

No. 08-0037

**Official Order  
of the  
Commissioner of Insurance  
of the  
State of Texas**

**Austin, Texas**

**Date: JAN 16 2008**

**Subject Considered:**

**RATES AND MANUAL CHANGES FOR PRIVATE PASSENGER AND  
COMMERCIAL AUTOMOBILE INSURANCE PROVIDED THROUGH THE  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**

**DOCKET NO. 2677**

**General remarks and official action taken:**

On this day came on for consideration by the Commissioner of Insurance (Commissioner) the matter of the 2007 rate filing for private passenger and commercial automobile insurance coverage by the Texas Automobile Insurance Plan Association (TAIPA) with the Texas Department of Insurance (Department), as required by the Insurance Code Section 2151.202. On October 29, 2007, TAIPA filed a petition for changes in the rates for private passenger and for commercial automobile insurance and to the TAIPA Rules and Rating Manual (TAIPA manual). Notice of the TAIPA rate filing was provided to the Secretary of State for posting in the *Texas Register* on November 9, 2007. On December 11, 2007, a hearing was convened in Room 100 of the William P. Hobby, Jr. State Office Building, 333 Guadalupe, Austin, Texas 78701, to consider TAIPA's rate

filing, allowing all interested persons to present written and oral testimony relating to TAIPA's rate filing. TAIPA was present and represented by Michael Jones and Richard S. Geiger of Thompson, Coe, Cousins & Irons, L.L.P. The Office of Public Insurance Counsel (OPIC) was present and represented by Dirk Johnson.

After considering TAIPA's rate filing and supplements, staff's analysis, and all written and oral testimony presented, the Commissioner adopts the following findings of fact and conclusions of law.

#### **FINDINGS OF FACT**

1. TAIPA's original petition for changes in the rates for private passenger and commercial automobile insurance was filed with the Department on October 29, 2007, and assigned Petition Number A-1007-15.
2. TAIPA filed supplemental petitions with the Department on December 5, 2007, and December 11, 2007.
3. TAIPA proposes an experience-based increase of 5.5 percent for private passenger automobile insurance.
4. For commercial automobile insurance, TAIPA proposes to adopt the Insurance Services Office, Inc. (ISO) class factors.
5. TAIPA proposes adjusting the otherwise applicable rates by the appropriate increased limits factors from the Department's Texas Automobile Rules and Rating Manual (Department manual) for the

changes in minimum financial responsibility limits that become effective April 1, 2008.

6. TAIPA proposes to amend the rules in the TAIPA manual to conform to the proposed changes in Findings of Fact (FOF) Nos. 3 – 5.
7. On December 10, 2007, OPIC submitted to the Department calculations of its rate recommendations, proposing a decrease of 24.2 percent for private passenger automobile insurance provided through TAIPA. OPIC did not make any recommendations for changes in the rates for commercial automobile insurance provided through TAIPA.

### **Private Passenger Automobile Insurance Rates**

#### **Loss Development**

8. TAIPA proposes loss development factors based on the loss development patterns of prior years of TAIPA experience. OPIC agrees with these factors.
9. TAIPA's loss development factors are reasonable.

**Trend Factors**

10. TAIPA provides various measures of trend, but ultimately relies on an analysis of the claims frequency and claims severity in the TAIPA market in making its trend selection.
11. Based on its analyses, TAIPA selects trends of 6.0 percent for bodily injury (BI) liability, 1.5 percent for property damage (PD) liability, 2.0 percent for personal injury protection (PIP), and 4.0 percent for uninsured/underinsured motorist (UM) coverage.
12. OPIC recommends trends of -7.4 percent for BI liability, -3.0 percent for PD liability, -5.0 percent for PIP, and 4.0 percent for UM coverage based on its review of trends in TAIPA's on-level ultimate loss ratios and Texas Quarterly Detailed Experience (QDE) data.
13. The rating system used by TAIPA is risk-based and reflects changes in loss exposure due to changing distributions of business among driver classifications and geographic territory.
14. TAIPA's reliance on claims frequency and claims severity data to determine trends ignores possible concurrent offsetting changes in premiums resulting from changing distributions of business.
15. Trends in loss ratios (losses divided by premiums), used in part by OPIC, reflect changes in both average premiums and average losses.
16. Loss ratio trends for coverages other than UM are sharply downward, in contrast to the upward trend for average losses.

17. The volume of business written through TAIPA is small and has been sharply decreasing for the last few years, altering the distribution of business.
18. The new Texas Financial Responsibility Verification Program to be implemented in calendar year 2008 may further affect the distribution and volume of business written through TAIPA.
19. Based on FOF Nos. 13 - 18, loss and loss ratio trends solely based on prior TAIPA data may not reasonably predict future levels of loss.
20. Neither TAIPA's nor OPIC's trend analyses are entirely persuasive.
21. Trend selections of 0.0 percent for BI liability, 0.0 percent for PD liability, 0.0 percent for PIP, and 4.0 percent for UM coverage, are reasonable.

