#### Commissioner's Bulletin #<u>B-0007-96</u> 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,

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/Compan	Name:	

## REPORT OF INSURANCE EXPENSE EXHIBIT DATA CALENDAR YEAR 1995

LINE	Fire (IEE Line 1)		with the same and the same that the same and	Allied Lines (IEE Line 2.1)		Farmowners Multiple Peril (IEE Line 3)	
LINE	Amount	% of Direct		% of Direct Written	Amount	% of Direct Written	
	(000)	Premiums (xx.x)	(000)	Premiums (xx.x)	(000)	Premiums (xx.x)	
1	Direct premiums Insurance Expens		I the amount rep	orted on Part III, col	umn 1 of the		
HINGS	\$	%	\$	%	\$		
2a	[19] [2]			penses incurred - m ce Expense Exhibit			
	\$	%	\$	%	\$		
2b	the services or pr loss prevention; a taxation under 5.0	roducts provided by and 3. Advertising f 01(c)(3) of the Interr	the insurer; 2. A or promotion of c nal Revenue Code		d and directed at ot from federal		
	\$	%		%			
2c	Adjusted other ac minus line 2b.	quisition, field sup	ervision and coll	ection expenses inc	curred - line 2a		
	\$	%	\$	%	3		
3a	General expenses Insurance Expens		ual the amount r	eported on Part III,	column 15 of the		
	\$	%		%			
3b		CONTRACTOR OF STREET		ough this is not a dis propriate considerat			
	\$	%	3	%			
3c	and other expense	es incurred to influe ion or rule making a	ence elected or a	dered to include all ppointed decision-ration vities required to be	nakers		
	\$	% \$	3	% \$			
3d		by an insurer as da for violation of law		gainst the insurer f	or bad faith or as		
	\$	% \$	;	% \$			
3e .	All contributions t	o organizations en					
	\$	% \$		% \$			
	All fees and penal	ties imposed on the	e insurer for civil	or criminal violatio			
3f		% \$		% \$			
3f	\$	/				CONTRACTOR OF THE STATE OF THE	
Y.	All contributions t	o social, religious,		nal organizations.	THE RESIDENCE WAS DELICATED BY		
3g	\$	o social, religious,		% \$			
3g	\$ All fees and asses	o social, religious, %  \$ sments paid to adv	isory organizatio	% \$ ns.			
3g 3h	\$ All fees and asses \$	o social, religious, %  \$ sments paid to adv %  \$	isory organizatio	%  \$  ns.  %  \$			
3g 3h	\$ All fees and asses \$	o social, religious, %  \$ sments paid to adv %  \$ al expenses - sum of	isory organization	%  \$ ons. %  \$ e, 3f, 3g and 3h.			
3i	\$ All fees and asses \$ Disallowed genera \$	o social, religious, %  \$ sments paid to adv %  \$ al expenses - sum of	isory organization	%  \$ ons. %  \$ e, 3f, 3g and 3h.			
3g 3h	\$ All fees and asses \$ Disallowed genera \$	o social, religious, %  \$ sments paid to adv %  \$ al expenses - sum of	risory organization of lines 3c, 3d, 3e - line 3a minus lin	%  \$ ons. %  \$ e, 3f, 3g and 3h.			

