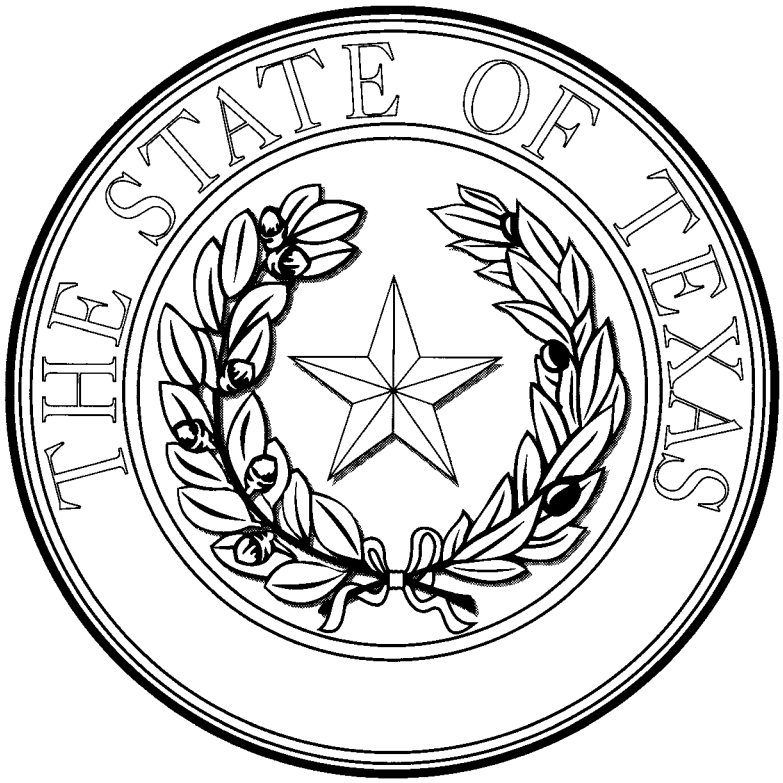
The 2003 Texas Liability Insurance Closed Claim Annual Report



Texas Department of Insurance

Published by Texas Department of Insurance – May 18, 2005
Property and Casualty Division/Data Services
333 Guadalupe, Mail Code 105-5D, Austin, Texas 78701
(512) 475-1878

Table of Contents

BACKGROUND 1

INTRODUCTION 2

PAYMENTS AND EXPENSES 4

INSURANCE POLICY DATA 8

BODILY INJURY 12

CLAIMS PROCESS 16

COMPARATIVE ANALYSES 21

ANNUAL (SUMMARY) CLOSED CLAIM REPORT 25

CLOSED CLAIM RECONCILIATION FORM 26

ADDITIONAL INFORMATION 29

Background

This is the sixteenth Texas Liability Insurance Closed Claim Annual Report prepared by the Texas Department of Insurance (TDI) in accordance with the provisions of §§38.159 - 38.163, Texas Insurance Code. The legislative history of this statute indicates that there was an absence of reliable information concerning liability insurance claims, related court actions and other information pertinent to the claims settlement process and the civil justice system in Texas. The reporting requirements contained in this statute provide TDI with the authority to gather liability claims information and the responsibility of compiling the data and issuing an annual report. Following the statutory distinctions, the State Board of Insurance adopted two separate forms; the short form relating to liability claims closed with bodily injury indemnity settlements over $10,000 but less than $25,000; and the long form which relates to those claims with settlements of $25,000 or more.

TDI collects the forms on a quarterly basis and reviews the forms manually and electronically to monitor data quality. Insurers submitted 9,153 reports for claims that closed in 2003. These claim reports account for over $1.6 billion in paid settlements.

Introduction

The data utilized in the preparation of this report include 9,153 commercial liability closed claims involving bodily injury settled under Texas law that were submitted for calendar year 2003 on the Quarterly Closed Claim Reports for the following lines of insurance:

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

The 2003 quarterly closed claim database includes claims from 328 insurance companies and 9 self-insurers. Claims included in the database have been settled or otherwise disposed of, and the insurer has made all indemnity and expense payments on the claim. These reports do not include property damage, open claims, or claims not settled under Texas law.

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

Of the 9,153 forms available for the preparation of this report, 3,692 were short forms that are defined as claims with bodily injury settlements of greater than $10,000 but less than $25,000. Long forms accounted for the other 5,461 claims and include bodily injury settlements of $25,000 or more. Although they account for 40% of all reports, only 5% of the total payments were reported on the short forms as illustrated in Figure 1.

FIGURE 1

SHORT FORM VS. LONG FORM

The report differentiated between the single defendant cases (single-party) and the more complex cases that involved multiple defendants (multi-party). Single-party claims involve only payments by the reporting insurer as primary carrier and/or payments by the insured for deductibles or payments in excess of policy limits. Multi-party claims which involve payments by excess carriers or amounts paid on behalf of other defendants, account for 18% of the 2003 reports and 54% of the settlement dollars as shown in Figure 2.

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

FIGURE 2

SINGLE-PARTY VS. MULTI-PARTY

Payments and Expenses

A total of $1,645,260,866 in settlements from 9,153 closed claim forms are included in this report as shown in the last line of Figure 3. One should keep in mind that the total settlement amount might be incomplete. Reports indicating involvement of other contributing parties may not have included the other contributing parties' payments in the total settlement amount.

It is also possible for a closed claim report to indicate payment by more than one contributing party; therefore, the number of claims shown on the "Total settlement" row may not equal the sum for each contributing party.

FIGURE 3

2003 CLOSED CLAIM DATA BASE SUMMARY

Contributing Parties	Claims	Amount Paid
Primary carrier	8,833	$1,090,711,083
Insured due to deductible	612	$47,221,909
Insured in excess of policy limits	24	$5,590,750
Excess carrier	151	$129,163,341
Other insured defendants	716	$364,512,734
Other uninsured defendants	44	$8,061,049
Total settlement	**9,153**	**$1,645,260,866**

Figure 4 shows the average payment amount for all claims was $119,164. The single-party average claim payment was $90,071 as compared to the multi-party average claim payment of $253,739

FIGURE 4

THE AVERAGE 2003
COMMERCIAL LIABILITY CLAIM
SINGLE-PARTY VS. MULTI-PARTY

Average	Single-Party	Multi-Party	All Forms
Payment Amount	$90,071	$253,739	$119,164
Final Indemnity Reserve	$94,242	$308,784	$132,378
Allocated Loss Adjustment Expense	$16,139	$64,015	$24,649
Final Expense Reserve	$9,858	$53,911	$17,689
Claim Duration (Months)	20.2	26.2	21.3

It appears that the majority of payments paid by the primary carrier occur in a small number of claims. Although claims with payments greater than $150,000 comprise only 19% of claims reported, they account for over 76% of the total dollar amount of payments reported in the study. These ranges are shown in Figure 5 below.

FIGURE 5

NUMBER OF PAYMENTS BY PAYMENT RANGE

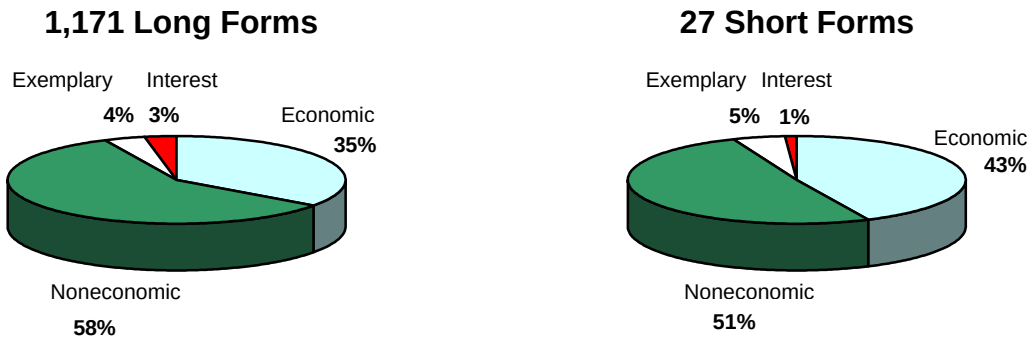
Payment Range	Single-Party	Multi-Party	Total
$10,000 and less	310	48	358
$10,001 - $24,999	3,460	133	3,593
$25,000 - $74,999	1,958	420	2,378
$75,000 - $149,999	747	298	1,045
$150,000 - $299,999	520	309	829
$300,000 - $499,999	246	168	414
$500,000 - $999,999	207	169	376
$1,000,000 and over	78	82	160
All Payments	**7,526**	**1,627**	**9,153**

If the settlement was $25,000 or greater, adjusters were asked for their opinions as to whether the settlement was influenced by non-economic losses, exemplary damages or prejudgment interest. For the 1,171 long forms that indicated the categories of non-economic losses, exemplary damages or prejudgment interest influenced the settlement of the claim, 35% of the damages were designated to economic losses, 58% to non-economic losses, 4% to exemplary damages, and 3% to prejudgment interest. These percentages are displayed in Figure 6.