**Adjusting and Other Expenses**

22. TAIPA proposes adjusting and other expense (AOE) factors based on rolling two year averages using the experience of 2003, 2004, 2005, and 2006. For example, the average of the 2003 and 2004 experience was used to determine the factor for 2004.
23. OPIC proposes AOE factors for each of the years 2004, 2005, and 2006 based on the experience of that year.
24. The TAIPA AOE factors are reasonable.

**Variable Expenses**

25. Variable expenses are commissions and taxes, licenses, and fees, which vary directly with premiums.
26. For variable expenses, it is reasonable to use a 10 percent provision for commissions, consistent with the actual commissions paid on TAIPA business.
27. TAIPA and OPIC both use a 1.9 percent provision for taxes, licenses, and fees based on the report of Texas Premiums, Losses, and Dividends by Company.
28. A provision for taxes, licenses, and fees of 1.9 percent is reasonable.

**Fixed Expenses**

29. Fixed expenses (FE) represent insurers' overhead expenses, also known as general and other acquisition expenses.
30. TAIPA and OPIC calculate general and other acquisition expenses as a dollar amount per policy, using combined voluntary and TAIPA experience.
31. TAIPA bases its calculations of FE on data for 2006.
32. OPIC bases its calculations of FE on data for 2004, 2005, and 2006.
33. OPIC's use of three years of FE data is reasonable.

34. TAIPA's calculations include an amount equivalent to 100 percent of the amount of FE allocated by insurers to both private passenger automobile liability and physical damage coverages.
35. OPIC's calculations include an amount equivalent to 100 percent of the amount of FE allocated by insurers to private passenger automobile liability coverage and 50 percent of the amount of FE allocated by insurers to private passenger automobile physical damage coverage.
36. In the voluntary market, liability and physical damage coverages are normally written on the same policy. Expenses for writing such a policy are allocated for reporting purposes between the liability and physical damage coverages.
37. The assumption that the marginal costs of including physical damage coverage on a policy are not significant is reasonable.
38. It is reasonable to assume that some of the overall expenses necessary to issue policies, whether physical damage coverage is included or not, are reflected in the physical damage expenses, since the expenses allocated to liability coverage are approximately equal to the expenses allocated to physical damage coverage based on a percentage of premium.
39. It is therefore reasonable to reflect some portion of FE allocated to physical damage coverage by insurers even though TAIPA does not provide physical damage coverage.
40. The marginal costs of including physical damage coverage on a policy should not be included in expense calculations for TAIPA as TAIPA only

- provides liability coverage. Including 100 percent of expenses allocated by insurers to physical damage coverage is not reasonable.
41. OPIC's recommendation to include 50 percent of FE allocated to physical damage coverage by insurers is reasonable.
  42. Some insurance companies writing business in the voluntary private passenger automobile market use their own employees to write and service their business. Such costs are normally characterized and accounted for as other acquisition expenses.
  43. It is reasonable to assume that agents writing TAIPA business perform some of the services normally carried out by insurance company employees in the voluntary market.
  44. To the extent that insurers use their employees for some services, other acquisition expenses based on voluntary market data tend to overstate expenses needed for servicing TAIPA business.
  45. OPIC proposes to reduce FE by 0.5 percentage points to adjust for the overstatement of FE created by using other acquisition expenses calculated for the voluntary market in determining TAIPA rates.
  46. Reducing FE by 0.5 percentage points for the overstatement of other acquisition expenses is reasonable.
  47. General expense data as reported by insurers in the Insurance Expense Exhibit (IEE) contain some expenses that are disallowed under Texas law for calculating voluntary market rates.



48. Both TAIPA and OPIC reduce FE by 0.2 percentage points to account for disallowed expenses included in general expense data.
49. Reducing FE by 0.2 percentage points to exclude disallowed expenses in calculating TAIPA rates is reasonable.
50. Other acquisition expenses reported by insurers include advertising expenses.
51. Advertising expenses are not applicable to TAIPA business.
52. TAIPA reduces other acquisition expenses by 0.5 percentage points to account for advertising expenses not applicable to TAIPA business.
53. TAIPA's adjustment for advertising expenses is reasonable.
54. Both TAIPA and OPIC utilize a FE trend of 2.4 percent.
55. A FE trend of 2.4 percent is reasonable.
56. OPIC reduces the FE ratio by 50 percent since six month policies are normally sold in the voluntary market while annual policies are sold through TAIPA.
57. There is insufficient evidence to support a reduction of the FE ratio by 50 percent as proposed by OPIC.
58. There may be some marginal expense savings due to issuing one annual policy compared to two six month policies per year due to reduced postage, copying, processing, and record-keeping costs.
59. It is reasonable to make a minor adjustment to account for the annual duration of the TAIPA policy by subtracting a judgmentally selected \$3.00

- from FE to reflect the fact that there may be some marginal expense savings.
60. An average 93.5 percent of the premium originally written in the voluntary market is ultimately earned, compared to 85.2 percent of the premium written through TAIPA, meaning that relatively fewer premium dollars become available for TAIPA to cover expenses.
61. Adjusting the TAIPA expense ratio upward by a factor of 1.098 (93.5/85.2) based upon the ratio of premiums earned in the voluntary market to premiums earned in the TAIPA market is reasonable.

