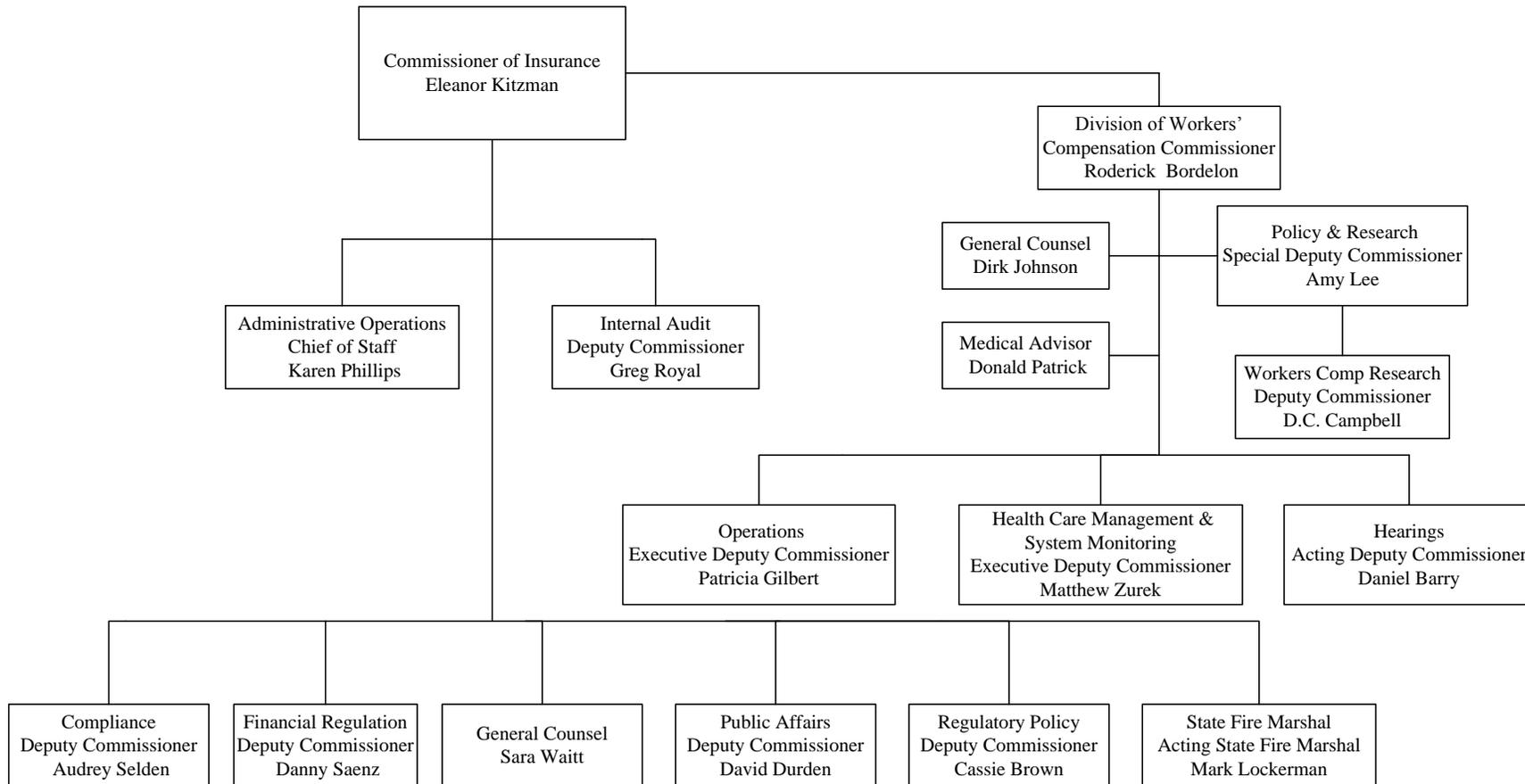
Organizational Structure

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

TDI employees work in Austin and in 28 field offices and 30 SFMO staff locations across the state. Field employees include financial examiners, fire inspectors and investigators, windstorm inspectors, and workers' compensation claims specialists, benefits review officers, and hearing officers.

