

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Private Passenger  
Rate Level Changes

<u>Required Coverages</u>	<u>Latest Year Premium at Present Rates</u>	<u>TDI</u>
Bodily Injury	\$ 13,595,089	0.9%
Property Damage	\$ 16,438,562	-6.6%
<b>Subtotal</b>	<b>\$ 30,033,651</b>	<b>-3.2%</b>
<b>Optional Coverages</b>		
Personal Injury Protection	\$ 1,383,251	-19.6%
Uninsured Motorist BI/PD	\$ 1,266,854	-5.5%
<b>Subtotal</b>	<b>\$ 2,650,105</b>	<b>-12.9%</b>
<b>TOTAL - ALL COVERAGES</b>	<b>\$ 32,683,756</b>	<b>-4.0%</b>

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION****Private Passenger Auto  
Expense Summary**

## Variable Expenses

(1)	Commission and Brokerage Fees	10.0%
(2)	Taxes, Licenses and Fees	2.0%
(3)	Underwriting Profit Contingencies	-1.0%
(4)	Total Variable Expenses	11.0%
(5)	Fixed Expenses*	9.9%
(6)	Permissible Loss, LAE and Ratio	89.0%

\* See Exhibit 2-2

**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)
2002	\$3,779,743	\$306,757	8.1%	\$170,379	4.5%
2003	\$3,716,631	\$294,028	7.9%	\$162,586	4.4%
2004	\$3,570,595	\$280,987	7.9%	\$157,886	4.4%

<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)
2002	\$2,921,025	\$235,138	8.0%	\$126,614	4.3%
2003	\$2,835,713	\$220,668	7.8%	\$119,388	4.2%
2004	\$2,777,208	\$217,754	7.8%	\$118,798	4.3%

Selected Expense Provisions:					
	<u>Other</u>	<u>Advertising</u>	<u>General</u>	<u>Disallowed</u>	<u>Expense</u>
	<u>Acquisition</u>	<u>Expenses</u>	<u>Expense</u>	<u>Expenses</u>	<u>Adjustment for</u>
	(6)	(7)	(8)	(9)	<u>Fewer Services</u>
	(10)				
Liability	7.9%	0.5%	4.4%	0.2%	0.5%
Phys. Dam.	7.8%	0.5%	4.3%	0.2%	0.5%

Conversion from percentage in total market to percentage in TAIPA

<u>Liability</u>	Written	Average	Average	Average
<u>Year</u>	<u>Premium</u>	<u>Exposures</u>	<u>Premium</u>	<u>Fixed Expense</u>
	(11a)	(12)	(13a)	<u>per Car</u>
				(14a)
2002	3,221,151,646	7,149,661	\$450.53	\$50.01
2003	3,231,139,654	6,708,202	\$481.67	\$53.47
2004	3,177,637,272	6,598,498	\$481.57	\$53.45

<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>
			(14b)
2002	2,442,642,532	\$341.64	\$37.24
2003	2,428,489,171	\$362.02	\$39.46
2004	2,401,833,947	\$364.00	\$39.68

<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>	(16)	<u>per Car</u>	<u>Length</u>	<u>per Car</u>
	(15)	(17)	(18)	(19)	
2002	\$68.63	1.176	\$80.71	-\$3.00	\$77.71
2003	\$73.20	1.142	\$83.59	-\$3.00	\$80.59
2004	\$73.29	1.108	\$81.21	-\$3.00	\$78.21

**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

Adjusted, Trended Fixed Expense per Car (19)	TAIPA Premium at Present Rates (20)	TAIPA Earned Exposures (21)	Average Rate at Current Level (22)
\$77.71	\$24,692,253	37,630	\$656.19
\$80.59	\$30,909,397	47,861	\$645.82
\$78.21	\$26,474,196	42,200	\$627.35

Calendar Year	Fixed Expense Ratio (23)	Earned Premium Adjustment (24)	Adjusted Fixed Expense Ratio (25)	Installment Payment Fee (26)	Adjusted Fixed Expense Ratio (27)
2002	11.8%	1.088	12.8%	-3.6%	9.2%
2003	12.5%	1.088	13.6%	-3.6%	10.0%
2004	12.5%	1.088	13.6%	-3.6%	10.0%