#### **Installment Fee Income**

62. Installment fees paid by TAIPA insureds are a source of income to insurers that are not included as part of premium income.
63. TAIPA's estimate of installment fee income is 4.2 percent of premium. OPIC agrees with this estimate.
64. Deducting 4.2 percentage points from FE for installment fee income is reasonable.

**Profit Provision**

65. TAIPA proposes a profit provision of 0.0 percent. OPIC recommends a profit provision of -0.6 percent. There is not a substantive difference between the two proposals.
66. A profit provision of 0.0 percent is reasonable.

**Credibility**

67. OPIC includes a credibility adjustment to determine final rate indications by coverage based on a standard of 4,000 claims.
68. OPIC's methodology is to use one year of trend as the complement of credibility.
69. OPIC's credibility adjustment and complement of credibility are reasonable.

**Commercial Automobile Insurance Rates**

70. TAIPA proposes the adoption of ISO class factors.
71. Adoption of ISO class factors without modification would result in significant changes in some individual rates.

72. Exhibit D contains a list of ISO class factors which have been modified so that the rate impact does not exceed the greater of 20 percent of premium or \$100 annually based on 2006 premium.
73. Adoption of the ISO class factors as modified in Exhibit D is reasonable.

### **Issues Common to Private Passenger and Commercial Automobile Insurance**

#### **New Minimum Financial Responsibility Limits**

74. New minimum financial responsibility limits apply to policies issued on or after April 1, 2008. To comply with this statutory change, policies sold through TAIPA on or after April 1, 2008, will provide coverage in accordance with the new minimum financial responsibility limits of \$25,000 per person and \$50,000 per occurrence for BI liability and \$25,000 for PD liability.
75. TAIPA proposes adjusting the otherwise applicable rates by the appropriate increased limits factors from the Department manual.
76. The Department manual lists increased limits factors of 1.11 for BI liability and 1.02 for PD liability for private passenger policies; and 1.20 for BI liability and 1.04 for PD liability for commercial automobile policies.
77. TAIPA's use of the increased limits factors from the Department manual to reflect the new financial responsibility limits is reasonable.

78. TAIPA is required by law to offer UM coverage at the same financial responsibility level offered for BI and PD liability coverage. The UM coverage may be rejected by the policyholder.
79. In the Department manual, the rates reflecting the new minimum financial responsibility limits of \$25,000 per person and \$50,000 per occurrence for uninsured/underinsured motorist bodily injury (UMBI) coverage are 13 percent greater than the current minimum financial responsibility limits. For uninsured/underinsured motorist property damage (UMPD) coverage, the rates reflecting the new minimum financial responsibility limit of \$25,000 are 7 percent greater than the current minimum financial responsibility limits.
80. Increasing TAIPA private passenger rates for UMBI coverage by 13 percent and UMPD coverage by 7 percent is reasonable.
81. ISO has filed and the Department has accepted new commercial automobile loss costs for UM coverage in response to the change in minimum financial responsibility limits. The new ISO loss costs for the new minimum financial responsibility limits are \$17.52 for UMBI and \$18.39 for UMPD.
82. Applying the loss cost multiplier adopted in Commissioner's Order No. 07-0145 (1.565) to the loss costs of FOF No. 81 produces a UMBI rate of \$27.00 ( $\$17.52 \times 1.565$ ) and a UMPD rate of \$29.00 ( $\$18.39 \times 1.565$ ).
83. Rates of \$27.00 for UMBI and \$29.00 for UMPD for commercial automobile insurance written through TAIPA are reasonable.

**TAIPA Manual**

84. TAIPA proposes several modifications to rules included in the TAIPA manual affecting both private passenger and commercial automobile insurance:
- a. An amendment to Rule 4, which controls midterm policy changes, requires TAIPA to use rates in effect at the inception of the policy when a change is made, rather than rates in effect on the date the policy is changed; and
  - b. Amendments to Rules 51, 52, 53, 61, 63, 72, and 78 reflect the conversion of the TAIPA manual to the use of ISO class factors.
85. The change in Rule 4 of the TAIPA manual is reasonable.
86. Changes to Rules 51, 52, 53, 61, 63, 72, and 78 of the TAIPA manual to reflect the conversion of the manual to ISO class factors are reasonable provided the changes are consistent with FOF Nos. 71 – 73.

**CONCLUSIONS OF LAW**

- 1. The Commissioner has jurisdiction over this matter pursuant to the Insurance Code §2151.207.
- 2. Proper and timely notice of the hearing was given pursuant to the Insurance Code §2151.204.

3. The setting of rates in accordance with these findings of fact and conclusions of law is in compliance with the provisions of the Insurance Code §2151.201. This section provides that the Commissioner shall determine and prescribe TAIPA rates that are just, reasonable, adequate, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which they apply. This section also provides that TAIPA rates shall be set in an amount sufficient to carry all claims to maturity and to meet the expenses incurred in the writing and servicing of the business.

IT IS THEREFORE THE ORDER of the Commissioner of Insurance that the above findings of fact and conclusions of law are adopted.