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**Texas Department of Insurance
Agency Organizational Chart
April 30, 2012**



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CURRENT WORKFORCE PROFILE (Supply Analysis)

Demographic Profile

As of April 30, 2012, TDI had 1,438 employees.ⁱ

- Forty-six percent were minority employees.
- Sixty-three percent were female employees.
- Sixty-five percent of TDI's managers were minority and/or female.
- Seventy-eight percent of TDI's executive staff positions were minority and/or female.
- The average age of a TDI employee was 49.

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

As of April 30, 2012, approximately 72 percent of TDI's workforce was classified as either officials/administrators or professionals. The officials/administrators category includes senior actuaries, senior financial examiners, executive staff, and directors/managers. Professionals include actuaries, financial examiners, auditors, attorneys, administrative law judges, insurance specialists, engineers, investigators, inspectors, program specialists, program supervisors, and system analysts.

EEO Category	African American		Hispanic American		Females	
	TDI	State	TDI	State	TDI	State
Officials/ Administrators	12.8%	10.3%	10.5%	13.5%	47.7%	50.6%
Professionals	12.7%	11.3%	21.4%	15.7%	56.9%	55.9%
Administrative Support	18.2%	19.2%	45.5%	28.8%	72.7%	87.7%
Service/ Maintenance ⁱⁱⁱ	13.6%	29.3%	40.7%	25.4%	86.4%	51.4%
Skilled Crafts	0.0%	7.8%	100%	24.5%	50.0%	4.9%
Technical	16.1%	14.4%	12.9%	21.7%	32.3%	53.7%

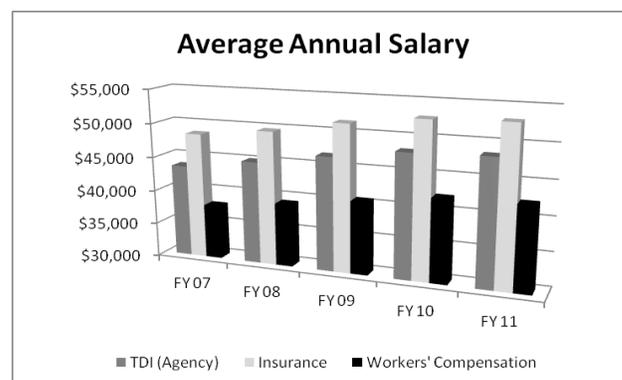
In FY 2011, the TDI average annual salary was \$48,384, which is slightly higher than the FY 2010 average of \$48,103.

The TDI mid-year FY 2012 salary information is only slightly higher than FY 2011:

- Mid-year average annual salary was \$48,481;^{iv}
- Average annual salary for Insurance was \$53,128; and

- Average annual salary for DWC was \$42,459.

Because TDI has many positions in the professional job series (Schedule B of the State Classification Plan), the mid-year FY 2012 average salary of \$48,481 for agency employees is well above the state employee average annual salary of \$39,265.^v The following chart shows the average salary growth for TDI over the past five fiscal years.



Retiree Profile

Approximately 48 percent of TDI's total workforce and 60 percent of managers are currently eligible to retire or will be eligible before August 31, 2017. Projected retirements include several executive staff.

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."^{vi}

The FY 2011 statewide unemployment rate decreased to 7.9 percent from 8.2 percent in FY 2010; consequently, the statewide turnover rate was 16.8 percent, which increased from the FY 2010 rate of 14.6 percent and was the highest turnover rate the state has experienced since FY 2008.^{vi}

Comparatively, TDI's FY 2011 turnover rate of 9.86 percent was below the state turnover rate and slightly more than the FY 2010 rate of 9.48 percent.