On the short forms, adjusters were asked for their opinions as to whether the potential for the assessment of exemplary damages influenced settlement amounts. They were asked to allocate damages into categories when exemplary damages influenced the settlement. These categories are (1) economic losses; (2) non-economic losses; (3) exemplary damages; and (4) prejudgment interest. In the adjusters' opinions, there were 27 settlements of less than $25,000 that were influenced by exemplary damages. The percentages by categories are also shown in Figure 6.

FIGURE 6

DAMAGES
INFLUENCED BY EXEMPLARY DAMAGES



The available data from 5,461 long forms indicates the use of structured settlements in the final resolution of 392 indemnity claims (8%). These structured settlements amounted to $306,706,249 with an average settlement amount of $782,414 and a median settlement amount of $400,000. In these 392 cases, the immediate payment was on average 67% of the total settlement amount, while the structured portion was 33% of the total settlement amount.

Of the 5,461 long forms, 2,067 (39%) indicated that they were aware of the availability of some collateral sources of reimbursements to the injured person. Since claimants are not required to make this information available to insurers, this data may not have been reported in all cases where collateral sources were available. Figure 7 shows the collateral sources reported.

FIGURE 7

COLLATERAL SOURCES

Collateral Sources	Number of Forms
Workers' Compensation	724
Medical Insurance	954
Disability Insurance	57
Social Security Benefits	116
Medicare, Medicaid	392
Sick Leave	49
Other	68

Insurers were asked on all forms to divide their loss adjustment expenses into three categories: (1) outside defense counsel; (2) in-house defense counsel; (3) other expenses. A total of 3,334 forms indicate no allocated loss adjustment expense for the claim reported.

One of the three categories of expense was shown on the other 5,819 reports. Figure 8 shows the relationship of loss adjustment expenses to claim payments. The ALAE to payment ratio increased as average payment increased. Since cost containment expenses are not reported on the closed claim forms, the data in this section understates the amount of expenses incurred while settling the claim.

FIGURE 8

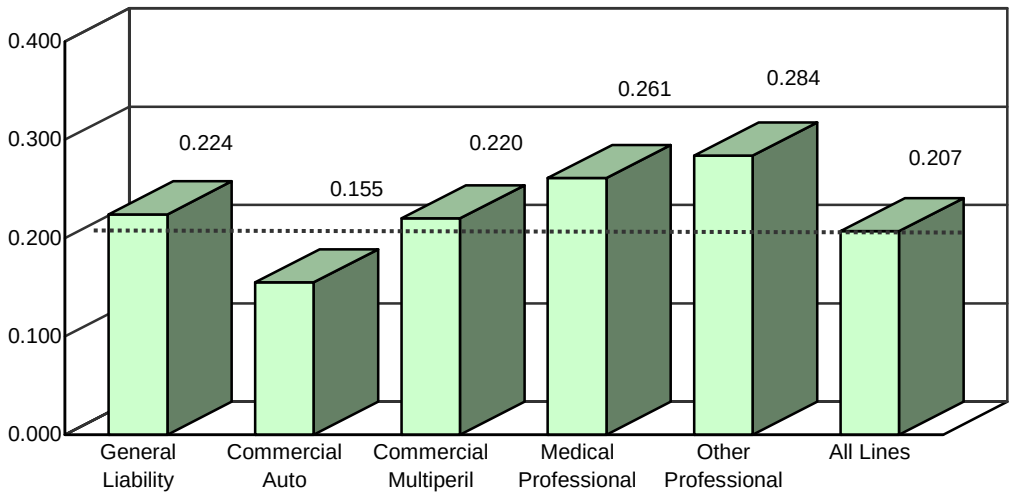
RATIO OF ALAE TO CLAIM PAYMENT BY ALAE RANGE

ALAE Range	Claims	Average Payment	ALAE/Payment Ratio
$0	3,334	$44,527	0.000
$1 - $ 2,999	1,144	$47,995	0.025
$3,000 - $ 5,999	540	$74,619	0.061
$6,000 - $ 9,999	592	$78,690	0.100
$10,000 - $24,999	1,358	$112,583	0.146
$25,000 - $49,999	933	$206,227	0.174
$50,000 and over	1,252	$363,559	0.354
Total	**9,153**	**$119,164**	**0.207**

The data from all forms indicates that the average allocated loss adjustment expense was 20.7% of the insurer's payment. Figure 9 compares the ALAE/Payment ratio by line of insurance. Claims without allocated adjustment expenses are included. The ratio for all lines of 0.207 is shown by a dotted line for comparison purposes.

FIGURE 9

ALAE/PAYMENT RATIO BY LINE OF INSURANCE

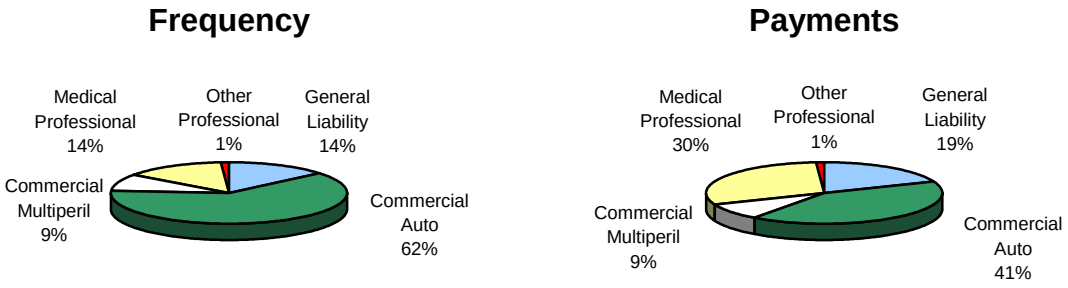


Insurance Policy Data

Commercial auto liability claims represent 62% of the closed claim reports filed and 41% of the insurer payments. General liability claims represent 14% of the closed claim reports filed and 19% of the insurer payments. Claims related to the liability portion on commercial multi-peril policies represent 9% of the reports filed and 9% of the insurer payments. Medical professional liability claims represent 14% of the reports filed and 30% of the insurer payments. Other professional liability claims represent 1% of the reports filed and 1% of the insurer payments. Only 95 cases involve other professional liability; therefore, the data relating to that line is highly variable and is treated accordingly. Figure 10 illustrates the comparative relationship between numbers of claims and amounts of claim payments among the five lines of insurance.

FIGURE 10

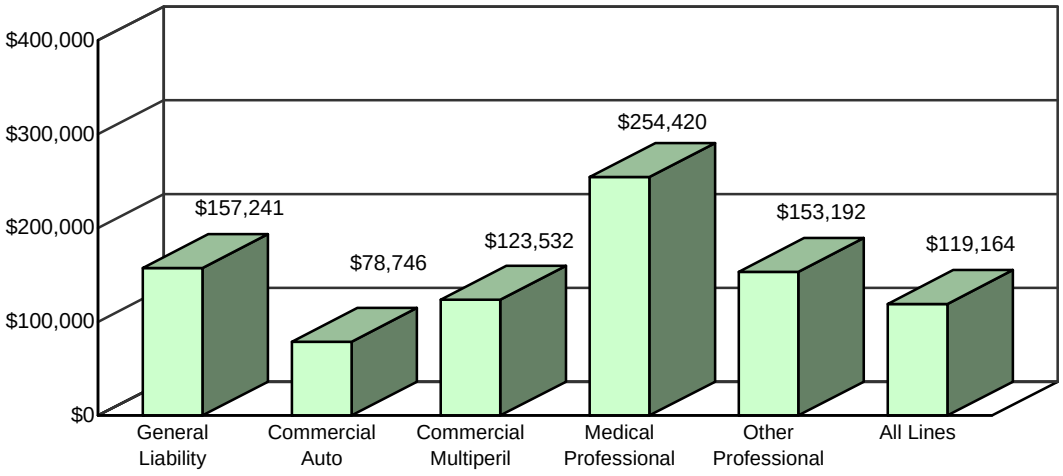
DISTRIBUTION OF CLAIMS AND CLAIM PAYMENTS BY LINE



Based on all forms from all lines, the average insurer payment is $119,164. Claims involving medical professional liability reflect the highest average with an average payment of $254,420. Commercial auto claims average $78,746, considerably below the average. These comparisons are illustrated in Figure 11. Note that these averages do not include settlements of $10,000 or less.