IT IS FURTHER ORDERED that the rates to be charged for private passenger automobile insurance provided through TAIPA, including the change due to the increased minimum financial responsibility limits, be revised by +4.9 percent for bodily injury liability, by -4.6 percent for property damage liability, by -7.8 percent for personal injury protection, by +15.1 percent for uninsured/underinsured motorists bodily injury coverage, and by +9.0 percent for uninsured/underinsured motorists property damage coverage, in accordance with Texas Insurance Code Chapter 2151.


IT IS FURTHER ORDERED that the rates to be charged for commercial automobile insurance policies provided through TAIPA be modified consistent with the findings and conclusions set forth in this order.

IT IS FURTHER ORDERED that TAIPA's rates as modified by this order become effective April 1, 2008.

IT IS FURTHER ORDERED that the TAIPA manual be amended consistent with the findings and conclusions set forth in this order, effective April 1, 2008.

AND IT IS SO ORDERED.

TEXAS DEPARTMENT OF INSURANCE

  
MIKE GEESLIN  
COMMISSIONER OF INSURANCE



08-0037

Exhibit A

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger  
Rate Level Changes**

<u>Required Coverages</u>	<u>Premium at Present Rates</u>	<u>Experience Change</u>	<u>Increased Limits</u>	<u>Total</u>
Bodily Injury	\$ 26,081,960	-5.5%	11%	4.9%
Property Damage	\$ 29,516,623	-6.5%	2%	-4.6%
<b>Subtotal</b>	<b>\$ 55,598,583</b>	<b>-6.0%</b>		<b>-0.1%</b>
<b>Optional Coverages</b>				
Personal Injury Protection	\$ 1,697,958	-7.8%		-7.8%
Uninsured Motorist				
Bodily Injury	\$ 1,117,784	1.9%	13%	15.1%
Property Damage	\$ 952,187	1.9%	7%	9.0%
<b>Subtotal</b>	<b>\$ 3,767,929</b>	<b>-2.5%</b>		<b>3.2%</b>
<b>TOTAL - ALL COVERAGES</b>	<b>\$ 59,366,512</b>	<b>-5.8%</b>	<b>6.2%</b>	<b>0.0%</b>

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger Auto  
Expense Summary**

Variable Expenses

(1)	Commissions	10.0%
(2)	Taxes, Licenses and Fees	1.9%
(3)	Profit Provision	0.0%
(4)	Total Variable Expenses	11.9%
(5)	Fixed Expenses*	10.4%
(6)	Permissible Loss, LAE and FE Ratio	88.1%

\* See exhibit 2-2

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
**Effective April 1, 2008**  
**Private Passenger Auto**  
**Development of Fixed Expense Ratio**

From Insurance Expense Exhibits  
 Results of All Companies Writing in Texas, Adjusted for Texas Volume of Business

<u>Liability</u>	Written	Other	Ratio to	General	Ratio to
<u>Year</u>	<u>Premium('000)</u>	<u>Acquisition</u>	<u>Premium</u>	<u>Expenses('000)</u>	<u>Premium</u>
	(1a)	(2a)	(3a)	(4a)	(5a)
2004	\$3,570,595	\$280,987	7.9%	\$157,886	4.4%
2005	\$3,614,839	\$233,454	6.5%	\$185,970	5.1%
2006	\$3,795,438	\$298,281	7.9%	\$204,096	5.4%

<u>Physical Damage</u>	Written	Other	Ratio to	General	Ratio to
<u>Year</u>	<u>Premium('000)</u>	<u>Acquisition</u>	<u>Premium</u>	<u>Expenses('000)</u>	<u>Premium</u>
	(1b)	(2b)	(3b)	(4b)	(5b)
2004	\$2,777,208	\$217,754	7.8%	\$118,798	4.3%
2005	\$2,801,946	\$206,089	7.4%	\$119,285	4.3%
2006	\$3,032,991	\$234,375	7.7%	\$153,937	5.1%

<u>Selected Fixed Expenses:</u>					
	<u>Other Acquisition</u>	<u>Advertising</u>	<u>General</u>	<u>Disallowed</u>	<u>Expense</u>
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Adjustment for</u>
	(6)	(7)	(8)	(9)	<u>Fewer Services</u>
	(6)	(7)	(8)	(9)	(10)
Liability	7.5%	0.5%	5.2%	0.2%	0.5%
Phys. Dam.	7.6%	0.5%	4.7%	0.2%	0.5%

Conversion from percentage in Total Market to percentage in TAIPA

<u>Liability</u>	Written	Average	Average
<u>Year</u>	<u>Premium</u>	<u>Exposures</u>	<u>Fixed Expense</u>
	(11a)	(12)	<u>per Car</u>
	(11a)	(12)	(14a)
2004	3,177,637,272	6,598,498	\$55.38
2005	3,182,844,189	6,784,722	\$53.95
2006	3,183,304,279	6,919,241	\$52.91

<u>Physical Damage</u>	Written	Average	Average
<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>Fixed Expense</u>
	(11b)	(13b)	<u>per Car</u>
	(11b)	(13b)	(14b)
2004	2,401,833,947	\$364.00	\$40.40
2005	2,409,303,541	\$355.11	\$39.42
2006	2,483,389,454	\$358.91	\$39.84

