

No. 09-0691

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

Austin, Texas

Date: AUG 19 2009

Subject Considered:

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

DOCKET NO. 2702

General remarks and official action taken:

On this day came on for consideration by the Commissioner of Insurance (Commissioner) the matter of the 2008 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 §2151.202. On December 1, 2008, TAIPA filed a petition (Reference No. A-1208-19) for changes in the rates for private passenger and for commercial automobile insurance. Notice of the TAIPA rate filing was published in the December 19, 2008, issue of the *Texas Register* (33 TexReg 10364). The filing was considered at a public hearing held under Docket No. 2702 on January 7, 2009, at 9:30 a.m., in Room 100 of the William P. Hobby Building, 333 Guadalupe Street, Austin, Texas. Pursuant to Insurance Code §2151.206(c), the hearing was not a contested case hearing under Chapter 2001 of the Government Code. Interested persons were able to present written and oral testimony relating to TAIPA's rate filing at the hearing. 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 Kergin Bedell.

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 filed a petition (Reference No. A-1208-19) for changes in the rates for private passenger and commercial automobile insurance with the Office of the Chief Clerk of the Department on December 1, 2008.
2. TAIPA proposes an experience-based increase of 4.6 percent for private passenger automobile insurance.
3. For commercial automobile insurance, TAIPA proposes to update its rates using the Insurance Services Office, Inc. (ISO) loss costs (TDI Link No. 91607). TAIPA also proposes new rating factors to correspond to the current ISO-filed and approved class factors.
4. On January 6, 2009, OPIC submitted to the Department calculations of its rate recommendations, proposing a decrease of 12.7 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

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

Trend Factors

7. TAIPA provides various measures of trend, but relies most heavily on an analysis of the claims frequency and claims severity in the voluntary market in making its trend selection.
8. Based on its analyses, TAIPA selects historic trends of 4.0 percent for bodily injury (BI) liability, 3.0 percent for property damage (PD) liability, 0.0 percent for personal injury protection (PIP), and 1.0 percent for uninsured/underinsured motorist (UM) coverage. TAIPA selects prospective trends of 5.0 percent for BI liability, 5.0 percent for PD liability, 2.0 percent for PIP, and 2.0 percent for UM coverage.
9. OPIC recommends trends of -7.0 percent for BI liability, 4.0 percent for PD liability, -5.0 percent for PIP, and 0.0 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.

10. Neither TAIPA's nor OPIC's trend analyses are entirely persuasive.
11. Historic trend selections of 3.0 percent for BI liability, 3.0 percent for PD liability, 0.0 percent for PIP, and 0.0 percent for UM coverage and prospective trends of 2.0 percent for BI liability, 5.0 percent for PD liability, 0.0 percent for PIP, and 2.0 percent for UM coverage are reasonable.

Adjusting and Other Expenses

12. TAIPA proposes adjusting and other expense (AOE) factors based on rolling two-year averages using the experience of 2004, 2005, 2006, and 2007. For example, the average of the 2004 and 2005 experience was used to determine the factor for 2005.
13. OPIC proposes AOE factors for each of the years 2005, 2006, and 2007, based on the experience of that year.
14. The TAIPA AOE factors are reasonable.

Fixed Expenses

15. Fixed expenses (FE) represent insurers' overhead expenses, also known as general and other acquisition expenses.
16. TAIPA and OPIC calculate general and other acquisition expenses as a dollar amount per policy, using combined voluntary and TAIPA experience.
17. TAIPA bases its calculations of FE on data for 2007.
18. OPIC bases its calculations of FE on data for 2005, 2006, and 2007.
19. OPIC's use of three years of FE data is reasonable.
20. TAIPA and OPIC's calculations include an amount equivalent to 100 percent of the amount of FE allocated by insurers to both private passenger automobile liability coverage and 50 percent of the amount of FE allocated by insurers to private passenger automobile physical damage coverage to be consistent with the prior Commissioner's order.
21. TAIPA recommends that 100 percent of FE allocated to physical damage coverage be included for at least the general expense portion of FE.