FIGURE 11

AVERAGE PAYMENT ALL LINES COMPARISON



Among the major insured business classifications reviewed, claims were most frequently cited in transportation, other (miscellaneous), wholesale-retail trade, construction firms, and physicians and surgeons. Twenty-six business classifications are included on the closed claim forms. The twelve business classifications listed in Figure 12 account for nearly 95% of the total reported claims and nearly 94% of the total payments reported for calendar year 2003.

FIGURE 12

FREQUENCY OF CLAIMS
BY BUSINESS CLASSIFICATION

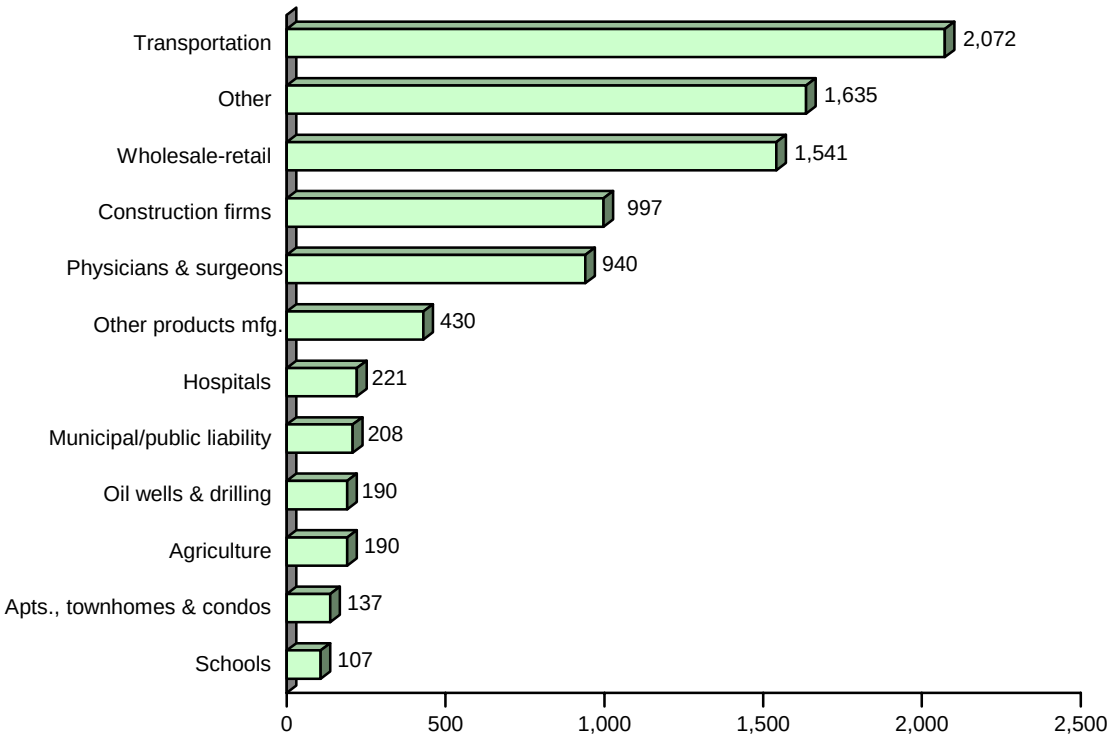
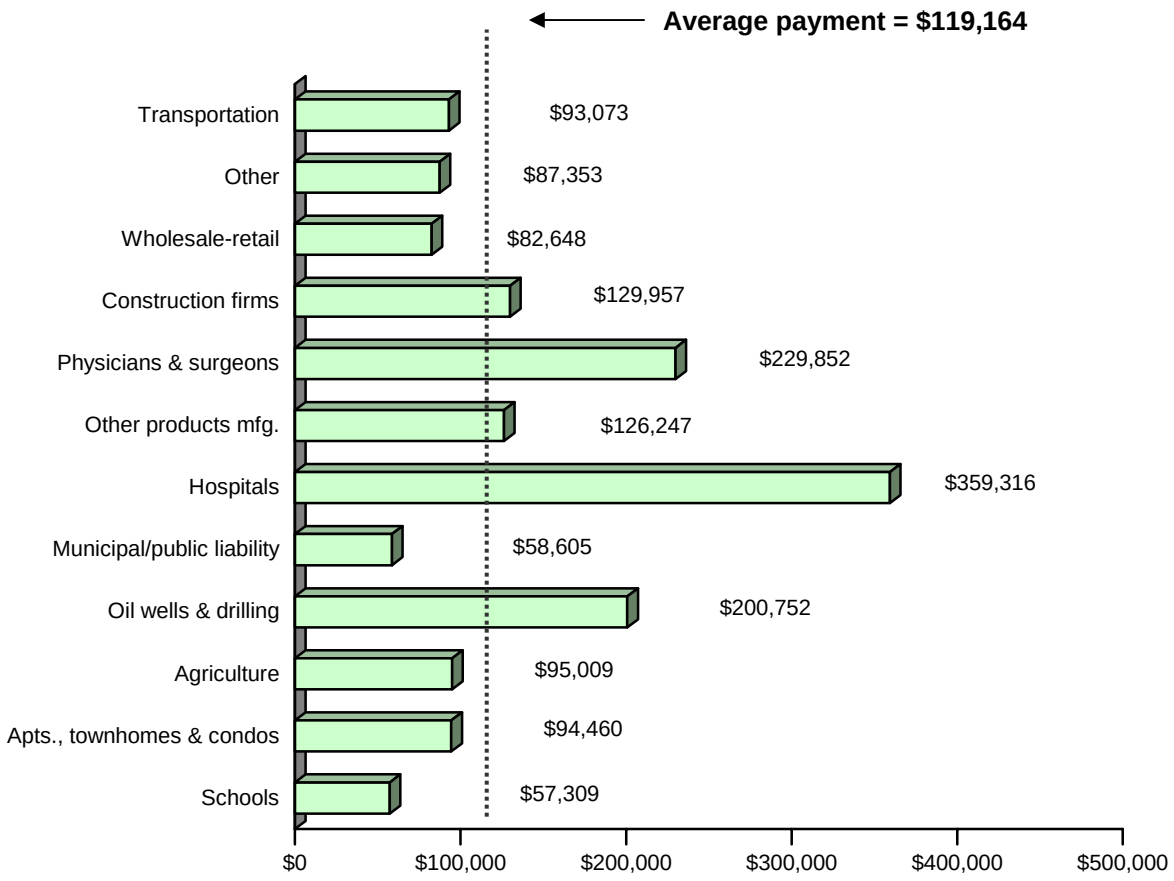


Figure 13 compares the average payment for each of the twelve major business classifications shown in Figure 12. The all lines average payment amount of $119,164 is represented by a dotted line for comparison purposes. Hospitals had an average claim payment of $359,316, the highest of the major classifications.

FIGURE 13

MAJOR BUSINESS CLASSIFICATIONS
AVERAGE CLAIM PAYMENT



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

Figure 14 shows 416 claims (5%) were affected by impaired or exhausted policy limits while 65 (16%) of those claims involved excess carriers. The most frequent policy limit was $1,000,000 for each line of insurance.

