



Texas Department of Insurance

333 Guadalupe Street P.O. Box 149104 Austin, Texas 78714-9104
512/463-6169

Commissioner's Bulletin # B-0007-96
February 15, 1996

Texas Disallowed Expense Call

Pursuant to the authority of Article 1.24, of the Texas Insurance Code (TIC), the department requests all companies writing property, residential and automobile insurance in Texas to submit information relating to disallowed expenses on the attached forms.

Article 5.101 of the Texas Insurance Code prohibits the consideration of certain incurred expenses in the determination of Benchmark and individual company rates for lines of insurance regulated under the Flexible Rating Program. This call is designed to provide quantification of such "disallowed" expenses on a countrywide basis. In addition, this call requires the reporting of information regarding executive compensation and affiliate transactions.

This call must be completed and returned in accordance with the instructions by not later than **April 1, 1996**. Underlying data, individual source documents and other information utilized in the development of your call response must be maintained in your records for a minimum of two years after April 1, 1996.

Failure to comply with the requirements of this call within the time limits specified shall constitute a violation or violations of the Insurance Code and shall subject the insurer to the penalties provided by law.

Questions concerning this call should be directed to Julie Jones at the Texas Department of Insurance at 512/475-3027.

Sincerely,

A handwritten signature in black ink, appearing to read "C.H. Mah".

C.H. Mah
Associate Commissioner
Technical Analysis
Mail Code 105-5G

Enclosures
CHM/JJ

Instructions:

1. Companies with direct written premiums in Texas in 1995 in one or more of the following lines must complete the Report of Insurance Expense Exhibit Data for the written lines and for all property and casualty lines combined:

Residential Fire
Residential Allied Lines
Farmowners Multiple Peril
Homeowners Multiple Peril
Private Passenger Automobile
Commercial Automobile

In addition, the Report of Executive Compensation and Benefits, the Report of Affiliate Transactions, the Transmittal form and Affidavit must be completed.

2. Companies having no Texas direct written premium in 1995 in any of the above lines may satisfy the call by completing and returning the Transmittal Form and affidavit.
3. Companies filing as a group must list names and NAIC numbers on the transmittal and acknowledgment forms.
4. This call requires the reporting of countrywide experience.
5. Report all amounts to the nearest thousand as they are reported in the Insurance Expense Exhibit.
6. The affidavit must be signed by the highest ranking company official with management and control authority over the development of the reported information. The affidavit must be notarized.
7. Underlying data and other information utilized in the development of your call response must be maintained in your records for a minimum of two years after April 1, 1996.
8. Return Acknowledgement form by March 4, 1996, by mail or fax.
9. If a TDI acknowledgment of receipt is desired, include a stamped, self addressed envelope.
10. Questions regarding this call should be directed to Julie Jones at the Texas Department of Insurance at 512/475-3027.
11. The completed call forms and affidavit must be returned on or before **April 1, 1996** to:

Julie Jones
Texas Department of Insurance
Data Services (MC 105-5D)
PO. Box 149096
Austin, Texas 78714-9096

Group/Company Name: _____

**REPORT OF INSURANCE EXPENSE EXHIBIT DATA
CALENDAR YEAR 1995**

| LINE | Fire (IEE Line 1) | | Allied Lines (IEE Line 2.1) | | Farmowners Multiple Peril (IEE Line 3) | |
|-----------|--|--|---------------------------------------|--|--|--|
| | Amount (000) | % of Direct Written Premiums (XX.X) | Amount (000) | % of Direct Written Premiums (XX.X) | Amount (000) | % of Direct Written Premiums (XX.X) |
| 1 | Direct premiums written - must equal the amount reported on Part III, column 1 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2a | Other acquisition, field supervision and collection expenses incurred - must equal the amount reported on Part III, column 14 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2b | All advertising expenses incurred EXCEPT the following: 1. Advertising directly related to the services or products provided by the insurer; 2. Advertising designed and directed at loss prevention; and 3. Advertising for promotion of organizations exempt from federal taxation under 5.01(c)(3) of the Internal Revenue Code. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2c | Adjusted other acquisition, field supervision and collection expenses incurred - line 2a minus line 2b. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3a | General expenses incurred - must equal the amount reported on Part III, column 15 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3b | Loss control and safety engineering expenses. (Although this is not a disallowed expense, it must be reported separately to ensure appropriate consideration.) | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3c | All lobbying expenses. Lobbying expenses are considered to include all salaries, fees and other expenses incurred to influence elected or appointed decision-makers regarding legislation or rule making and all other activities required to be reported under the Texas Ethics Law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3d | All amounts paid by an insurer as damages in a suit against the insurer for bad faith or as fines or penalties for violation of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3e | All contributions to organizations engaged in legislative advocacy. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3f | All fees and penalties imposed on the insurer for civil or criminal violations of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3g | All contributions to social, religious, political or fraternal organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3h | All fees and assessments paid to advisory organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3i | Disallowed general expenses - sum of lines 3c, 3d, 3e, 3f, 3g and 3h. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3j | Adjusted general expenses incurred - line 3a minus line 3b minus line 3i. | | | | | |
| | \$ | % | \$ | % | \$ | % |