22. Including an amount equivalent to 100 percent of the amount of FE allocated by insurers to both private passenger automobile liability coverage and 50 percent of the amount of FE allocated by insurers to private passenger automobile physical damage coverage in the expense calculations is reasonable.
23. 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 (OAE).
24. 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.
25. To the extent that insurers use their employees for some services, OAE based on voluntary market data tend to overstate expenses needed for servicing TAIPA business.
26. OPIC includes a 0.5 percentage point reduction to FE to adjust for the overstatement of FE created by using OAE calculated for the voluntary market in determining TAIPA rates, consistent with the prior Commissioner's order.
27. TAIPA argues that the 0.5 percentage point reduction to FE to adjust for the overstatement of FE created by using OAE calculated for the voluntary market in determining TAIPA rates is too high. TAIPA suggests that 0.1 percent or 0.2 percent would be more appropriate.
28. Reducing FE by 0.5 percentage points for the overstatement of OAE is reasonable.
29. 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.
30. Both TAIPA and OPIC reduce FE by 0.2 percentage points to account for disallowed expenses included in general expense data.
31. Reducing FE by 0.2 percentage points to exclude disallowed expenses in calculating TAIPA rates is reasonable.
32. OAE data as reported by insurers in the IEE include advertising expenses.
33. Advertising expenses are not applicable to TAIPA business.

34. TAIPA reduces OAE by 0.5 percentage points to account for advertising expenses not applicable to TAIPA business.
35. TAIPA's adjustment for advertising expenses is reasonable.
36. TAIPA utilized an FE trend of 3.1 percent.
37. OPIC utilized an FE trend of 3.4 percent.
38. TAIPA's FE trend of 3.1 percent is reasonable.
39. 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.
40. There is insufficient evidence to support a reduction of the FE ratio by 50 percent as proposed by OPIC.
41. 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.
42. 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, consistent with the prior Commissioner's order.
43. An average 93.2 percent of the premium originally written in the voluntary market is ultimately earned, compared to 85.0 percent of the premium written through TAIPA, meaning that relatively fewer premium dollars become available for TAIPA to cover expenses.
44. Adjusting the TAIPA expense ratio upward by a factor of 1.096 (93.2/85.0) based upon the ratio of premiums earned in the voluntary market to premiums earned in the TAIPA market is reasonable.
45. Installment fees paid by TAIPA insureds are a source of income to insurers that are not included as part of premium income.
46. TAIPA's estimate of installment fee income is 4.5 percent of premium. OPIC agrees with this estimate.
47. Deducting 4.5 percentage points from FE for installment fee income is reasonable.

48. Exhibit C shows the development of the fixed expense ratio of 11.5% consistent with findings of facts (FOF) 19, 22, 24, 28, 31, 35, 38, 42, 44 and 47.
49. A fixed expense ratio of 11.5% is reasonable.

Permissible loss, Loss Adjustment Expense (LAE) and FE ratio

50. A permissible loss, LAE and FE ratio is calculated as one minus the sum of the provisions for commissions; taxes, licenses and fees; and profit.
51. It is reasonable to use a 10 percent provision for commissions, consistent with the actual commissions paid on TAIPA business.
52. TAIPA and OPIC both use a 1.9 percent provision for taxes, licenses, and fees.
53. TAIPA proposes a profit provision of 0.0 percent. OPIC utilized a profit provision of 1.1 percent. There is not a substantive difference between the two proposals.
54. A profit provision of 0.0 percent is reasonable.
55. A provision for taxes, licenses, and fees of 1.9 percent is reasonable.
56. Exhibit B shows the calculation of the permissible loss, LAE and FE ratio of 88.1% consistent with FOF 50, 51, 54 and 55.
57. A permissible loss, LAE and FE ratio of 88.1% is reasonable.

Credibility

58. OPIC includes a credibility adjustment with a complement of credibility of one year of loss trend.
59. TAIPA includes a credibility adjustment with a complement of credibility of no change. Additionally, when selecting the final proposed change, TAIPA selects zero percent for coverages with rate indications close to zero and half of the indicated change for the remaining coverages.
60. It is reasonable to include a credibility adjustment with one year of loss trend as the complement of credibility and to select half of the indicated change as the final rate change.

Rate Indications

61. Exhibits D-1 through D-4 contain rate indications consistent with FOF 6, 11, 14, 49, 57 and 60. Exhibit A summarizes the indications in Exhibits D-1 through D-4 and the final selected rate changes based on the portion of the credibility adjustment in FOF 60 that selects half of the indicated change as the final rate change.
62. It is reasonable to adjust the rates to be charged for private passenger automobile insurance provided through TAIPA as shown in Exhibit A.