FIGURE 14

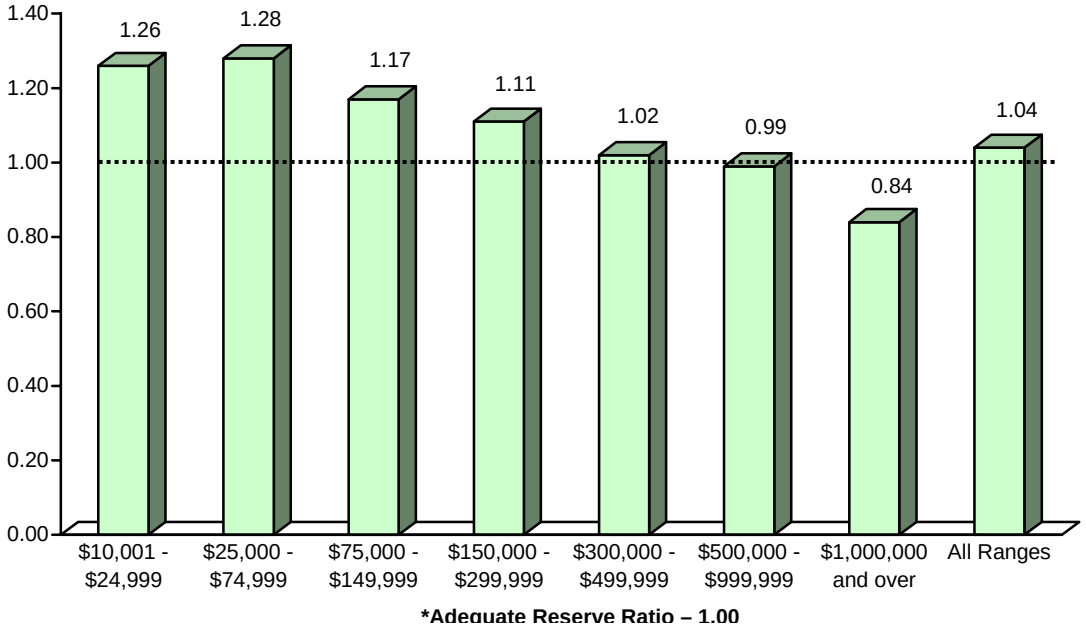
IMPAIRED OR EXHAUSTED POLICY LIMITS
BY LINE OF INSURANCE

Line of Insurance	Frequency	Average Payment	Excess Coverage Involved
General Liability	49	$1,182,937	21
Commercial Auto	184	$286,024	25
Commercial Multi-peril	27	$879,074	13
Medical Professional	156	$460,478	6
All Lines	**416**	**$495,582**	**65**

Since some insurers include expense reserves with indemnity reserves, they were combined in this report. The sum of the payment and allocated loss adjustment expenses is designated as an expenditure. Overall, the average initial case basis reserve of $50,077 was 35% of the average expenditure of $143,814. Fifty-five percent of the claims were over-reserved by $250,942,116 (just before the claim closed) while 33% were under-reserved by $193,707,805. The aggregate data from all forms indicates that expenditures were over-reserved by an average of 4%. A comparison by line of insurance is shown in Figure 15.

FIGURE 15

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



Bodily Injury

The long form contains information relating to the type of injury, how the injury occurred, and the age of the injured person. Eighteen separate types of injuries are listed on the long form and insurers are instructed to select all applicable types of injuries. Please note that some forms may have incomplete settlement amounts because they are multi-party claims. The data from 5,461 long form settlements indicate that multiple injuries (broken limbs, lacerations, contusions) were the most common type of injury as shown in Figure 16. Insurers were instructed to select all the types of injuries applicable to the claim. Thus, in cases other than death, the same claim may be shown under more than one category of injury.

FIGURE 16

INJURY TYPE
NUMBER OF CLAIMS

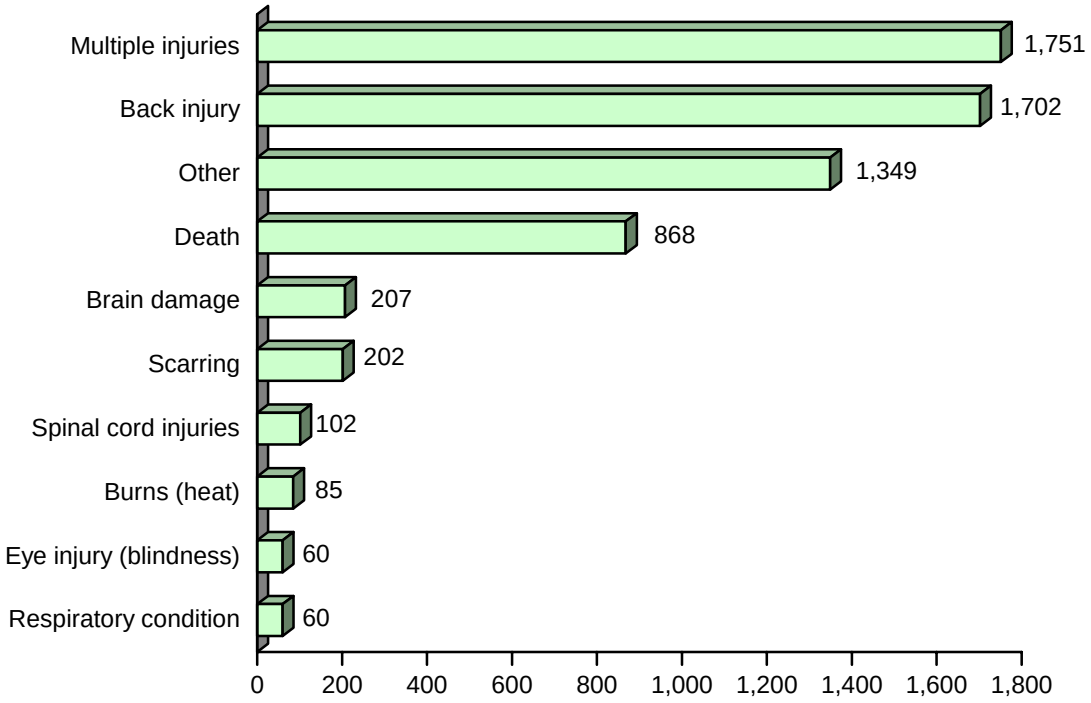
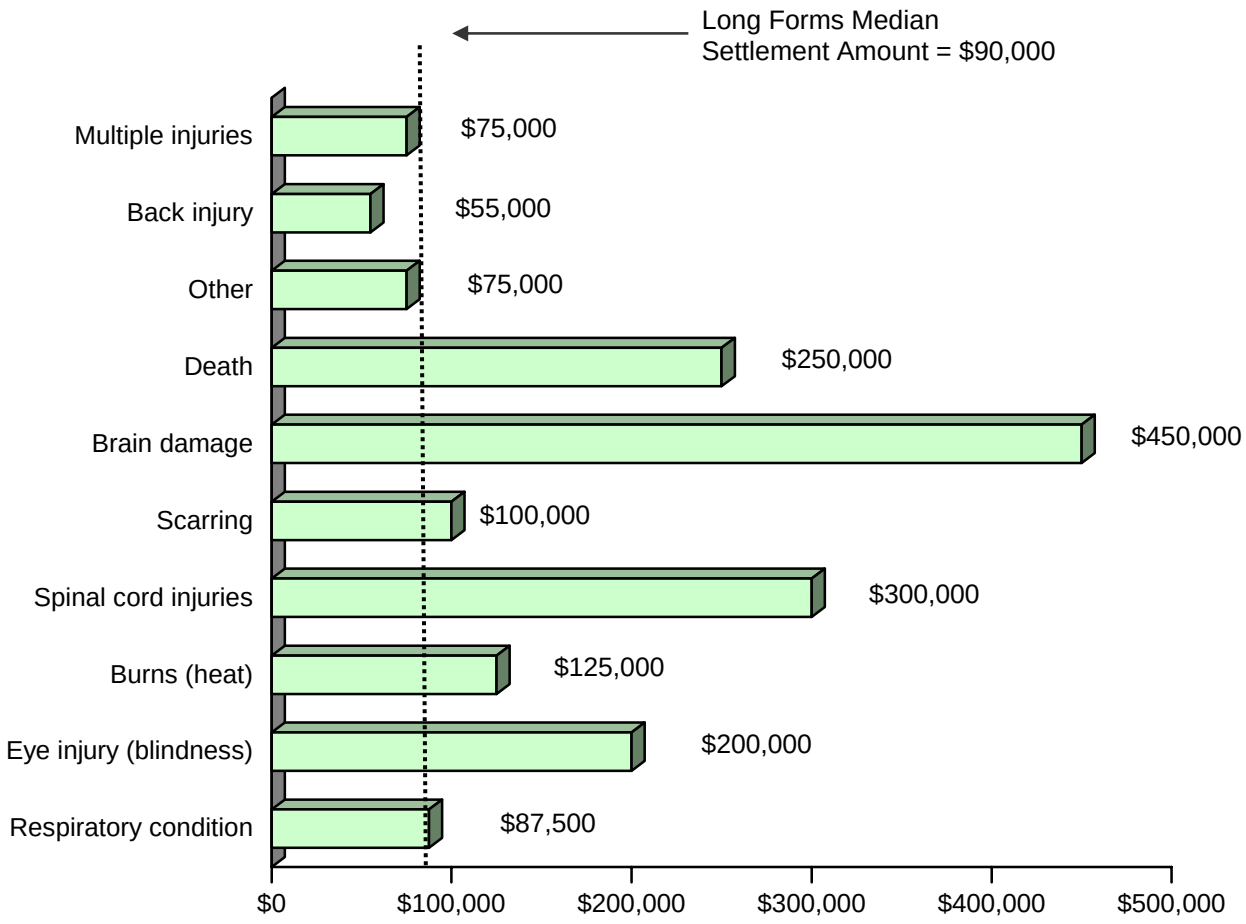