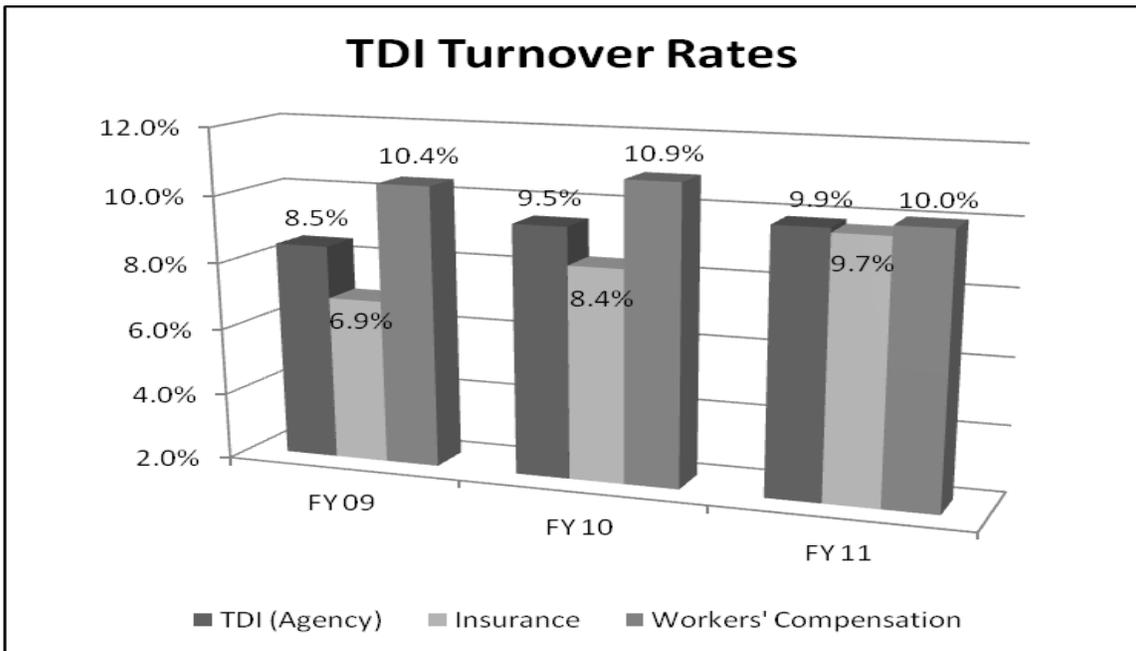
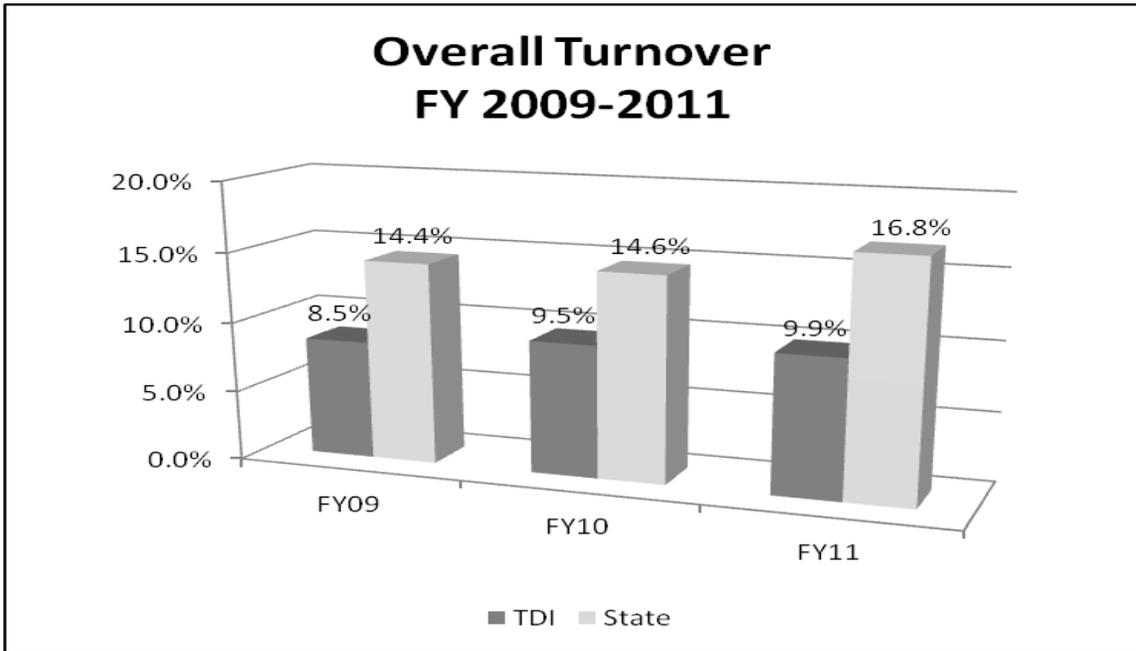
The following chart compares TDI's turnover rates to all state agencies for the past three years. The 79th Texas Legislature merged TDI and the Texas Workers' Compensation Commission, which established the Division of Workers' Compensation (DWC) within TDI. After the merger, turnover was high for DWC; therefore,