<u>Total</u>	Adjusted	Expense	Trended	Adjustment	Adjusted, Trended
<u>Year</u>	<u>Fixed Expense</u>	<u>Trend</u>	<u>Fixed Expense</u>	<u>for Policy</u>	<u>Fixed Expense</u>
	<u>per Car</u>	<u>Factor</u>	<u>Per Car</u>	<u>Length</u>	<u>Per Car</u>
	(15)	(16)	(17)	(18)	(19)
2004	\$75.58	1.119	\$84.57	-\$3.00	\$81.57
2005	\$73.66	1.093	\$80.51	-\$3.00	\$77.51
2006	\$72.83	1.067	\$77.71	-\$3.00	\$74.71

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
**Effective April 1, 2008**  
**Private Passenger Auto**  
**Development of Fixed Expense Ratio**

From Insurance Expense Exhibits  
 Results of All Companies Writing in Texas, Adjusted for Texas Volume of Business

<u>Year</u>	<u>Adjusted, Trended Fixed Expense Per Car</u> (19)	<u>TAIPA Premium at Present Rates</u> (20)	<u>TAIPA Earned Exposures</u> (21)	<u>Average Premium at Current Level</u> (22)
2004	\$81.57	\$26,403,905	42,200	\$625.68
2005	\$77.51	\$13,399,672	23,547	\$569.06
2006	\$74.71	\$8,235,834	14,793	\$556.74

<u>Year</u>	<u>Fixed Expense Ratio</u> (23)	<u>Earned Premium Adjustment</u> (24)	<u>Adjusted Fixed Expense Ratio</u> (25)	<u>Installment Payment Fee</u> (26)	<u>Adjusted Fixed Expense Ratio</u> (27)
2004	13.0%	1.098	14.3%	-4.2%	10.1%
2005	13.6%	1.098	14.9%	-4.2%	10.7%
2006	13.4%	1.098	14.7%	-4.2%	10.5%

Selected Fixed Expense Ratio	10.4%
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## Notes:

- (1) - (5) Liability & Physical Damage written premium, other acquisition and general expense information from IEE
- (6), (8) Selected Expense Provisions are 15/30/55 weighted averages
- (11) - (12) Liability & Physical Damage written premium, and earned exposure information from report QDERPT21
- (13) =(11) / (12)
- (14) =(13) \* [ (6) - (7) + (8) - (9) - (10) ]
- (15) =(14a) + 0.5 \* (14b)
- (16) Annual fixed expense trend is 2.4%
- (17) =(15) \* (16)
- (18) Estimated reduction in cost of yearly policy over 2 six month policies.
- (19) =(17) + (18) (repeated on page 2 for convenience)
- (20) Earned Premiums from QDE trend report x current level factors (MJM-4, sheet 1, column (3))
- (21) Earned Exposures from QDE trend report
- (22) =(20) / (21)
- (23) =(19) / (22)
- (24) =Ratio of voluntary to involuntary premiums earned
- (25) =(23) \* (24)
- (27) =(25) + (26)

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger Auto**  
**Indicated Rate Level Change**

		<b>Bodily Injury</b>			
		Calendar Accident Year Ended 12/31/04	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Total
(1)	Earned Premium at Present Rates	\$ 13,717,445	\$ 7,278,963	\$ 5,085,552	\$ 26,081,960
(2)	Reported Incurred Loss and DCCE	\$ 8,975,955	\$ 4,384,100	\$ 2,322,476	\$ 15,682,531
(3)	Loss Development Factors	1.027	1.060	1.133	
(4)	AOE Factor	1.147	1.123	1.124	
(5)	Developed Losses + LAE	\$ 10,573,397	\$ 5,218,745	\$ 2,957,655	\$ 18,749,797
(6)	a. Years of Trend (midpoint 9/1/07)	4.750	3.750	2.750	
	b. Trend Rate	0.0%	0.0%	0.0%	
	c. Loss Trend Factor	1.000	1.000	1.000	
(7)	Trended Loss & LAE (5) x (6)	\$ 10,573,397	\$ 5,218,745	\$ 2,957,655	\$ 18,749,797
(8)	Trended Loss & LAE Ratio (7) / (1)				0.719
(9)	Fixed Expense Ratio				0.104
(10)	Permissible Loss Ratio				88.1%
(11)	Credibility				0.841
(12)	Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6b) * (1 - (11))$				-5.5%

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger Auto**  
**Indicated Rate Level Change**