<b>Group/Company Name:_</b>	
-----------------------------	--

## REPORT OF INSURANCE EXPENSE EXHIBIT DATA CALENDAR YEAR 1995

	Homeowners Multiple Peril		Automobile Liability				
			Private Passenger		Comm		
	(IEE	Line 4)	(IEE Lines	19.1 and 19.2)	(IEE Lines 1		
LINE	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 Insurance Expen		I the amount rep	orted on Part III, col	umn 1 of the		
	S	100%	\$	100%\$	\$	100%	
2a	Other acquisition	, field supervision on Part III, column	and collection ex 14 of the Insuran	penses incurred - n ce Expense Exhibit	nust equal the		
	S	%	\$	%	\$	%	
2b	the services or p	roducts provided by	y the insurer; 2. A or promotion of c nal Revenue Cod	ing: 1. Advertising Advertising designe organizations exem e.	d and directed at pt from federal	9/	
2c				ection expenses in			
	S	%	\$	%	\$	%	
3a	General expense Insurance Expen	se Exhibit.		reported on Part III,			
	\$	%		%		%	
3b	Loss control and expense, it must	safety engineering be reported separa	expenses. (Altho tely to ensure ap	ough this is not a di propriate considera	tion.)		
	\$	%		%		%	
3c	and other expens	enses. Lobbying ex	penses are cons	idered to include al	salaries, fees		
	regarding legisla the Texas Ethics	tion or rule making	and all other acti	ivities required to b	e reported under		
	the Texas Ethics	tion or rule making Law.	and all other acti	ivities required to b	e reported under \$	9	
3d	the Texas Ethics \$ All amounts paid	tion or rule making Law.	and all other acti \$ amages in a suit a	wities required to be a second with the second	e reported under \$ for bad faith or as		
3d	the Texas Ethics  \$ All amounts paid fines or penalties \$	tion or rule making Law.  % by an insurer as day for violation of law	and all other acti \$ amages in a suit a '. \$	wities required to be against the insurer	e reported under \$ for bad faith or as		
3d 3e	the Texas Ethics  \$ All amounts paid fines or penalties \$	tion or rule making Law.  % by an insurer as day for violation of law to organizations er	and all other acti \$ amages in a suit a /. \$ agaged in legislat	wities required to be against the insurer to be against the insurer to be advocacy.	e reported under \$ for bad faith or as \$	%	
	\$ All amounts paid fines or penalties \$ All contributions \$	tion or rule making Law.  % by an insurer as day for violation of law to organizations er	and all other actions mages in a suit and all all all all all all all all all al	wities required to be against the insurer white advocacy.	s reported under  for bad faith or as  \$		
	the Texas Ethics \$ All amounts paid fines or penalties \$ All contributions \$ All fees and pena	tion or rule making Law.  % by an insurer as day for violation of law to organizations er % alties imposed on the	and all other acti  samages in a suit a  f.  samaged in legislates  e insurer for civi	wities required to be against the insurer to be against the insurer to be advocacy.  I or criminal violation	s reported under  for bad faith or as  s  ons of law.	% %	
3e 3f	the Texas Ethics  \$ All amounts paid fines or penalties  \$ All contributions  \$ All fees and penalties	tion or rule making Law.  by an insurer as day for violation of law to organizations er  % alties imposed on the	and all other acti  samages in a suit a  samaged in legislate samaged in suit a	wities required to be against the insurer witive advocacy.	s reported under  for bad faith or as  s  ons of law.	%	
3e 3f	the Texas Ethics  \$ All amounts paid fines or penalties  \$ All contributions  \$ All fees and penalties  All contributions	tion or rule making Law.  by an insurer as day for violation of law to organizations er  whities imposed on the to social, religious	and all other acti  samages in a suit a  f.  samaged in legislate  samaged in legislate  per insurer for civi  samaged in frate	wities required to be against the insurer to be against the insurer to be against the insurer to be advocacy.  I or criminal violation to be against the insurer the insurer to be against the insurer to be against the insurer t	s reported under  stor bad faith or as  stor bad faith or as  stor bad faith or as  stor bad faith or as	% % %	
