

No. 2017- 5289

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

Date: NOV 16 2017

Subject Considered:

**Rate Changes for Private Passenger and Commercial Automobile Insurance
Provided through the Texas Automobile Insurance Plan Association**

General Remarks and Official Action Taken:

The commissioner of insurance considers the September 2017 rate filing for private passenger and commercial automobile insurance coverage from the Texas Automobile Insurance Plan Association (TAIPA), as Insurance Code §2151.2022 requires.

After considering the filing and comments received by TDI, the commissioner adopts the following findings of fact and conclusions of law.

Findings of Fact

1. TAIPA is a nonprofit corporate body composed of all authorized insurers established under Insurance Code §2151.051 to provide automobile liability insurance in Texas for applicants that have been rejected for insurance by at least two authorized insurers writing automobile insurance in Texas.
2. In accordance with Insurance Code §2151.202, TAIPA filed Petition No. A-0917-09 with TDI on September 8, 2017, for changes in the rates for private passenger and commercial automobile insurance. TDI assigned filing numbers S645773 and S645774 to the private passenger and commercial automobile filings, respectively.
3. TDI filed notice of the TAIPA rate filing with the secretary of state on September 12, 2017, as required under Insurance Code §2151.204, and the notice appeared in the September 22, 2017, issue of the *Texas Register* (42 TexReg 5166).

4. TDI provided 11 days for interested persons to review, obtain a copy of, or submit any written comments relating to TAIPA's rate filing.
5. As provided in Insurance Code §2151.2041, the commissioner did not schedule a hearing because the rates filed did not exceed 105 percent of the current average rate for each coverage written through TAIPA.
6. TDI received one comment during the comment period, which ended October 3, 2017.
7. On October 6, 2017, the commissioner extended the approval period by 30 days under Insurance Code §2151.2022(c).
8. During the review period, TAIPA provided corrections to several exhibits in its petition. On October 20, 2017, TAIPA provided a complete set of amended pages and an additional exhibit for the filing. TDI posted the amended filing on its website and sent an email notification to interested stakeholders on October 24, 2017, for the required notice under Insurance Code §2151.209. TDI provided six additional days for interested persons to review, obtain a copy of, and comment on TAIPA's filing and amendments. The comment period ended October 30, 2017.
9. Under Insurance Code §2151.210(c), the review period for the amended filing ends November 19, 2017.
10. TAIPA proposed an overall average increase of 4.8 percent for private passenger automobile insurance.
11. TAIPA proposed an overall average increase of 1.7 percent for commercial automobile insurance.
12. TAIPA requested that the new rates for private passenger automobile insurance and commercial automobile insurance become effective on February 1, 2018, under the assumption that the commissioner approves the filing in sufficient time for the companies to have at least 90 days before the rate change effective date.

Private Passenger Automobile Insurance Rates

13. In selecting its proposed rate changes by coverage, TAIPA used Texas data collected under TDI's statistical plans to calculate and consider:

- the change in the three-year average loss cost for the voluntary market, which uses the latest available incurred losses for three consecutive accident-years, for the three-year periods 2012-2014 and 2013-2015;
 - the change in the average paid loss cost for the voluntary market from 2014 to 2015; and
 - the three-year linear trend in the paid loss cost for the voluntary market from 2013 through 2015.
14. TAIPA developed the proposed rating factors for territory and driver class, for each coverage, using a method that indexes its rates to the three-year average loss costs for the voluntary market. The factor increases were limited to 10 percent and the factor decreases were limited to -10 percent.
15. The combination of changes to the base rates, territory rating factors, and class rating factors results in the proposed rate level changes by coverage of:
- 4.8 percent for bodily injury liability;
 - 4.9 percent for property damage liability;
 - 4.3 percent for personal injury protection;
 - 4.3 percent for underinsured/uninsured motorists bodily injury liability; and
 - 4.2 percent for underinsured/uninsured motorists property damage liability.
16. TAIPA's proposed private passenger automobile rates result in an overall average increase of 4.8 percent.

Commercial Automobile Insurance Rates

17. TAIPA indexed its current rates by type of vehicle to the three-year average loss cost for the voluntary market for commercial vehicles.
18. Before 2015, TAIPA derived its commercial vehicle rates directly from the loss costs for the voluntary market in Texas filed by Insurance Services Office, an advisory organization. TAIPA made no adjustment to reflect the higher than average risk assigned by TAIPA.
19. For types of vehicles where the loss costs have decreased, TAIPA proposed no rate change to avoid becoming more competitive with the voluntary market.

20. The changes in the rates by type of vehicle result in the proposed rate-level changes by coverage of:
- 2.1 percent for bodily injury liability;
 - 1.1 percent for property damage liability; and
 - 0.0 percent for personal injury protection.

TAIPA proposed no changes to commercial automobile uninsured/underinsured motorist bodily injury liability or uninsured/underinsured motorist property damage liability rates.

21. TAIPA's proposed changes to the commercial automobile territory rating factors are due to rounding the proposed rating factors to the nearest hundredth.
22. TAIPA's proposed commercial automobile rates result in an overall average increase of 1.7 percent.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under Insurance Code §2151.2022.
2. The commissioner gave proper and timely notice of the filing under Insurance Code §2151.204.
3. The commissioner considered the reports collected under the statistical plan regarding aggregated premiums earned and losses and expenses incurred in the writing of automobile insurance through the association, as required under Insurance Code §2151.203(c).
4. Setting rates based on these findings of fact and conclusions of law complies with Insurance Code §2151.201. Section 2151.201 requires that TAIPA rates be just, reasonable, adequate, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which they apply. It also requires that TAIPA rates 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.
5. It is reasonable to adjust the rates for private passenger automobile insurance and commercial automobile insurance provided through TAIPA as TAIPA proposes.

The commissioner orders that:

TAIPA's filing Petition No. A-0917-09 is approved;

TAIPA revise its rates to be charged for private passenger automobile insurance by coverage, territory, and class as described in the filing by 4.8 percent for bodily injury liability, 4.9 percent for property damage liability, 4.3 percent for personal injury protection, 4.3 percent for uninsured/underinsured motorist bodily injury liability, and 4.2 percent for uninsured/underinsured motorist property damage liability;

TAIPA revise its rates to be charged for commercial automobile insurance policies by coverage, territory, and vehicle type as described in the filing by 2.1 percent for bodily injury liability, 1.1 percent for property damage liability, 0.0 percent for personal injury protection, and make no changes to commercial automobile uninsured/underinsured motorist bodily injury liability, or uninsured/underinsured motorist property damage liability rates; and

TAIPA's rates for private passenger automobile insurance and commercial automobile insurance as set out in this order become effective on March 1, 2018.



Kent C. Sullivan
Commissioner of Insurance