Selected Expense Provisions	9.9%
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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 QDERPT21
- (13) =(11) / (12)
- (14) =(13) \* [ (6) - (7) + (8) - (9) - (10) ]
- (15) =(14a) + 0.5 \* (14b)
- (16) Expense Trend is 3.4%
- (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) OPIC, Schedule AIS-3, Sheet 2, Column 18
- (21) OPIC, Schedule AIS-3, Sheet 2, Column 19
- (22) =(20) / (21)
- (23) =(19) / (22)
- (24) =Ratio of voluntary to involuntary cancellations
- (25) =(23) \* (24)
- (27) =(25) + (26)

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Private Passenger Auto  
Indicated Rate Level Change

		Bodily Injury			
		Calendar Accident Year Ended 12/31/02	Calendar Accident Year Ended 12/31/03	Calendar Accident Year Ended 12/31/04	Total
(1)	Earned Premium at Present Rates	\$ 12,354,392	\$ 16,730,430	\$ 13,595,089	\$ 42,679,911
(2)	Reported Incurred Loss and DCCE	\$ 8,908,434	\$ 10,732,979	\$ 8,033,825	\$ 27,675,238
(3)	Loss Development Factors	1.039	1.068	1.125	
(4)	AOE Factor	1.137	1.143	1.147	
(5)	Developed Losses + LAE	\$ 10,523,916	\$ 13,102,005	\$ 10,366,647	\$ 33,992,568
(6)	Trend Period (midpoint 9/1/07)	5.167	4.167	3.167	
	Trend Rate	0.0%	0.0%	0.0%	
	Loss Trend	1.000	1.000	1.000	
(7)	Trended Losses & LAE (5) x (6)	\$ 10,523,916	\$ 13,102,005	\$ 10,366,647	\$ 33,992,568
(8)	Trended Loss & LAE Ratio (7) / (1)	0.852	0.783	0.763	0.799
(9)	Fixed Expense Ratio	0.099	0.099	0.099	0.099
(10)	Permissible Loss Ratio	0.89	0.89	0.89	0.89
(11)	Rate Level Change ((8) + (9)) / (10)	6.9%	-0.9%	-3.1%	0.9%

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Private Passenger Auto  
Indicated Rate Level Change

	Property Damage			
	Calendar Accident Year Ended 12/31/02	Calendar Accident Year Ended 12/31/03	Calendar Accident Year Ended 12/31/04	Total
(1) Earned Premium at Present Rates	\$ 14,751,673	\$ 19,709,768	\$ 16,438,562	\$ 50,900,003
(2) Reported Incurred Loss and DCCE	\$ 10,133,296	\$ 12,241,103	\$ 9,305,603	\$ 31,680,002
(3) Loss Development Factors	1.004	1.013	1.068	
(4) AOE Factor	1.137	1.143	1.147	
(5) Developed Losses + LAE	\$ 11,567,644	\$ 14,173,471	\$ 11,399,326	\$ 37,140,442
(6) Trend Period (midpoint 9/1/07)	5.167	4.167	3.167	
Trend Rate	0.0%	0.0%	0.0%	
Loss Trend	1.000	1.000	1.000	
(7) Trended Losses & LAE (5) x (6)	\$ 11,567,644	\$ 14,173,471	\$ 11,399,326	\$ 37,140,442
(8) Trended Loss & LAE Ratio (7) / (1)	0.784	0.719	0.693	0.732
(9) Fixed Expense Ratio	0.099	0.099	0.099	0.099
(10) Permissible Loss Ratio	0.89	0.89	0.89	0.89
(11) Rate Level Change ((8) + (9)) / (10)	-0.8%	-8.1%	-11.0%	-6.6%

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Private Passenger Auto  
Indicated Rate Level Change

## Personal Injury Protection

	Calendar Accident Year Ended 12/31/02	Calendar Accident Year Ended 12/31/03	Calendar Accident Year Ended 12/31/04	Total
(1) Earned Premium at Present Rates	\$ 1,387,868	\$ 1,870,581	\$ 1,383,251	\$ 4,641,700
(2) Reported Incurred Loss and DCCE	\$ 708,035	\$ 951,582	\$ 545,306	\$ 2,204,923
(3) Loss Development Factors	1.013	1.013	1.027	
(4) AOE Factor	1.169	1.193	1.206	
(5) Developed Losses + LAE	\$ 838,453	\$ 1,149,995	\$ 675,395	\$ 2,663,844
(6) Trend Period (midpoint 9/1/07)	5.167	4.167	3.167	
Trend Rate	2.0%	2.0%	2.0%	
Loss Trend	1.103	1.083	1.063	
(7) Trended Losses & LAE (5) x (6)	\$ 925,099	\$ 1,245,836	\$ 718,175	\$ 2,889,110
(8) Trended Loss & LAE Ratio (7) / (1)	0.667	0.666	0.519	0.617
(9) Fixed Expense Ratio	0.099	0.099	0.099	0.099
(10) Permissible Loss Ratio	0.89	0.89	0.89	0.89
(11) Rate Level Change ((8) + (9)) / (10)	-13.9%	-14.0%	-30.6%	-19.6%