		<b>Property Damage</b>			
		Calendar Accident Year Ended 12/31/04	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Total
(1)	Earned Premium at Present Rates	\$ 15,353,617	\$ 8,279,016	\$ 5,883,990	\$ 29,516,623
(2)	Reported Incurred Loss and DCCE	\$ 9,923,351	\$ 5,300,612	\$ 3,098,484	\$ 18,322,447
(3)	Loss Development Factors	1.006	1.017	1.080	
(4)	AOE Factor	1.147	1.123	1.124	
(5)	Developed Losses + LAE	\$ 11,450,376	\$ 6,053,781	\$ 3,761,312	\$ 21,265,469
(6)	a. Years of Trend (midpoint 9/1/07)	4.750	3.750	2.750	
	b. Trend Rate	0.0%	0.0%	0.0%	
	c. Loss Trend Factor	1.000	1.000	1.000	
(7)	Trended Loss & LAE (5) x (6)	\$ 11,450,376	\$ 6,053,781	\$ 3,761,312	\$ 21,265,469
(8)	Trended Loss & LAE Ratio (7) / (1)				0.720
(9)	Fixed Expense Ratio				0.104
(10)	Permissible Loss Ratio				88.1%
(11)	Credibility				1.000
(12)	Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6b) * (1 - (11))$				-6.5%

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger Auto  
Indicated Rate Level Change**

**Personal Injury Protection**

	Calendar Accident Year Ended 12/31/04	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Total
(1) Earned Premium at Present Rates	\$ 1,112,135	\$ 363,843	\$ 221,980	\$ 1,697,958
(2) Reported Incurred Loss and DCCE	\$ 566,132	\$ 128,274	\$ 43,750	\$ 738,156
(3) Loss Development Factors	1.053	1.065	1.085	
(4) AOE Factor	1.206	1.179	1.171	
(5) Developed Losses + LAE	\$ 718,941	\$ 161,065	\$ 55,586	\$ 935,592
(6) a. Years of Trend (midpoint 9/1/07)	4.750	3.750	2.750	
b. Trend Rate	0.0%	0.0%	0.0%	
c. Loss Trend Factor	1.000	1.000	1.000	
(7) Trended Loss & LAE (5) x (6)	\$ 718,941	\$ 161,065	\$ 55,586	\$ 935,592
(8) Trended Loss & LAE Ratio (7) / (1)				0.551
(9) Fixed Expense Ratio				0.104
(10) Permissible Loss Ratio				88.1%
(11) Credibility				0.305
(12) Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6b) * (1 - (11))$				-7.8%

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**  
Effective April 1, 2008

**Private Passenger Auto**  
**Indicated Rate Level Change**

**Uninsured/Underinsured Motorists**

	Calendar Accident Year Ended 12/31/04	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Total
(1) Earned Premium at Present Rates	\$ 1,197,177	\$ 502,771	\$ 370,023	\$ 2,069,971
(2) Reported Incurred Loss and DCCE	\$ 680,123	\$ 229,166	\$ 226,498	\$ 1,135,787
(3) Loss Development Factors	1.006	0.999	1.057	
(4) AOE Factor	1.147	1.123	1.124	
(5) Developed Losses + LAE	\$ 784,782	\$ 257,096	\$ 269,095	\$ 1,310,973
(6) a. Years of Trend (midpoint 9/1/07)	4.750	3.750	2.750	
b. Trend Rate	4.0%	4.0%	4.0%	
c. Loss Trend Factor	1.205	1.158	1.114	
(7) Trended Loss & LAE (5) x (6)	\$ 945,662	\$ 297,717	\$ 299,772	\$ 1,543,151
(8) Trended Loss & LAE Ratio (7) / (1)				0.745
(9) Fixed Expense Ratio				0.104
(10) Permissible Loss Ratio				88.1%
(11) Credibility				0.278
(12) Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6b) * (1 - (11))$				1.9%



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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
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Commercial Auto  
Class Factor Changes

TAIPA Rule	ISO Rule	Rule Name	Class Description	Class Code	Current Factor	ISO Factor	Modified Factor*
51.C.2.a	22.C.2.b	Prem.Development-Other Than Zone	Fleet		N/A	1.10	1.10
52.C.2.b	25.C.2.b	Prem.Development-Zone	Fleet		N/A	0.70	0.70
53.B.5	23.B.5	Truck,Tractors,Trailers-Primary Factors-Local	Light-Retail	021 and 024	1.43	1.50	1.50
			Light-Commercial	031	1.31	1.35	1.35
			Light-Commercial	034	1.31	1.35	1.34
			Medium-Service	211	0.93	1.05	1.05
			Medium-Service	214	0.93	1.05	1.04
			Medium-Retail	221	1.19	1.55	1.36
			Medium-Retail	224	1.19	1.55	1.29
			Medium-Commercial	231	1.10	1.40	1.26
			Medium-Commercial	234	1.10	1.40	1.11
			Heavy-Service	311	0.83	1.10	0.96
			Heavy-Service	314	0.83	1.10	0.93
			Heavy-Retail	321 and 324	1.59	1.65	1.65
			Heavy-Commercial	331	1.34	1.50	1.50
			Heavy-Commercial	334	1.34	1.50	1.38
			Heavy Tr/Tractor-Service	341 and 344	1.45	1.35	1.35
			Heavy Tr/Tractor-Retail	351 and 354	2.01	2.00	2.00
			Heavy Tr/Tractor-commercial	361	1.43	1.85	1.65
			Heavy Tr/Tractor-commercial	364	1.43	1.85	1.85
			Extra-Heavy Trucks	401	1.72	2.10	2.04
			Extra-Heavy Trucks	404	1.72	2.10	1.97
			Extra-Heavy Tr/Tractors	501	2.00	2.35	2.29
			Extra-Heavy Tr/Tractors	504	2.00	2.35	2.15
			Semitrailers	671 and 674	0.14	0.10	0.10
			Trailers	681 and 684	0.14	0.10	0.10
		Truck,Tractors,Trailers-Primary Factors-Intermediate	Light-Service	012 and 015	1.10	1.20	1.20
			Light-Retail	022 and 025	2.08	1.80	1.80
			Light-Commercial	032	1.35	1.65	1.56
			Light-Commercial	035	1.35	1.65	1.39