Group/Company Name: _____

**REPORT OF INSURANCE EXPENSE EXHIBIT DATA
CALENDAR YEAR 1995**

| LINE | Homeowners Multiple | | Automobile Liability | | | |
|-----------|--|--|-----------------------------|--|---------------------------|--|
| | Peril | | Private Passenger | | Commercial | |
| | (IEE Line 4) | | (IEE Lines 19.1 and 19.2) | | (IEE Lines 19.3 and 19.4) | |
| | Amount (ooo) | % of Direct Written Premiums (xx.x) | Amount (ooo) | % of Direct Written Premiums (xx.x) | Amount (ooo) | % of Direct Written Premiums (xx.x) |
| 1 | Direct premiums written - must equal the amount reported on Part III, column 1 of the Insurance Expense Exhibit. | | | | | |
| | \$ | 100% | \$ | 100% | \$ | 100% |
| 2a | Other acquisition, field supervision and collection expenses incurred - must equal the amount reported on Part III, column 14 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2b | All advertising expenses incurred EXCEPT the following: 1. Advertising directly related to the services or products provided by the insurer; 2. Advertising designed and directed at loss prevention; and 3. Advertising for promotion of organizations exempt from federal taxation under 5.01(c)(3) of the Internal Revenue Code. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2c | Adjusted other acquisition, field supervision and collection expenses incurred - line 2a minus line 2b. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3a | General expenses incurred - must equal the amount reported on Part III, column 15 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3b | Loss control and safety engineering expenses. (Although this is not a disallowed expense, it must be reported separately to ensure appropriate consideration.) | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3c | All lobbying expenses. Lobbying expenses are considered to include all salaries, fees and other expenses incurred to influence elected or appointed decision-makers regarding legislation or rule making and all other activities required to be reported under the Texas Ethics Law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3d | All amounts paid by an insurer as damages in a suit against the insurer for bad faith or as fines or penalties for violation of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3e | All contributions to organizations engaged in legislative advocacy. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3f | All fees and penalties imposed on the insurer for civil or criminal violations of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3g | All contributions to social, religious, political or fraternal organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3h | All fees and assessments paid to advisory organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3i | Disallowed general expenses - sum of lines 3c, 3d, 3e, 3f, 3g and 3h. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3j | Adjusted general expenses incurred - line 3a minus line 3b minus line 3i. | | | | | |
| | \$ - | % | \$ | % | \$ | % |

Group/Company Name: _____

**REPORT OF INSURANCE EXPENSE EXHIBIT DATA
CALENDAR YEAR 1995**

| LINE | Automobile Physical Damage | | | | Grand Total (IEE Line 32) | |
|-----------|--|--|-------------------------------|--|------------------------------|--|
| | Private Passenger (IEE Line 21.1) | | Commercial (IEE Line 21.2) | | Amount (000) | % of Direct Written Premiums (xx.x) |
| | Amount (000) | % of Direct Written Premiums (xx.x) | Amount (000) | % of Direct Written Premiums (xx.x) | | |
| 1 | Direct premiums written - must equal the amount reported on Part III, column 1 of the Insurance Expense Exhibit. | | | | | |
| | \$ | 100% | \$ | 100% | \$ | 100% |
| 2a | Other acquisition, field supervision and collection expenses incurred - must equal the amount reported on Part III, column 14 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2b | All advertising expenses incurred EXCEPT the following: 1. Advertising directly related to the services or products provided by the insurer; 2. Advertising designed and directed at loss prevention; and 3. Advertising for promotion of organizations exempt from federal taxation under 5.01(c)(3) of the Internal Revenue Code. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 2c | Adjusted other acquisition, field supervision and collection expenses incurred - line 2a minus line 2b. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3a | General expenses incurred - must equal the amount reported on Part III, column 15 of the Insurance Expense Exhibit. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3b | Loss control and safety engineering expenses. (Although this is not a disallowed expense, it must be reported separately to ensure appropriate consideration.) | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3c | All lobbying expenses. Lobbying expenses are considered to include all salaries, fees and other expenses incurred to influence elected or appointed decision-makers regarding legislation or rule making and all other activities required to be reported under the Texas Ethics Law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3d | All amounts paid by an insurer as damages in a suit against the insurer for bad faith or as fines or penalties for violation of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3e | All contributions to organizations engaged in legislative advocacy. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3f | All fees and penalties imposed on the insurer for civil or criminal violations of law. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3g | All contributions to social, religious, political or fraternal organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3h | All fees and assessments paid to advisory organizations. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3i | Disallowed general expenses - sum of lines 3c, 3d, 3e, 3f, 3g and 3h. | | | | | |
| | \$ | % | \$ | % | \$ | % |
| 3j | Adjusted general expenses incurred - line 3a minus line 3b minus line 3i. | | | | | |
| | \$ | % | \$ | % | \$ | % |