Figure 17 shows settlement amounts by injury type. Because of the possibility of duplicate reporting of injuries and the effect a large claim could have on the average claim amount, median settlement figures are used. The most costly claims closed in 2003 involved brain damage injuries.

FIGURE 17

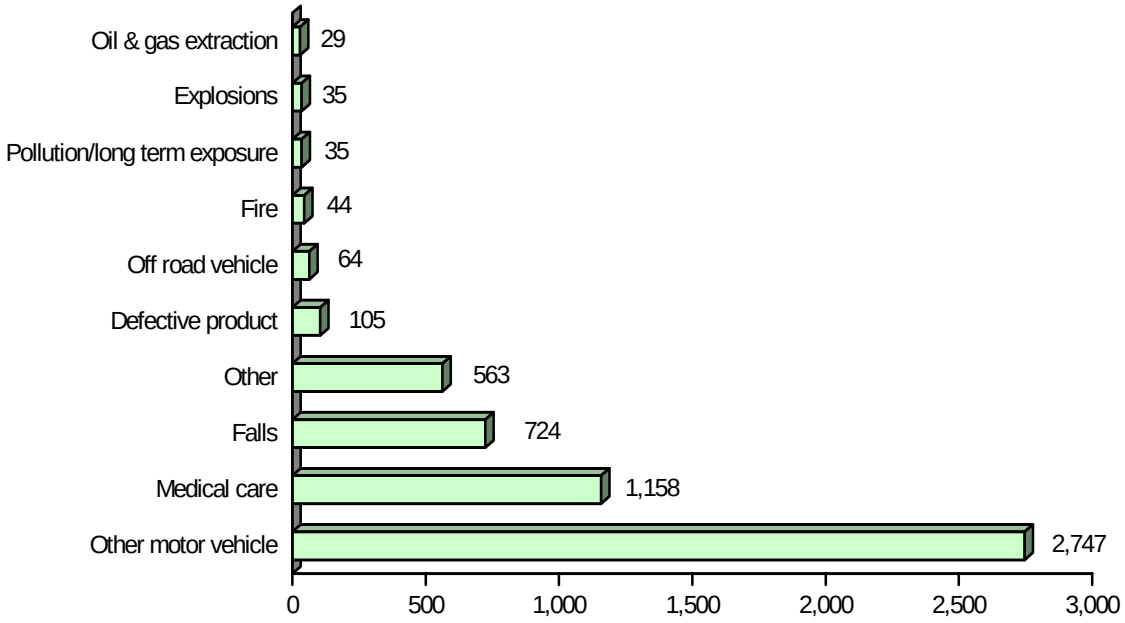
INJURY TYPE
MEDIAN SETTLEMENT AMOUNT



The long form also has 15 categories based upon the activity engaged in at the time of the injury. The ten most frequent activities are shown in Figure 18. The adjusters' opinions here are subjective and may include more than one activity. For example a claim involving a defective automobile may be marked as use of defective product, motor vehicle or both. The operation of a motor vehicle was indicated as the most common injury related activity.

FIGURE 18

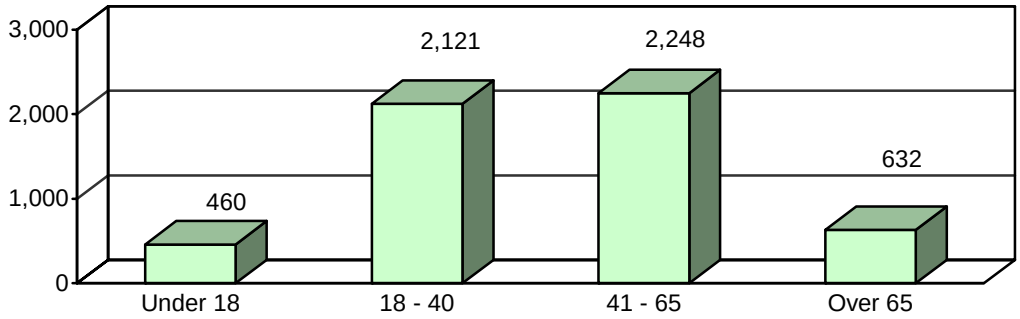
HOW THE INJURY OCCURRED
NUMBER OF CLAIMS



The age of the injured person at the time of injury was reported only on the long forms. Figure 19 indicates the age distribution. The median age of the injured party was 42 years.

FIGURE 19

ALL INJURIES
AGE DISTRIBUTION



There were 9,078 injuries that occurred in Texas and 75 injuries that occurred outside of Texas. Figure 20 shows the Texas counties with 60 or more injuries and shows the ratio of claims to county population. The statewide ratio is 41.07 claims for every 100,000 population.

FIGURE 20

WHERE THE INJURY OCCURRED

COUNTIES WITH 60 OR MORE INJURIES

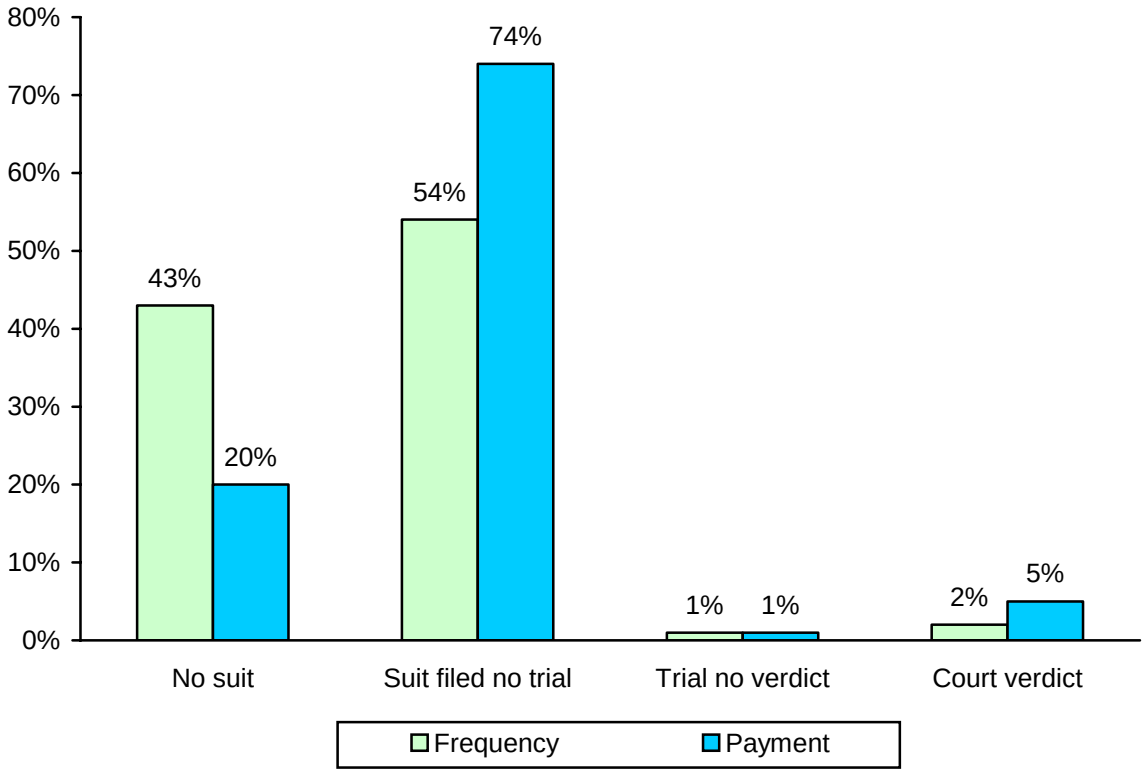
County	Number of Claims	Number of Claims/ 100,000 Population	Median Settlement Amount	Maximum Settlement Amount
Harris	1,722	47.93	$28,000	$8,700,000
Dallas	1,217	53.34	$25,000	$10,500,000
Tarrant	646	41.49	$28,470	$13,000,000
Bexar	507	34.56	$30,000	$7,280,000
Travis	364	42.60	$37,494	$4,169,185
Hidalgo	329	51.78	$30,000	$4,900,000
El Paso	219	31.17	$25,000	$2,500,000
Jefferson	218	87.64	$50,000	$25,050,000
Nueces	178	56.50	$40,000	$2,800,000
Collin	141	23.61	$30,000	$6,000,000
Cameron	138	38.08	$30,000	$9,000,000
Denton	137	26.83	$36,131	$9,976,250
Lubbock	107	42.80	$25,000	$3,425,000
Galveston	106	39.74	$30,000	$2,250,000
Montgomery	102	29.60	$28,750	$1,100,000
Webb	102	47.95	$38,750	$1,000,000
Smith	101	54.94	$38,500	$2,720,000
Brazoria	99	37.55	$42,500	$7,900,000
McLennan	85	38.71	$60,000	$4,000,000
Fort Bend	64	15.24	$27,500	$5,500,000
Gregg	62	54.31	$30,000	$7,455,000
Potter	61	51.85	$70,000	$1,000,000
Harrison	60	98.01	$58,250	$4,000,000