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the agency focused on ‘closing the gap’ between the turnover for DWC and the remainder of the agency.

As the next chart demonstrates, the agency has been successful in this endeavor. FY 2012 continues this trend:

The mid-year FY 2012 turnover rate was 5.6 percent agency-wide, with the DWC mid-year turnover rate reported at 5.5 percent. Agency-wide turnover is projected to be approximately 11 percent by the end of FY 2012.



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Critical Workforce Skills

TDI relies on a skilled workforce of administrators to 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 knowledge and skills:

- ability to explain complex technical material to consumers;
- knowledge of state and federal law and regulations relevant to insurance policies, products, and insurance companies;
- bilingual communication capabilities;
- computer literacy;
- effective oral and written communication;
- knowledge of structural design and construction of buildings and homes, particularly in high wind areas;
- knowledge of examination processes and report-writing related to the financial condition of insurance companies;
- interpreting and enforcing statutes and policies;
- conducting investigations, interviewing witnesses, and providing testimony;
- preparing detailed financial reports for referral to staff attorneys, law enforcement, and prosecutors;
- negotiation strategies and techniques;
- project management skills;
- public administration skills;
- records management;
- safety consultation; and
- time management.

Positions that are most critical to TDI functions include mid- and upper-level management positions such as deputy commissioners, associate commissioners, directors, managers, chiefs, and team leads, as well as positions in highly specified fields such as medicine, investigation, law, arson, engineering, technology, and regulation. These positions all require extensive experience, specialized certifications, and detailed knowledge of the agency's functions, missions, rules, and regulations.

With the agency's responsibilities and 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 2012, the average time to fill a position at TDI was 58 days compared to 52 days in FY 2011.^{vii}

TDI continues to have difficulty filling the following job classifications:

- *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. The reclassifications provided higher salary ranges for these highly technical, hard-to-fill positions. However, TDI is not able to offer compensation competitive with that of the private sector or the federal government for positions in this field. In fact, since May 1, 2010, six safety professionals have retired and three more have resigned. Of the eight that were hired to replace them, three left within the first year of employment for higher salaries elsewhere.

Although TDI has been successful recruiting safety professionals by posting open positions to various Internet websites, retention is still an issue.

- *Financial Examiners* - Examiner positions are challenging to fill due to applicant's 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 toward a professional designation of accredited financial examiner and certified financial examiner within a specific timeframe. Once recruited, retention of qualified, well-performing staff is particularly important because it takes two to three years to train most examiners due to their lack of insurance knowledge. Furthermore, retaining financial examiners is subject to market conditions. When the economy is good and unemployment is low, this classification is difficult to retain.

Effective September 1, 2012, the Examinations Section is authorized for self directed funding pursuant to SB 1291, including actuarial and market conduct staff. Historically, the retention of qualified staff has been problematic due to the section's compensation not being aligned with examination contracting firms' compensation for similar

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work. Due to evolving changes in the regulatory process such as group solvency, enterprise risk management, and staff participation in supervisory colleges for insurers with international presence, staff will be required to attain and develop additional skills to develop proficiency to ensure solvency of the insurance market in Texas. Self directed funding will allow the section the flexibility to recruit and retain qualified and competent staff in order to achieve the section's goals.

FUTURE WORKFORCE PROFILE (Demand Analysis)

Anticipated Workforce Demands

Many external and internal factors influence the future profile of the TDI workforce. To identify these factors, TDI considered demographic, technological, and economic trends as well as the agency's strategic plan challenges, division business and succession plans, and other workforce planning data.