REPORT OF EXECUTIVE COMPENSATION AND BENEFITS

The following information must be provided for the five highest paid policymaking employees in the insurance group. The determination of the five positions to be included shall be based on total compensation and benefits.

Amounts shown should reflect market value at year end. Provide the description and method of determining market value of all amounts reported in the "All Other" column in the space provided below.

| Group/Company Name: _____ | | | | |
|---|--------------------------------|---|-----------|-------|
| Position Title | 1995 Compensation and Benefits | | | |
| | Salary and Cash Bonuses | Expenses (Taxable and Nontaxable) | All Other | Total |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
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REPORT OF AFFILIATE TRANSACTIONS

This form must be completed for each type of affiliate transaction which produced an aggregate payment amount greater than \$500,000 for calendar year 1995.

For the purposes of the reporting of aggregate transactions, "affiliate" has the meaning assigned by Section 2, Article 21.49-1, Texas Insurance Code.

| | |
|--|--|
| Company Name: | _____ |
| Affiliate Name: | _____ |
| Description of Goods or Services: | _____ |
| | _____ |
| | _____ |
| | _____ |
| | _____ |
| Payment Amount: | _____ |
| Competitively Bid? | yes <input type="checkbox"/> no <input type="checkbox"/> |
| If not competitively bid, description of how the cost of goods or services was set at market value: | |
| | _____ |
| | _____ |
| | _____ |
| | _____ |
| | _____ |
| | _____ |

Attach additional pages as needed.

Page ___ of ___.

TEXAS DISALLOWED EXPENSE CALL

AFFIDAVIT

THE STATE OF _____

COUNTY OF _____

I, _____, the (position) _____
of the _____

being duly sworn, deposes and says that all of the information of the named Company contained herein, together with any necessary related exhibits, schedules and explanations contained, annexed or referred to are a full and true statement in accordance with the instructions provided according to the best of my information, knowledge and belief.

Signature

SUBSCRIBED AND SWORN TO BEFORE ME this the _____ day of _____, 1995

Notary Public

(Printed Name of Notary)

My Commission Expires:

**TEXAS DISALLOWED EXPENSE CALL
TRANSMITTAL FORM**

DUE DATE: April 1, 1996

GROUP/COMPANY NAME: _____

NAIC CODE: _____

NAIC GROUP NO.: _____

IF THIS IS A GROUP REPORT, LIST EACH INDIVIDUAL COMPANY NAME AND NAIC CODE:

| | |
|--|--|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Group/Company had direct written premiums in Texas in 1995 in the following lines:

- Residential Fire
- Residential Allied Lines
- Farmowners Multiple Peril
- Homeowners Multiple Perile
- Private Passenger Automobile
- Commercial Automobile
- None of the above

COMPANY CONTACT PERSON: _____ **PHONE:** _____

“ACKNOWLEDGMENT OF RECEIPT”

I, _____ AN OFFICER FOR (Insurance Company/Group Name)
_____, (NAIC Number) _____, (Group
Number) _____ DO HEREBY ACKNOWLEDGE RECEIPT OF THE TEXAS
DISALLOWED EXPENSE CALL.

(If you are filing a group filing, please list company names and NAIC numbers below).

Company Name

NAIC Number

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

SIGNATURE

DATE

**NEW POINT OF CONTACT (ONLY REQUIRED IF CHANGED OR NEW
APPOINTMENT REQUIRED)**

NAME: _____

Phone Number: () _____

Address: _____

This acknowledgment must arrive at TDI by March 4, 1996.

Mail to:

Texas Department of Insurance

Clare Pramuk, Director

Data Services

Mail Code 105-5D

P.O. Box 149096

Austin, TX 78714-9096

or fax to: (512) 463-6122