Claims Process

As can be seen in Figure 21, only two percent of all reported settlements involved a court verdict. The overwhelming majority of claims were settled without the necessity of a trial. There were court verdicts for 134 injuries reported on 15 short forms and 119 long forms. Since the claim settlement process does not end with the trial court's verdict, the closed claim forms were designed to capture data relating to the court verdict and the final settlement. The other defendants or the excess carrier may have contributed to the settlement without being involved in the court verdict and may have agreed to a settlement before or after a verdict. Since the total settlement amount for multi-party claims may be inaccurate or unknown, the section on court verdicts deals only with the payments of the 124 claims that appear to be complete.

FIGURE 21

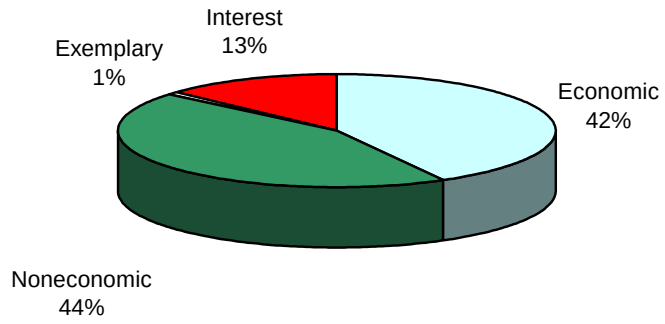
STAGES OF THE CLAIMS PROCESS



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

FIGURE 22

COURT VERDICTS
DAMAGES BY CATEGORY



In reviewing the court verdicts in Figure 23 it was found that, on average, the verdict amount was reduced by almost 18% before the case was finally settled.

FIGURE 23

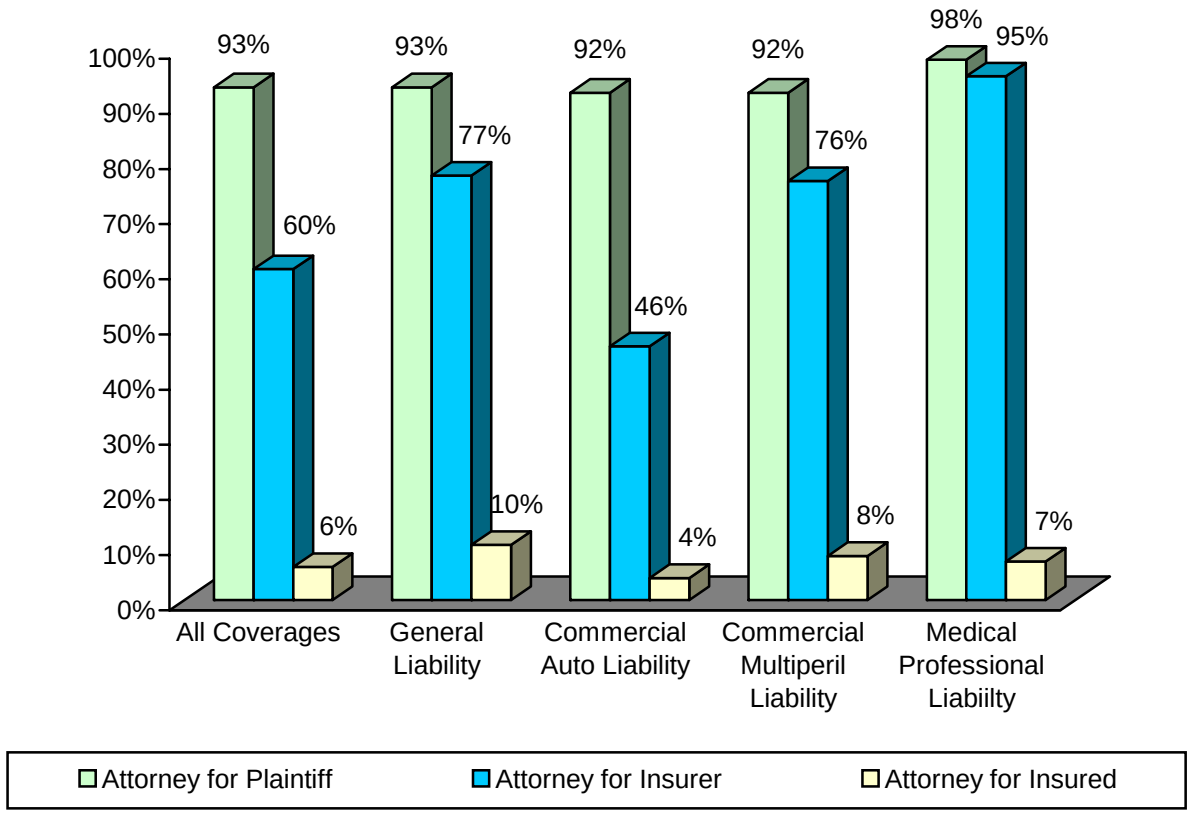
COURT VERDICT VS. SETTLEMENT AMOUNT

	Claims	Total Verdict Amount	Total Settlement Amount	Amount of Difference	Percent Difference
Verdict more than settlement	38	$54,581,791	$34,249,585	($20,332,206)	(37.3%)
Verdict equal to settlement	54	$10,745,445	$10,745,445	$0	0%
Verdict less than settlement	32	$10,643,780	$17,553,361	$6,909,581	64.9%
Total	**124**	**$75,971,016**	**$62,548,391**	**($13,422,625)**	**(17.7%)**

The data from all 9,153 reports shows that 93% of all cases indicated the involvement of an attorney on behalf of the injured person (plaintiff), while 60% indicated an attorney for the insurer, and 6% indicated the hiring of an attorney to represent the insured. Figure 24 summarizes the attorney involvement for all policy lines studied except other professional liability.

FIGURE 24

ATTORNEY INVOLVEMENT BY LINE



There were 1,521 multiple-defendant cases that were settled before a court verdict and 45 judgments involving multiple defendants. In 189 (12%) of the 1,521 cases settled prior to a court verdict, the doctrine of joint and several liability impacted the settlement. Eight of the 45 judgments involving multiple defendants provided for joint and several liability in regard to any defendant.

Focusing on the doctrine of comparative responsibility, a total of 1,005 cases (18% of all long form settlements) indicate some fault attributable to the injured person. These 1,005 cases had a median settlement amount of $87,000 (approximately 3% less than the all long forms' median of $90,000) and, on average, estimated the injured person to be 37% at fault.