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

- state of the economy;
- continued employee dissatisfaction with fair pay;
- 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;
- more complex insurance products and sophisticated fraud schemes;
- more diverse and global environment;
- need for enhanced professional development and continuing education programs; and
- legislation that changes statutory responsibilities.

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 a higher skill level or knowledge of:

- effective process improvement;
- litigation;
- data collection, analysis and management skills;
- critical thinking skills;
- document management;
- team-approach to auditing insurance companies;
- prompt decision-making;
- leadership principles;

- using social media as communication and work tools;
- health care terminology, coverage options, and billing practices;
- information technology database analyses, application architecture, voice and data networks;
- risk analysis;
- enhanced project management skills
- Web administration and content management; and
- an increased IT knowledge for all employees.

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

TDI anticipates the workforce can shrink if it can keep pace with technology, hire employees with higher skill sets, and train its workforce as skills requirements change. In particular, TDI will need employees with leadership skills, analytical skills, technical skills and technical certifications, and enhanced project management skills.

However, the agency's technology needs are outpacing current resources. TDI will need to invest in technical training opportunities for the staff that have agency business knowledge. TDI can explore options to expand technological resources, including the possibility of outsourcing or partnering with other entities.

Additionally, TDI foresees:

- projecting future needs of positions that become vacant, including skills and knowledge;
- prioritizing functions to achieve more effective resource allocation;
- reallocating FTEs within the agency to address changing demands;
- automating processes and increasing the use of technology to work more efficiently;
- redesigning or eliminating outdated processes to be more efficient;
- leveraging partnerships to regulate in an increasingly global environment more effectively; and
- expanding the agency's telecommuting program to recruit and retain skilled employees.

Critical Activities

TDI's role as a regulator is evolving to be more than a disseminator of information and a monitor of solvency and compliance. TDI's statutory duties now include development of innovative insurance solutions and more direct consumer assistance.

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:

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- changing statutory responsibilities and
- continuing demand for technology innovations.

GAP ANALYSIS

Overview

TDI conducted a strategic planning analysis of its workforce and has determined that there are two main gaps between the agency's current and future workforce:

- Knowledge & Skills Development
- Technology Staffing & Resource Shortages

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

Knowledge & Skills Development

Many staff with highly specialized skills is eligible to retire currently and within the next five years. Consequently, retirements of critical staff creates the potential for loss of experience and institutional knowledge. For example, when a network specialist retires, the agency's losses are doubled – the agency loses the employee's network skills and the institutional knowledge of TDI's network. Loss of experienced staff can cause instability and morale problems, reduce productivity among other employees, and increase hiring and training costs.

As the workforce shrinks, employees are expected to perform at even higher levels and work more efficiently. Some employees need different skill sets to meet the changing workforce needs. Therefore, formal and informal training opportunities are critical to meet the increasing demand for knowledge and skills and retention of professional staff.

Technology Staffing & Resource 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 answers to a greater number of insurance-related and workers' compensation questions online. Similarly, the need to deliver information to agency staff and the public via the Internet has fueled the 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 more efficiently. However, our continued need for technology expansion is severely limited due to technology staffing and resource 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, network specialists, telecommunication specialists, 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 workloads have 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 divisions request projects that involve automation, database integration/consolidation, new software, Web applications, and other technology-related system enhancements. However, to ensure the operability of agency systems and databases, TDI's IT 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 division technology goals are not completed because resources are not available. Over time, the risks of working with obsolete equipment may restrict the ability to accomplish agency goals.

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

STRATEGY DEVELOPMENT

Strategy for Knowledge & Skill Development

To mitigate the loss of institutional knowledge, 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. However, succession planning and cross-training will not substitute for additional formal training opportunities which are needed for agency employees to meet the growing demands for additional knowledge and skills. Finally, the agency must provide continuing education to enhance employees' skills and to assist employees in maintaining their licenses, certifications and professional designations.

In addition to training current staff, TDI is researching new methods to hire and/or promote employees using pre-selection assessment tools. These assessment tools may provide TDI the ability to hire staff with the higher level skill sets crucial to the agency's success. It is anticipated that these tools will also assist TDI in identifying current employees for promotions to leadership positions.