Commercial Automobile Insurance Rates

Loss Costs, Lost Cost Multipliers and Split Limits Factor

63. TAIPA proposes that its commercial auto rates be set utilizing the most recently approved ISO loss costs CA 2007-BRLA1 (TDI link No. 91607) and the previously adopted loss cost multiplier.
64. On November 10, 2008, ISO made a new filing with the Department, CA 2008-BRLA1 (TDI link No. 99597), to revise the July 2007 loss costs. This filing was accepted March 23, 2009.
65. It is reasonable to adopt ISO's most current accepted loss costs. ISO's loss costs as modified by its filing CA 2008-BRLA1 should be used.
66. The previously adopted loss cost multipliers of 1.618 for trucks, tractors and trailers, 1.497 for publics and 1.565 for trucks and publics combined are reasonable and should be used.
67. In addition to the loss cost multipliers, a split limits factor is required to derive rates for the minimum financial responsibility limits sold by TAIPA from ISO's \$100,000 combined single limits (CSL) loss costs.
68. The previously adopted split limit factor was calculated based on minimum financial responsibility limits of \$20,000 per person, \$40,000 per occurrence BI, and \$15,000 PD. Current minimum financial responsibility limits are \$25,000 per person, \$50,000 per occurrence BI, and \$25,000 PD (25/50/25).
69. Various historic methods exist for calculating split limits rates from combined single limits rates. Under ISO's method, the 25/50/25 split limits used by TAIPA would be approximately equivalent to a CSL of \$38,750.

70. Substituting various ISO increased limits factors in the ISO methodology calculations yields increased limits adjustment factors of 0.837 for light and medium trucks; 0.804 for heavy trucks; 0.778 for extra heavy trucks; 0.769 for trucks tractors and trailers zone rated; and 0.831 for all other risks. Substituting increased limits factors from the previous benchmark rating system yields an increased limits adjustment factor of 0.860.
71. Texas has historically converted from split limits to CSL by adjusting the BI and PD rates to the limit corresponding to the CSL and then adding 90 percent of the smaller of the resulting rates to 100 percent of the larger. This approach produces a factor of 0.858 to adjust the \$100,000 CSL to the level of 25/50/25 split limits offered by TAIPA.
72. Based on a distribution of vehicles in TAIPA from 2007, approximately 41 percent are light and medium truck category and another 41 percent are in the all other category.
73. Factors of 0.457 for BI and 0.374 for PD (0.831×0.55 and 0.831×0.45 , respectively) are reasonable and should be applied to the \$100,000 CSL loss costs to produce loss costs corresponding to the 25/50/25 split limits.

Capping

74. There would be certain sharp changes to base rates in some territories due to adopting the latest loss costs.
75. It is reasonable to cap territorial base rate changes at +/-25 percent.

Class Factors

76. In the previous Commissioner's Order regarding TAIPA's rate change for commercial automobile, the adopted ISO class factors were capped. At this time, TAIPA proposes to adopt the full ISO class factors without any modification or capping.
77. Adoption of ISO class factors without modification would result in significant changes in some individual rates.
78. Exhibit E contains a list of ISO class factors which have been modified so that the rate impact of the class factor change does not exceed the greater of 20 percent of premium or \$100 annually based on 2007 premium.
79. Adoption of the ISO class factors as modified in Exhibit E is reasonable.

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. Section 2151.201 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.

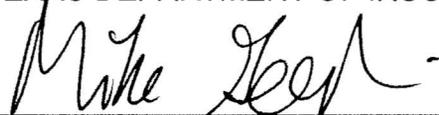
IT IS FURTHER ORDERED that the rates to be charged for private passenger automobile insurance provided through TAIPA be revised by -4.1 percent for bodily injury liability, by +8.3 percent for property damage liability, by -8.2 percent for personal injury protection, and by -2.4 percent for uninsured/underinsured motorists coverage in accordance with 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 for private passenger automobile insurance and commercial automobile insurance as modified by this Order become effective November 1, 2009.

AND IT IS SO ORDERED.