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Private Passenger Auto  
Indicated Rate Level Change

## Uninsured/Underinsured Motorists

	Calendar Accident Year Ended 12/31/02	Calendar Accident Year Ended 12/31/03	Calendar Accident Year Ended 12/31/04	Total
(1) Earned Premium at Present Rates	\$ 1,032,929	\$ 1,567,564	\$ 1,266,854	\$ 3,867,347
(2) Reported Incurred Loss and DCCE	\$ 662,973	\$ 1,087,182	\$ 672,955	\$ 2,423,110
(3) Loss Development Factors	1.013	1.018	1.116	
(4) AOE Factor	1.137	1.143	1.147	
(5) Developed Losses + LAE	\$ 763,600	\$ 1,265,017	\$ 861,417	\$ 2,890,034
(6) Trend Period (midpoint 9/1/07)	5.167	4.167	3.167	
Trend Rate	0.0%	0.0%	0.0%	
Loss Trend	1.000	1.000	1.000	
(7) Trended Losses & LAE (5) x (6)	\$ 763,600	\$ 1,265,017	\$ 861,417	\$ 2,890,034
(8) Trended Loss & LAE Ratio (7) / (1)	0.739	0.807	0.680	0.742
(9) Fixed Expense Ratio	0.099	0.099	0.099	0.099
(10) Permissible Loss Ratio	0.89	0.89	0.89	0.89
(11) Rate Level Change ((8) + (9)) / (10)	-5.8%	1.8%	-12.5%	-5.5%



## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Commercial Auto  
Rate Level Changes

<u>Line of Insurance</u>	AY 2004 <u>Earned Premium</u>	<u>Estimated Impact of Transition to Loss Costs</u>
Trucks, Tractors & Trailers		
BI	1,086,565	17.2%
PD	920,671	-10.0%
<u>PIP</u>	<u>28,195</u>	<u>-5.3%</u>
subtotal	2,035,431	4.5%
Publics		
Taxi & limo BI	530,560	20.5%
Taxi & limo PD	487,615	5.8%
<u>Taxi &amp; limo PIP</u>	<u>13,130</u>	<u>26.6%</u>
subtotal	1,031,305	13.6%
School & Church Bus BI	134,263	25.1%
School & Church Bus PD	129,077	21.8%
<u>School &amp; Church Bus PIP</u>	<u>7,425</u>	<u>-11.5%</u>
subtotal	270,765	22.5%
Other Bus BI	110,725	24.4%
Other Bus PD	111,539	15.6%
<u>Other Bus PIP</u>	<u>5,993</u>	<u>26.7%</u>
subtotal	228,257	20.2%
Van Pools BI	29	24.9%
Van Pools PD	34	23.6%
<u>Van Pools PIP</u>	<u>1</u>	<u>26.7%</u>
subtotal	64	24.2%
Total Publics	1,530,391	16.2%
Zone rated trucks		
BI	9,597	
<u>PD</u>	<u>6,563</u>	
subtotal	16,160	0.0%
Zone rated publics		
BI	9,718	
<u>PD</u>	<u>9,718</u>	
subtotal	19,436	0.0%
Trucks & Publics		
UMBI	50,499	25.3%
<u>UMPD</u>	<u>21,848</u>	<u>25.9%</u>
subtotal	72,347	25.5%
Grand Total	3,673,765	9.8%

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Commercial Auto  
Loss Cost Multiplier

Variable Expenses	<u>Trucks &amp; Special Types</u>	<u>Zones &amp; Publics</u>	<u>Weighted Average</u>
(1) Commission	0.100	0.050	
(2) Adjusting and other Expense Provision	0.062	0.062	
(3) Taxes, Licenses and Fees	0.020	0.020	
(4) Underwriting Profit Contingencies	<u>-0.010</u>	<u>-0.010</u>	
(5) Total Variable Expenses [(1) + (2) + (3) + (4)]	0.172	0.122	
(6) Fixed Expense Ratio*	0.210	0.210	
(7) Expected Loss and Allocated Loss Adjustment Expense Ratio [1.000- (5) - (6)]	0.618	0.668	
(8) Loss Cost Multiplier [1 / (7)]	1.618	1.497	1.565

\* See CA Exhibit 2-2