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Commercial Auto  
Class Factor Changes

<u>TAIPA Rule</u>	<u>ISO Rule</u>	<u>Rule Name</u>	<u>Class Description</u>	<u>Class Code</u>	<u>Current Factor</u>	<u>ISO Factor</u>	<u>Modified Factor*</u>	
53.B.5	23.B.5	Truck, Tractors, Trailers-Primary Factors-Intermediate cont.	Medium-Service	212 and 215	1.23	1.25	1.25	
			Medium-Retail	222 and 225	1.58	1.85	1.85	
			Medium-Commercial	232 and 235	1.67	1.70	1.70	
			Heavy-Retail	322 and 325	2.69	2.05	2.05	
			Heavy-Commercial	332 and 335	3.24	1.90	1.90	
			Heavy Tr/Tractor-Service	342 and 345	1.87	1.65	1.65	
			Heavy Tr/Tractor-Retail	352 and 355	2.83	2.45	2.45	
			Heavy Tr/Tractor-commercial	362 and 365	2.12	2.30	2.30	
			Extra Heavy Trucks	402 and 405	2.50	2.70	2.70	
			Extra Heavy Tr/Tractors	502 and 505	2.76	3.00	3.00	
			Semitrailers	672 and 675	0.25	0.15	0.15	
			Trailers	682 and 685	0.22	0.15	0.15	
			Truck, Tractors, Trailers-Primary Factors-Long Dist	Light-service	013 and 016	1.47	1.30	1.30
				Light-Retail	023 and 026	1.89	1.80	1.80
				Light-Commercial	033 and 036	2.07	1.75	1.75
			Truck, Tractors, Trailers-Primary Factors-Zone Rated	Medium-Service	213 and 216	0.95	0.90	0.90
				Medium-Retail	223 and 226	0.95	0.90	0.90
				Medium-Commercial	233 and 236	0.95	0.90	0.90
				Heavy Truck-Tractors	403 and 406	1.10	1.45	1.45
				Extra Heavy Tr/Tractors	503	1.10	1.45	1.19
Extra Heavy Tr/Tractors	506	1.10		1.45	1.45			
53.C	23.C	Truck, Tractors, Trailers-Secondary Factors		Canneries/Packing Plants	31	0.20	0.40	0.30
			Fish & Seafood	32	0.20	0.40	0.30	
			Frozen Food	33	0.20	0.40	0.30	
			Fruit & Vegetable	34	0.20	0.40	0.30	
			Meat or Poultry	35	0.20	0.40	0.30	
			All Other Food Delivery	39	0.20	0.40	0.30	
			Armored Cars	41	0.45	0.65	0.65	
			Film Delivery	42	0.45	0.65	0.65	
			Magazines or Newspapers	43	0.45	0.65	0.65	

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
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Commercial Auto  
Class Factor Changes

TAIPA Rule	ISO Rule	Rule Name	Class Description	Class Code	Current Factor	ISO Factor	Modified Factor*
53.C	23.C	Truck, Tractors, Trailers-Secondary Factors cont.	Mail & Parcel Post	44	0.45	0.65	0.65
			All Other Specialized Del.	49	0.45	0.65	0.55
			Auto Dismantlers	51	0.40	0.25	0.25
			Building Wrecking Operators	52	0.40	0.25	0.25
			Garbage	53	1.50	0.25	0.25
			Junk Dealers	54	0.40	0.25	0.25
			All Other Waste Disposal	59	0.40	0.25	0.25
			Farmer-Individual or Fam Corp	61	-0.65	-0.50	-0.65
			Livestock Hauling	62	-0.65	-0.50	-0.65
			All Other -Farmers	69	-0.65	-0.50	-0.65
			Excavating	71	0.00	-0.20	-0.20
			Sand & Gravel	72	0.50	-0.20	-0.20
			Mining	73	0.00	-0.20	-0.20
			Quarrying	74	0.00	-0.20	-0.20
			All Other Dump & Transit	79	0.00	-0.20	-0.20
			Building Cont-Commercial	81	0.00	-0.05	-0.05
			Building Cont-Private	82	0.00	-0.05	-0.05
			Elect-Plumb-Other Repairs	83	0.00	-0.05	-0.05
			Excavating	84	0.00	-0.05	-0.05
			Street & Road	85	0.00	-0.05	-0.05
			All Other Contractors	89	0.00	-0.05	-0.05
			Logging & Lumbering	91	1.50	0.00	0.00
61.C.2.a	39.C.2.b	Public-Prem Development-other Than Zone	Fleet (Taxi/Limo)		N/A	1.10	1.10
			Fleet (Sch/Ch bus)		N/A	1.20	1.20
63.D	40.D.3	Public Auto Classifications-Rating Factors	Limousine-Local	4259	0.25	0.40	0.30
			Limousine-Local	4289	0.25	0.40	0.40
			Taxi-Intermediate	4169 and 4199	1.10	1.15	1.15
			Limousine-Intermediate	4269	0.30	0.45	0.36
			Limousine-Intermediate	4299	0.30	0.45	0.45
			Taxi-Long Distance	4179 and 4109	1.20	1.25	1.25