Finally, TDI is planning a program to develop current and future leaders to promote succession planning and assist the agency with the current leadership skills gap.

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Rationale

Forty-eight percent of TDI employees are eligible now or will be eligible to retire before August 31, 2017, potentially exposing TDI to a significant loss of skills and institutional knowledge.

Action Steps

- Continue to monitor agency and program retirement projections.
- Review job functions and identify staff for cross-training
- Continue succession planning efforts and provide training in response to succession planning needs.
- Update/develop internal procedure manuals for documentation of standard operating procedures and to use in cross-training and succession planning.
- 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.
- Continue comprehensive training programs to educate current and future employees and prepare them to be more effective leaders.
- Assess employee satisfaction and address areas where satisfaction is lowest.
- Maintain a supportive work environment for all employees.
- Encourage flexible work schedules and telecommuting.
- Seek opportunities to involve all levels of employees in decision-making.
- Seek creative non-monetary incentives to recognize and reward deserving employees.
- Continue community efforts to ‘grow our own’ market for future employees by providing instructors to teach insurance classes at local colleges/universities.
- Establish and maintain internship programs with colleges and universities.

Strategy for Technology Staffing & Resource Shortages

TDI anticipates technological advances requiring technology purchases and highly skilled technology staff to implement solutions to meet the business needs of the agency and stakeholders. The retirement or loss of employees in technical areas has the potential to create a shortage of expertise and the changes in technology increase the need for new technical skill sets. Mentoring, cross training, succession planning, formal training must

take on greater importance. Information technology requires lifetime learning for all employees.

Strategies to address the gaps in workforce shortages and skill sets include adequate salaries, merit increases, non-monetary rewards for performance, flextime and/or telecommuting opportunities, formal technology training, mentoring process where replacement employees are trained prior to a current employee retiring and using Department of Information Resource deliverables based contracts for specific technology implementation projects.

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.
- Stakeholders expect to access and submit information electronically.
- Industry technology solutions for information management outpace TDI’s.
- 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.
- Optimization of technology enhances retention of skilled employees.
- Effective regulatory decision-making requires timely access to and efficient flow of information.
- Current shift toward enterprise risk management at the agency and state level requires different, advanced technology skill sets.

Action Steps

- Commit resources to implement priority automated solutions and support management of electronic records/information.
- Identify division 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.
- Implement “THIN-client” to reduce ITS staff travel and shipping costs while effectively managing field office technology needs remotely.

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- 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.
- Invest in technology training opportunities for staff that have agency business knowledge.

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ATTACHMENT: WORKFORCE PLANNING AT TDI

Workforce Planning Activities

To facilitate retention of skilled employees, 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;
- training programs;
- cross-training opportunities;
- agency wellness program; and
- continued participation in the Employee Assistance Program.

As of April 30, 2012, TDI had 142 employees (9.9%) telecommuting, a 255% increase in employee participation since 2009. Seven of eight agency divisions had staff participating in the telecommuting program. Because telecommuting is often viewed as an employee benefit, this increase in the program is significant. Telecommuting allows eligible employees to work remotely from one to four days each week and has resulted in reduced leave requests, substantial savings in fuel costs, 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
- Compliance Division’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
- Compliance Division’s Diversity Training and Awareness Project, which enhances employees’ understanding of changing service needs
- Teaching basic insurance courses at Huston-Tillotson University, fostering the next generation of insurance leaders and provides TDI a market for future recruitment efforts.
- 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; and
 - develop a workforce that is highly skilled, high performing and committed to TDI’s success.

ⁱ TDI Human Resources Information System, April 30, 2012.

ⁱⁱ Texas Workforce Commission Civil Rights Division Equal Opportunity and Minority Hiring Practices Report, January 2011.

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

^{iv} Average annual salaries exclude Commissioners, part-time and temporary employees, the Medical Advisor, and the Chief Actuaries.

^v State Auditor’s Office: State Employee Benefits as a Percentage of Total Compensation, Report Number 11-704, February 2011.

^{vi} State Auditor’s Office: Classified Employee Turnover for Fiscal Year 2011, Report Number 12-701, December 2011.

^{vii} Time to fill is determined by calculating the days between the dates the job is posted until the date the job is offered.