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

FIGURE 25

CHOICE OF VENUE
BY LINE OF INSURANCE

Line of Insurance	Total Number of Suits Filed	Number of Suits Filed in County Other Than Where Injury Occurred	Percent of Total
General Liability	909	104	11.4%
Commercial Auto	2,449	240	9.8%
Commercial Multi-peril	582	41	7.0%
Medical Professional	1,163	81	7.0%
Other Professional	81	9	11.1%
All Lines	**5,184**	**475**	**9.2%**

A total of 5,184 forms reported that suits were filed, with 4,709 filed in the county of injury; meanwhile, 475 forms indicated that the suit was filed in a county other than the county where the injury occurred. The median settlement amount in the 4,709 cases was $68,000, while the median settlement amount in the remaining 475 cases was $105,000. Figure 26 shows the counties with an influx of five or more lawsuits.

FIGURE 26

CHOICE OF VENUE
COUNTIES THAT GAINED FIVE OR MORE LAWSUITS

County	Number of Suits Filed	Number of Suits Incoming	Percent of Suits Incoming	Median Settlement Amount of Suits Filed in County Listed
Harris	934	83	8.9%	$65,000
Dallas	606	54	8.9%	$63,834
Hidalgo	229	29	12.7%	$75,000
Bexar	311	27	8.7%	$55,000
Tarrant	351	25	7.1%	$75,000
Travis	229	21	9.2%	$100,000
Jefferson	184	20	10.9%	$75,000
Nueces	135	19	14.1%	$60,000
Galveston	75	16	21.3%	$70,000
Cameron	96	9	9.4%	$51,250
Harrison	51	8	15.7%	$100,000
Denton	66	7	10.6%	$99,900
Henderson	20	7	35.0%	$75,000
Potter	44	7	15.9%	$107,500
Johnson	35	6	17.1%	$70,000
Lubbock	57	5	8.8%	$45,000
Maverick	38	5	13.2%	$35,250
Jasper	19	5	26.3%	$75,000
Counties Listed	3,480	353	10.1%	$70,000
Counties Not Listed	1,704	122	7.2%	$75,000
All Counties	**5,184**	**475**	**9.2%**	**$70,000**

Comparative Analyses

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

FIGURE 27

ALL LINES TIME STUDY
BY PARTY (MONTHS)

Category	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
Single-Party	7,526	$677,877,761	3.5	20.2	2.3	26.0
Multi-Party	1,627	$412,833,322	13.6	26.2	4.7	44.5
All Parties	**9,153**	**$1,090,711,083**	**5.3**	**21.3**	**2.7**	**29.3**

Figure 28 shows time comparisons among various lines of insurance. The data for other professional liability is included with general liability due to only 95 claims being reported for this line of insurance. Medical professional cases involve the longest average span of time (49.3 months) from the date of injury to the actual closing of the claim.

FIGURE 28

ALL LINES TIME STUDY
BY POLICY TYPE (MONTHS)

	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
General Liability	1,404	$220,381,459	10.6	24.2	2.9	37.7
Commercial Auto	5,667	$446,253,521	1.0	19.2	1.9	22.1
Commercial Multiperil	807	$99,690,222	7.2	23.8	2.3	33.3
Medical Professional	1,275	$324,385,881	17.2	25.8	6.3	49.3
All Claims	**9,153**	**$1,090,711,083**	**5.3**	**21.3**	**2.7**	**29.3**

Figure 29 displays the average times for each injury type. Of the studies based on type of injury, those involving systemic poisoning (toxic), on average, took the longest time from injury to close (97.9 months), which is almost three times the average of 34.9 months for all long form claims. The total payments column for all long forms does not equal to the subtotal of the separate injury types because the long form allows for multiple selections of injury type.

FIGURE 29

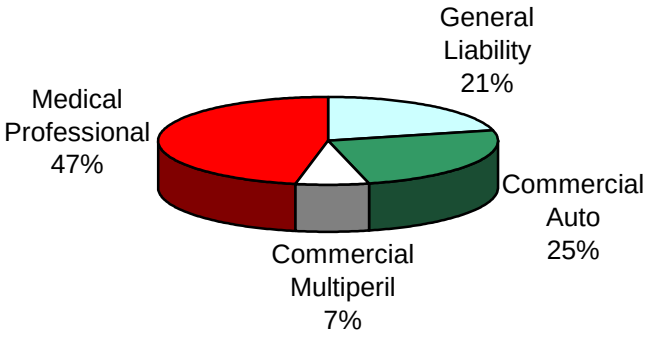
ALL LONG FORMS TIME STUDY
BY INJURY TYPE (MONTHS)

Injury Type	Number of Claims	Total Payments	Injury to Notice	Notice to Settlement	Settlement to Close	Injury to Close
Death	868	$295,281,487	9.7	26.2	4.9	40.7
Amputation	58	$16,086,765	11.9	22.3	5.0	39.2
Burns (heat)	85	$23,916,420	9.2	23.9	3.8	36.9
Burns (chemical)	39	$12,927,077	6.9	23.5	4.7	35.1
Systemic Poisoning (toxic)	13	$1,326,196	62.1	34.0	1.8	97.9
Systemic. Poisoning (other)	4	$447,500	14.5	17.0	5.5	37.0
Eye injury (blindness)	60	$11,822,890	14.9	24.9	4.1	43.9
Respiratory condition	60	$13,097,102	37.1	20.8	5.6	63.4
Nervous condition	47	$9,465,879	7.7	26.9	2.5	37.0
Hearing loss/impairment	23	$4,171,800	15.0	22.7	4.9	42.6
Circulatory condition	50	$13,748,761	7.8	25.6	1.8	35.2
Multiple injuries	1,751	$271,301,293	3.2	23.8	2.7	29.7
Back injury	1,702	$192,926,925	2.8	24.4	2.0	29.2
Skin disorder	33	$7,431,470	16.2	20.9	3.7	40.8
Brain damage	207	$100,462,079	12.9	30.5	5.1	48.5
Scarring	202	$45,574,279	4.8	22.3	2.6	29.7
Spinal cord injuries	102	$39,581,158	7.4	25.4	3.3	36.1
Other	1,349	$222,720,064	9.6	23.9	3.9	37.4
All Long Forms	**5,461**	**$1,035,727,478**	**7.0**	**24.5**	**3.3**	**34.9**

Injury type is only reported on the long form. There were 868 injuries (16%) reported on the long form that resulted in death. As shown in figure 30, medical professional liability claims account for 47% of the death claims, commercial auto liability for 25%, general liability for 21%, and commercial multi-peril liability for 7%.

FIGURE 30

DEATH CLAIMS
BY LINE OF INSURANCE



Of the 5,461 settlements reported on long forms, 821 claims indicated work-related injuries. On a percentage basis, the business classification of oil wells & drilling indicated the highest rate of work-related injuries with 34.9% of the claims relating to the job, followed by construction firms at 31.4% and other products manufacturers with 31.3% of the claims reported as work-related. Figure 31 shows data for the business classifications with more than 20 work-related injuries.

FIGURE 31

WORK-RELATED INJURIES
BY BUSINESS CLASSIFICATION

Business Classification	Work-Related Claims	Percent Work-Related	Average Payment	Claim Duration	Injury to Close
Construction firms	191	31.4%	$227,036	26.1	37.5
Transportation	140	13.6%	$182,924	24.7	28.3
Other	122	15.7%	$191,133	25.8	36.4
Wholesale-retail trade	113	13.7%	$165,807	26.3	35.4
Other products mfg.	86	31.3%	$238,890	31.3	51.2
Oil wells & drilling	46	34.9%	$406,083	24.8	37.6
Agriculture	27	21.3%	$115,847	24.4	31.5
All Business Classes	**821**	**15.0%**	**$204,951**	**26.4**	**37.1**

The 2003 closed claim report data contains 524 claims involving the business classifications of drug manufacturers, manufacturers of chemical and allied products, medical products manufacturers, and other products manufacturers. The average payment for product liability claims of $124,068 was 4% more than the average of $119,164 for all lines. The average allocated loss adjustment expense for product liability claims of $47,867 exceeded the average of $24,649 for all lines. The claims are categorized in this section as product liability claims, but are not necessarily caused by use of a defective product. Figure 32 presents the average claim information derived from the product liability claims reported.