TEXAS DEPARTMENT OF INSURANCE



MIKE GEESLIN
COMMISSIONER OF INSURANCE

09-0691

Exhibit A

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

	Private Passenger Rate Level Changes		
<u>Required Coverages</u>	<u>Earned Premium at Present Rates</u>	<u>Indication</u>	<u>Selected Change</u>
Bodily Injury	\$ 2,954,804	-8.2%	-4.1%
Property Damage	\$ 3,408,294	16.5%	8.3%
Subtotal	\$ 6,363,098	5.0%	2.5%
Optional Coverages			
Personal Injury Protection	\$ 119,198	-16.3%	-8.2%
Uninsured Motorist	\$ 238,619	-4.7%	-2.4%
Subtotal	\$ 357,817	-8.6%	-4.3%
TOTAL - ALL COVERAGES	\$ 6,720,915	4.3%	2.2%

09-0691

Exhibit B

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

Private Passenger Auto
Permissible Loss, LAE and FE Ratio

Variable Expenses

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009
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>	Other				
<u>Year</u>	<u>Earned Premium('000)</u>	<u>Acquisition Expenses('000)</u>	<u>Ratio to Premium</u>	<u>General Expenses('000)</u>	<u>Ratio to Premium</u>
	(1a)	(2a)	(3a)	(4a)	(5a)
2005	\$3,584,129	\$233,454	6.5%	\$185,970	5.2%
2006	\$3,811,373	\$298,281	7.8%	\$204,096	5.4%
2007	\$3,787,885	\$307,015	8.1%	\$193,952	5.1%

<u>Physical Damage</u>	Other				
<u>Year</u>	<u>Earned Premium('000)</u>	<u>Acquisition Expenses('000)</u>	<u>Ratio to Premium</u>	<u>General Expenses('000)</u>	<u>Ratio to Premium</u>
	(1b)	(2b)	(3b)	(4b)	(5b)
2005	\$2,768,037	\$206,089	7.4%	\$119,285	4.3%
2006	\$3,013,512	\$234,375	7.8%	\$153,937	5.1%
2007	\$2,962,864	\$238,651	8.1%	\$149,106	5.0%

Selected Expense Provisions:					
	<u>Other Acquisition Expenses</u>	<u>Advertising Expenses</u>	<u>General Expenses</u>	<u>Disallowed Expenses</u>	<u>Expense Adjustment for Fewer Services</u>
	(6)	(7)	(8)	(9)	(10)
Liability	7.5%	0.5%	5.2%	0.2%	0.5%
Phys. Dam.	7.8%	0.5%	4.8%	0.2%	0.5%

Conversion from percentage in Total Market excluding County Mutuels to percentage in TAIPA

<u>Liability</u>		<u>Earned Exposures</u>	<u>Average Premium</u>	<u>Average Fixed Expense per Car</u>
<u>Year</u>	<u>Earned Premium</u>	(12)	(13a)	(14a)
	(11a)			
2005	3,174,582,652	6,784,722	\$467.90	\$53.81
2006	3,216,608,442	6,919,241	\$464.88	\$53.46
2007	3,073,810,453	6,786,428	\$452.93	\$52.09

<u>Physical Damage</u>		<u>Average Premium</u>	<u>Average Fixed Expense per Car</u>
<u>Year</u>	<u>Earned Premium</u>	(13b)	(14b)
	(11b)		
2005	2,382,595,602	\$351.17	\$40.03
2006	2,489,506,454	\$359.79	\$41.02
2007	2,375,675,902	\$350.06	\$39.91

<u>Total</u>	<u>Adjusted Fixed Expense per Car</u>	<u>Expense Trend Factor</u>	<u>Trended Fixed Expense Per Car</u>	<u>Adjustment for Policy Length</u>	<u>Adjusted, Trended Fixed Expense Per Car</u>
<u>Year</u>	(15)	(16)	(17)	(18)	(19)
2005	\$73.83	1.156	\$85.35	-\$3.00	\$82.35
2006	\$73.97	1.121	\$82.92	-\$3.00	\$79.92
2007	\$72.05	1.088	\$78.39	-\$3.00	\$75.39

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009
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)
2005	\$82.35	\$13,399,672	23,547	\$569.06
2006	\$79.92	\$8,235,834	14,793	\$556.74
2007	\$75.39	\$4,865,972	9,573	\$508.30

<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)
2005	14.5%	1.096	15.9%	-4.5%	11.4%
2006	14.4%	1.096	15.8%	-4.5%	11.3%
2007	14.8%	1.096	16.2%	-4.5%	11.7%