3e 3f 3g	the Texas Ethics  \$ All amounts paid fines or penalties  \$ All contributions  \$ All fees and penalties  All contributions	tion or rule making Law.  by an insurer as day for violation of law to organizations er  % atties imposed on the to social, religious %	and all other acti  samages in a suit a  f.  samaged in legislate  samaged in legislate  pe insurer for civi  political or frate  \$	wities required to be against the insurer street advocacy.  I or criminal violation with a companient control of the control of the companient control of the companient control of the control	s reported under  stor bad faith or as  stor bad faith or as  stor bad faith or as  stor bad faith or as	% %	
3e 3f 3g	the Texas Ethics \$ All amounts paid fines or penalties \$ All contributions \$ All fees and penalties \$ All contributions \$ All contributions \$ All contributions	tion or rule making Law.  by an insurer as day for violation of law to organizations er  whities imposed on the to social, religious ssments paid to ad	and all other actives amages in a suit and all other actives amages in a suit and a suit a suit and a suit a su	wities required to be against the insurer strike advocacy.  I or criminal violation with the insurer strike advocacy.  I or criminal violation with the insurer strike advocacy.	s reported under  for bad faith or as  s  nns of law.	% % %	
3e 3f 3g 3h	the Texas Ethics \$ All amounts paid fines or penalties \$ All contributions \$ All fees and penalties \$ All contributions \$ All contributions \$ All fees and asse	tion or rule making Law.  by an insurer as day for violation of law to organizations er  whities imposed on the to social, religious ssments paid to ad	and all other acti  samages in a suit a  samages in a suit a  samaged in legislate  samaged in legislate  period in legislate  period in legislate  samaged in legislate  samage	wities required to be against the insurer stive advocacy.  I or criminal violation with a companizations.    %   %   %   %   %   %   %   %   %	s reported under  for bad faith or as  s  nns of law.	% % %	
3e 3f 3g	the Texas Ethics \$ All amounts paid fines or penalties \$ All contributions \$ All fees and pena \$ All contributions \$ All contributions \$ Disallowed general	tion or rule making Law.  by an insurer as day for violation of law to organizations er  whites imposed on the to social, religious ssments paid to ad ral expenses - sum	and all other acti  samages in a suit a  f.  samages in a suit a  f.  samaged in legislate  samaged in legislate  period in legislate  period in legislate  period in legislate  samaged in legislate	wities required to be against the insurer street advocacy.  I or criminal violation with a common street advocacy.  I or criminal violation with a common street advocacy.  I or criminal violation with a common street advocacy.  I or criminal violation with a common street advocacy.  I will be advocacy.	s reported under  for bad faith or as  s  ons of law.  \$	% % %	
3e 3f 3g 3h	the Texas Ethics  \$ All amounts paid fines or penalties  \$ All contributions  \$ All fees and pena  \$ All contributions  \$ All contributions  \$ Disallowed general	tion or rule making Law.  by an insurer as day for violation of law to organizations er  whites imposed on the to social, religious ssments paid to ad  ral expenses - sum	and all other acti  samages in a suit a  c.  samages in a suit a  samages in a suit a  samages i	wities required to be against the insurer stive advocacy.  I or criminal violation with a companizations.    %   %   %   %   %   %   %   %   %	e reported under  \$ for bad faith or as  \$ ons of law.  \$	% % %	