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
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Commercial Auto  
Class Factor Changes

<u>TAIPA Rule</u>	<u>ISO Rule</u>	<u>Rule Name</u>	<u>Class Description</u>	<u>Class Code</u>	<u>Current Factor</u>	<u>ISO Factor</u>	<u>Modified Factor*</u>
63.D	40.D.3	Public Auto Classifications-Primary Factors cont.	Limousine-Long Distance	4279 and 4209	0.35	0.50	0.50
			School Bus-Local	625	1.00	1.50	1.34
			School Bus-Local	628	1.00	1.50	1.15
			School Bus-Intermediate	626	1.05	1.75	1.35
			School Bus-Intermediate	629	1.05	1.75	1.75
			Church Bus-Intermediate	636 and 639	1.05	1.15	1.15
			School Bus-Long Distance	627 and 620	1.10	1.90	1.90
			Church Bus-Long Distance	637 and 630	1.10	1.25	1.25
			Urban Bus-Local	515 and 518	1.00	0.80	0.80
			Urban Bus-Intermediate	516 and 519	1.25	0.90	0.90
			Airport Bus/Limo-Local	525	0.50	0.70	0.60
			Airport Bus/Limo-Local	528	0.50	0.70	0.70
			Inter-City Bus-Local	535 and 538	1.00	1.05	1.05
			Sightseeing Bus - Local	555	0.50	0.75	0.62
			Sightseeing Bus - Local	558	0.50	0.75	0.75
			Trans of Athletes & Enter-Local	565 and 568	0.55	0.45	0.45
			Social Serv.-EmpOper-Local	645	0.50	0.55	0.55
			Social Serv.-EmpOper-Local	648	0.50	0.55	0.54
			Public NOC-Local	585 and 588	0.50	0.55	0.55
			Airport Bus/Limo-Intermediate	526 and 529	0.75	0.80	0.80
			Inter-City Bus-Intermediate	536 and 539	1.25	1.20	1.20
			Charter Bus-Intermediate	546 and 549	1.25	1.15	1.15
			Sightseeing Bus-intermediate	556 and 559	0.75	0.85	0.85
			Trans Athletes-Intermediate	566 and 569	0.80	0.50	0.50
			SocSer-EmpOp-Intermediate	646 and 649	0.75	0.65	0.65
			SocSev-AllOther-Intermediate	656 and 659	0.75	0.60	0.60
			Public NOC-Intermediate	586 and 589	0.75	0.65	0.65
			VanPool 9 to 15 pass.	4122	1.25	1.15	1.15
63.E	40.E	Public Auto Classifications-Secondary Factors	Seating Code 1-Other Bus		0.00	-0.20	-0.20
			Seating Code 2-Other Bus		0.15	-0.15	-0.15

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
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Commercial Auto  
Class Factor Changes

<u>TAIPA Rule</u>	<u>ISO Rule</u>	<u>Rule Name</u>	<u>Class Description</u>	<u>Class Code</u>	<u>Current Factor</u>	<u>ISO Factor</u>	<u>Modified Factor*</u>
63.E	40.E	Public Auto Classifications-Secondary Factors cont.	Seating Code 3-Other Bus		0.50	0.15	0.15
			Seating Code 4-School		0.65	0.50	0.50
			Seating Code 4-Other Bus		1.00	0.40	0.40
72.C.1	64.C.1	Ambulances	Emergency	7913	3.00	delete	delete
72.C.2			Non emergency	7914	2.00	delete	delete
72.C			Ambulance-All exposures	7919	Replace	1.75	1.75
76.B.2	72.B.2.a	Funeral Directors	Hearses	7922	0.90	0.55	0.55
78.D.2.a	75.B.1.b.(1)	Leasing or Rental Concerns	Trucks	7211	4.00	2.50	2.50
			Tractors	7212	5.00	2.75	2.75
			Trailers (over 2,000 lbs)	7213	1.10	0.10	0.10
			Trailers (under 2,000 lbs)	7213	0.25	0.10	0.10
80.B.1	76.B.1.a	Motorhomes-Commercial	Motorhome (<22 feet)	7960	1.00	0.60	0.60
			Motorhome (>22 feet)	7961	1.65	0.75	0.75
			Motorhome (pickup w/ camper)	7962	1.00	0.75	0.75
85.B.1	76.B.1.a	Mobile Home Trailers	Mobile Home Trailer	7963	0.40	0.20	0.20

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