Selected Expense Provisions	11.5%
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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 three year 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 expense trend is 3.1%
- (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)

09-0691

Exhibit D-1

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

Private Passenger Auto
Rate Indication

Bodily Injury

	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Calendar Accident Year Ended 12/31/07	Total
(1) Earned Premium at Present Rates	\$ 6,879,927	\$ 4,803,341	\$ 2,954,804	\$ 14,638,072
(2) Reported Incurred Loss and DCCE	\$ 4,173,449	\$ 2,260,625	\$ 1,451,945	\$ 7,886,019
(3) Loss Development Factors	0.987	1.019	1.089	
(4) AOE Factor	1.123	1.124	1.148	
(5) Developed Losses + LAE	\$ 4,625,855	\$ 2,589,220	\$ 1,815,181	\$ 9,030,256
(6) a. Years of Trend	4.75	3.75	2.75	
b. Trend Rate (Retrospective)	3.0%	3.0%	3.0%	
c. Trend Rate (Prospective)	2.0%	2.0%	2.0%	
d. Loss Trend Factor	1.120	1.088	1.056	
(7) Trended Loss & LAE (5) x (6)	\$ 5,180,958	\$ 2,817,071	\$ 1,916,831	\$ 9,914,860
(8) Trended Loss & LAE Ratio (7) / (1)	0.753	0.586	0.649	0.677
(9) Fixed Expense Ratio				0.115
(10) Permissible Loss Ratio				88.1%
(11) Credibility				0.841
(12) Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6c) * (1 - (11))$				-8.2%

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

**Private Passenger Auto
Rate Indication**

Property Damage

	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Calendar Accident Year Ended 12/31/07	Total
(1) Earned Premium at Present Rates	\$ 7,740,768	\$ 5,500,315	\$ 3,408,294	\$ 16,649,377
(2) Reported Incurred Loss and DCCE	\$ 5,450,361	\$ 3,305,311	\$ 2,351,787	\$ 11,107,459
(3) Loss Development Factors	0.989	1.019	1.089	
(4) AOE Factor	1.123	1.124	1.148	
(5) Developed Losses + LAE	\$ 6,053,427	\$ 3,785,758	\$ 2,940,138	\$ 12,779,323
(6) a. Years of Trend	4.75	3.75	2.75	
b. Trend Rate (Retrospective)	3.0%	3.0%	3.0%	
c. Trend Rate (Prospective)	5.0%	5.0%	5.0%	
d. Loss Trend Factor	1.213	1.178	1.144	
(7) Trended Loss & LAE (5) x (6)	\$ 7,342,807	\$ 4,459,623	\$ 3,363,518	\$ 15,165,948
(8) Trended Loss & LAE Ratio (7) / (1)				0.911
(9) Fixed Expense Ratio				0.115
(10) Permissible Loss Ratio				88.1%
(11) Credibility				1.000
(12) Credibility Weighted Indication $\{(((8) + (9)) / (10)) - 1\} * (11) + (6c) * (1 - (11))$				16.5%

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

**Private Passenger Auto
Rate Indication**

Personal Injury Protection

	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Calendar Accident Year Ended 12/31/07	Total
(1) Earned Premium at Present Rates	\$ 335,354	\$ 204,767	\$ 119,198	\$ 659,319
(2) Reported Incurred Loss and DCCE	\$ 113,584	\$ 36,525	\$ 10,002	\$ 160,111
(3) Loss Development Factors	1.028	1.028	1.028	
(4) AOE Factor	1.179	1.171	1.190	
(5) Developed Losses + LAE	\$ 137,665	\$ 43,968	\$ 12,236	\$ 193,869
(6) a. Years of Trend	4.75	3.75	2.75	
b. Trend Rate (Retrospective)	0.0%	0.0%	0.0%	
c. Trend Rate (Prospective)	0.0%	0.0%	0.0%	
d. Loss Trend Factor	1.000	1.000	1.000	
(7) Trended Loss & LAE (5) x (6)	\$ 137,665	\$ 43,968	\$ 12,236	\$ 193,869
(8) Trended Loss & LAE Ratio (7) / (1)				0.294
(9) Fixed Expense Ratio				0.115
(10) Permissible Loss Ratio				88.1%
(11) Credibility				0.305
(12) Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6c) * (1 - (11))$				-16.3%