Group/Company	/ Name:

## REPORT OF INSURANCE EXPENSE EXHIBIT DATA CALENDAR YEAR 1995

	Automobile Physical Damage				Grand Total (IEE Line 32)		
		Passenger	Com	mercial			
		ine 21.1)	(IEE L	ine 21.2)			
LINE	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	Insurance Expens		I the amount rep	orted on Part III, col	umn 1 of the		
12.18	\$	100%	\$	100%	\$	100	
2a				penses incurred - m ce Expense Exhibit.			
	\$	%	3	%	3		
2b	the services or pr loss prevention; taxation under 5.0	roducts provided by and 3. Advertising f 01(c)(3) of the Intern	the insurer; 2. A or promotion of c al Revenue Code		d and directed at ot from federal		
	\$	%		%			
2c	minus line 2b.			ection expenses inc	urred - line 2a		
	\$	%		eported on Part III, o			
3b		%   safety engineering	expenses. (Altho	%  \$ ugh this is not a dis	allowed		
	s	% S		% \$			
<b>3c</b>	and other expense regarding legislat the Texas Ethics I	nses. Lobbying expession or rule making a Law.	penses are consi ence elected or a and all other activ	dered to include all ppointed decision-n vities required to be	salaries, fees nakers reported under		
	\$	% \$		% \$			
3d	fines or penalties	for violation of law.		gainst the insurer fo			
	\$	% \$		% \$			
	All contributions t			Un advanged			
3e	A			The second secon		ALCOHOLD THE OWNER	
	\$	% \$		% \$			
		%  \$ ties imposed on the	insurer for civil	%  \$ or criminal violation	ns of law.		
3f	\$	%  \$ ties imposed on the %  \$	insurer for civil	%  \$ or criminal violation %  \$	ns of law.		
3f	\$	%  \$ ties imposed on the %  \$ to social, religious,	insurer for civil	%  \$ or criminal violation %  \$ nal organizations.	ns of law.		
3f 3g	\$ All contributions t	%  \$ ties imposed on the %  \$ o social, religious, %  \$	insurer for civil	%  \$ or criminal violation %  \$ nal organizations. %  \$	ns of law.		
3f 3g	\$ All contributions t	%  \$ ties imposed on the %  \$ o social, religious, %  \$ sments paid to adv	insurer for civil political or frater isory organizatio	%  \$ or criminal violation %  \$ nal organizations. %  \$ ns.	ns of law.		
3f 3g 3h	\$ All contributions t \$ All fees and asses \$	%  \$ ties imposed on the %  \$ o social, religious, %  \$ sments paid to adv	political or frater	%  \$ or criminal violation %  \$ nal organizations. %  \$ ns.	ns of law.		
3f 3g	\$ All contributions t \$ All fees and asses \$	%  \$ ties imposed on the %  \$ o social, religious, %  \$ sments paid to adv	political or frater isory organizatio of lines 3c, 3d, 3e	%  \$ or criminal violation %  \$ nal organizations. %  \$ ns. %  \$ , 3f, 3g and 3h.	ns of law.		
3g 3h	\$ All contributions t \$ All fees and asses \$ Disallowed genera \$	%  \$ ties imposed on the %  \$ o social, religious, %  \$ sments paid to adv %  \$	political or frater isory organizatio of lines 3c, 3d, 3e	%  \$ or criminal violation %  \$ nal organizations. %  \$ ns. %  \$ , 3f, 3g and 3h. %  \$	ns of law.		

#### 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/Co	ompany Name:						
	1995 Compensation and Benefits							
Positior Title	n	Salary and Cash Bonuses	Expenses (Taxable and Nontaxable)	All Other	Total			
1 2								
3								
4								
5								
-					•			
_					•			
					-			
_								
_					•			
					•			
-				ana ang ang ang ang ang ang ang ang ang				
					,			
-								
_								

#### 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 🔲	no	
If not competitively b	id, description of	how the cost o	of goods or
services was set at m	arket value:		

Attachradditional pages as needed.

Page \_\_\_of\_\_\_.

## TEXAS DISALLOWED EXPENSE CALL

## **AFFIDAVIT**

THE STATE OF	
COUNTY OF	
I,, the (posi	
being duly sworn, deposes and says that all of Company contained herein, together with any necessard explanations contained, annexed or referred to accordance with the instructions provided according knowledge and belief.	f the information of the named essary related exhibits, schedules o are a full and true statement in
	Signature
SUBSCRIBED AND SWORN TO BEFORE ME this	the, 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 I	EACH INDIVIDUAL COMPANY NAME AND NAIC CODE:
Group/Company had direct written p	Residential Allied Lines Farmowners Multiple Peril Homeowners Multiple Perile Private Passenger Automobile
COMPANY CONTACT PERSON:	PHONE:

## "ACKNOWLEDGMENT OF RECEIPT"

I,	AN OF	FICER	FOR (Insur	rance	Company/	Group	Name)
Number) DO H DISALLOWED EXPENSE C.	EREBY	ACKNO	OWLEDGE	REC	CEIPT OF	THE	TEXAS
(If you are filing a group filing, p	please lis	t company	names and	NAIC	numbers bel	ow).	
Company Name		<u>N</u> .	AIC Numbe	<u>er</u>			
					S	IGNA	TURE
							DATE
NEW POINT OF CONTA APPOINTMENT REQUIRED		NLY R	EQUIRED	IF	CHANGED	OR	NEW
NAME:							
Phone Number: () Address:				_			
This acknowledgment must ar	rive at T	DI by Ma	ırch 4, 1996.	•			
Mail to: Texas Department of Insuranc Clare Pramuk, Director Data Services Mail Code 105-5D	e						
P.O. Box 149096 Austin, TX 78714-9096							

or fax to: (512) 463-6122