FIGURE 32

PRODUCT LIABILITY
AVERAGE CLAIM

	Payment Amount	Final Indemnity Reserve	ALAE	Final Expense Reserve	Claim Duration (Months)
Product Liability	$124,068	$146,269	$47,867	$26,765	23.4
All Forms	$**119,164**	$**132,378**	$**24,649**	$**17,689**	**21.3**

Only 208 settlements indicated municipal/public liability as the insured business classification. Data derived from these reports show the average payment amount to be $58,606, which is 51% less than the average of $119,164 for all forms. Figure 33 presents the average claim information for municipal/public liability claims reported.

FIGURE 33

MUNICIPAL/PUBLIC LIABILITY
AVERAGE CLAIMS

	Payment Amount	Final Indemnity Reserve	ALAE	Final Expense Reserve	Claim Duration (Months)
Municipal Liability	$58,606	$66,098	$17,673	$20,057	22.6
All Forms	$**119,164**	$**132,378**	$**24,649**	$**17,689**	**21.3**

2003 Calendar Year
Annual Aggregate Closed Claim Report

The 2003 Calendar Year Annual Aggregate Closed Claim Report was filed on an annual basis for bodily injury indemnity payments of $10,000 or less. Three hundred seventy-nine insurance companies and seven self-insured entities are included in the Annual Aggregate Closed Claim Database. A summary of the Aggregate Closed Claim Report is presented below.

	(1) Aggregate Number of Claims $ 0 Indemnity Payments	(2) Aggregate Number of Claims $1 to $10,000 Indemnity Payments	(3) Total Number of Claims (1 + 2)	(4) Aggregate Dollar Amount Paid Out
General Liability	29,824	11,742	41,566	$18,909,262
Other Professional Liability	1,694	231	1,925	$785,082
Commercial Auto Liability	24,349	19,927	44,276	$71,470,132
Commercial Multi-peril Liability	8,103	3,390	11,493	$9,446,651
Medical Professional Liability	8,574	259	8,833	$1,380,037
Total	**72,544**	**35,549**	**108,093**	**$101,991,164**

2003 Closed Claim Reconciliation Form

The Texas Department of Insurance required companies to submit a reconciliation form for calendar year 2003 to ensure that all applicable closed claims were reported. The payments reported on Quarterly Closed Claim Reports with bodily injury over $10,000 and the Aggregate Closed Claim Reports with bodily injury of $10,000 or less were compared to the direct losses paid by line of insurance. These losses were reported to the National Association of Insurance Commissioners (NAIC) on the 2003 Annual Statement, Texas Statutory Page 14. **Self-insured entities did not complete a Reconciliation Form and therefore, are not included in this section.**

There were 521 insurance companies that reported a total of $2,768,412,989 direct losses paid on the 2003 Annual Statement, Texas Statutory Page 14 for the lines of business mentioned in §§38.151, Texas Insurance Code. Forty percent (40%) of the direct losses paid for general liability, commercial auto liability, Texas commercial multi-peril liability, and medical professional liability were reported on closed claim reports. The remaining $1,649,668,371 of direct losses paid involved amounts that were not reported during calendar year 2003 on closed claim reports. The following chart summarizes the information from the reconciliation forms. The data allows a comparison to be made by line of insurance between payment amounts that are required to be reported under §§38.151 – 38.163 of the Texas Insurance Code and payments made during calendar year 2003 that are not reportable on closed claim reports. General Liability and Other Professional Liability are combined on the Reconciliation Form.

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

Line 2 of the reconciliation form indicates the amount of claims as shown on the Aggregate Closed Claim Report.

Line 3 is the subtotal of lines 1 and 2 of the closed claim reconciliation form.

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

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

Line 8 shows the excess payments by line of business as reported on the reconciliation forms. Excess payments on bodily injury are part of the settlement amount of a claim. Many insurance companies do not know the amount paid by an excess carrier and therefore, do not report it correctly in the settlement amount on a closed claim report. This is a major reason for reporting the 2003 Closed Claim Annual Report on a payment basis instead of a settlement basis.

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

On **Line 12**, the reconciliation form shows $66,222,728 for total reimbursements received. This was primarily deductibles recovered for liability and property damage claims.

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

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

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

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

Line 17 and 18 are losses moved to or from a Texas closed claim report to another line of insurance or company.

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

Lines 20 and 21 indicate the amount of direct losses paid for each line of insurance as shown on the 2003 Annual Statement, Texas Statutory Page 14.

TEXAS CLOSED CLAIM RECONCILIATION
FOR CALENDAR YEAR 2003

TOTALS FOR ALL 521 COMPANIES

	General Liability	Commercial Auto	Commercial Multi-peril	Medical Professional	TOTAL
1. Payments Included in Quarterly Closed Claim Reports from the ATL	$198,817,919	$397,265,677	$64,752,332	$229,129,053	$889,964,981
2. Payments reported on Annual (Summary) Closed Claim Report	$19,338,257	$69,553,558	$9,446,651	$1,340,070	$99,678,536
3. Total Closed Claim Payments Reported	$218,156,176	$466,819,235	$74,198,983	$230,469,123	$989,643,517
ADJUSTMENTS TO LINE 3					
4. Property damage losses paid	$215,386,720	$177,567,026	$64,003,446	$79,100	$457,036,292
5. Other losses reported on *TX Statutory Page 14* that did not entail bodily injury	$400,882,272	$40,168,519	$28,310,644	$6,678,880	$476,040,315
6. Payments on claims not closed in calendar year 2003	$128,375,009	$106,713,413	$47,989,369	$58,645,502	$341,723,293
7. Payments made prior to Jan. 1 on claims closed during the year 2003	($99,274,282)	($79,818,880)	($17,282,671)	($73,310,976)	($269,686,809)
8. Excess coverage payments not reportable on Quarterly Closed Claim Reports	$455,902,172	$9,106,151	$10,810,000	$5,957,863	$481,776,186
9. Losses paid on claims not settled under Texas law	$155,220,306	$67,871,255	$10,098,761	$2,977,550	$236,167,872
10. Payments on claims reported on policies written in another state	($43,947,036)	($52,710,503)	($10,731,026)	($7,425,917)	($114,814,482)
11. Payments of $10,000 or less that were reported on Quarterly reports	($25,893)	($1,371)	($18,082)	($172,266)	($217,612)
12. Reimbursements received	($24,262,839)	($19,056,980)	($2,163,471)	($20,739,438)	($66,222,728)
13. Rounding and Statistical Adjustments	$289,334	$5,892,317	$623,451	($199,741)	$6,605,361
14. Unusual Circumstances	$101,520,428	$6,000,000	$35,000	$0	$107,555,428
15. Unreconciled amounts	$13,149,236	$6,702,186	$251,242	($2,826,914)	$17,275,750
16. Payments for claims on the Closed Claim Report of Unaccepted Transactions	$2,800,132	$5,187,266	$239,633	$1,979,591	$10,206,622
17. Closed Claim subtractions	($64,637,636)	($58,792,471)	($23,824,514)	($29,602,392)	($176,857,013)
18. Closed Claim additions	$40,134,067	$28,606,165	$39,244,221	$31,061,790	$139,046,243
19. Late Quarterly Closed Claim Reports (Filed after July 2003)	$34,083,999	$61,295,273	$16,346,108	$21,409,374	$133,134,754
20. Sum of lines 3 through 19, (Must equal line 21)	$1,533,752,165	$771,548,601	$238,131,094	$224,981,129	$2,768,412,989
21. *Annual Statement Texas Statutory Page 14,* DIRECT LOSSES PAID	**$1,533,752,165**	**$771,548,601**	**$238,131,094**	**$224,981,129**	**$2,768,412,989**

Additional Information

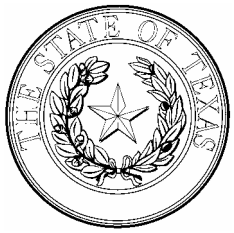
The data used for developing this report is available electronically upon request from the Department or can be downloaded from TDI's website.

Visit TDI's website at www.tdi.state.tx.us.

Submit written data requests to:

Texas Department of Insurance
ATTN: Vicky Knox
Data Services Division – MC 105-5D
P.O. Box 149104
Austin, TX 78714-9104
(512) 475-1878

e-mail: Vicky.Knox@tdi.state.tx.us



Texas Department of Insurance
333 Guadalupe
Austin, Texas 78701