09-0691

Exhibit D-4

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

**Private Passenger Auto
Rate Indication**

Uninsured/Underinsured Motorists

	Calendar Accident Year Ended 12/31/05	Calendar Accident Year Ended 12/31/06	Calendar Accident Year Ended 12/31/07	Total
(1) Earned Premium at Present Rates	\$ 512,581	\$ 377,080	\$ 238,619	\$ 1,128,280
(2) Reported Incurred Loss and DCCE	\$ 240,262	\$ 233,653	\$ 69,050	\$ 542,965
(3) Loss Development Factors	0.984	0.993	1.051	
(4) AOE Factor	1.123	1.124	1.148	
(5) Developed Losses + LAE	\$ 265,497	\$ 260,788	\$ 83,312	\$ 609,597
(6) a. Years of Trend	4.75	3.75	2.75	
b. Trend Rate (Retrospective)	0.0%	0.0%	0.0%	
c. Trend Rate (Prospective)	2.0%	2.0%	2.0%	
d. Loss Trend Factor	1.056	1.056	1.056	
(7) Trended Loss & LAE (5) x (6)	\$ 280,365	\$ 275,392	\$ 87,977	\$ 643,734
(8) Trended Loss & LAE Ratio (7) / (1)				0.571
(9) Fixed Expense Ratio				0.115
(10) Permissible Loss Ratio				88.1%
(11) Credibility				0.278
(12) Credibility Weighted Indication $\{[(8) + (9)] / (10) - 1\} * (11) + (6c) * (1 - (11))$				-4.7%

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
Effective November 1, 2009

Commercial Auto Class Factor Changes

<u>Class Description</u>	<u>Class Code</u>	<u>Current Factor</u>	<u>ISO Factor</u>	<u>Modified*</u> <u>Factor</u>
<u>Trucks, Tractors, Trailers - Primary Factors - Local</u>				
Light-Commercial-fleet	034	1.34	1.35	1.35
Medium-Service-fleet	214	1.04	1.05	1.05
Medium-Retail	221	1.36	1.55	1.55
Medium-Retail-fleet	224	1.29	1.55	1.50
Medium-Commercial	231	1.26	1.40	1.40
Medium-Commercial-fleet	234	1.11	1.40	1.29
Heavy-Service	311	0.96	1.10	1.10
Heavy-Service-fleet	314	0.93	1.10	1.10
Heavy-Commercial-fleet	334	1.38	1.50	1.50
Heavy Tr/Tractor-Commerical	361	1.65	1.85	1.85
Extra-Heavy Trucks	401	2.04	2.10	2.10
Extra-Heavy Trucks-fleet	404	1.97	2.10	2.10
Extra-Heavy Tr/Tractors	501	2.29	2.35	2.35
Extra-Heavy Tr/Tractors-fleet	504	2.15	2.35	2.35
<u>Trucks, Tractors, Trailers - Primary Factors - Intermediate</u>				
Light-Commercial	032	1.56	1.65	1.65
Light-Commercial	035	1.39	1.65	1.65
<u>Trucks, Tractors, Trailers - Primary Factors - Zone Rated</u>				
Extra Heavy Tr/Tractors	503	1.19	1.45	1.45
<u>Trucks, Tractors, Trailers - Secondary Factors</u>				
Canneries/Packing Plants	31	0.30	0.40	0.40
Fish & Seafood	32	0.30	0.40	0.40
Frozen Food	33	0.30	0.40	0.40
Fruit & Vegetable	34	0.30	0.40	0.40
Meat or Poultry	35	0.30	0.40	0.40
All Other Food Delivery	39	0.30	0.40	0.40
All Other Specialized Del.	49	0.55	0.65	0.65
Farmer - Individual or Fam Corp	61	-0.65	-0.50	-0.54
Livestock Hauling	62	-0.65	-0.50	-0.54
All Other - Farmers	69	-0.65	-0.50	-0.54
<u>Public Auto Classifications - Rating Factors</u>				
Limousine-Local	4259	0.30	0.40	0.40
Limousine-Intermediate	4269	0.36	0.45	0.45
<u>Public Auto Classifications - Primary Factors</u>				
School Bus-Local	625	1.34	1.50	1.50
School Bus-Local-fleet	628	1.15	1.50	1.50
School Bus-Intermediate	626	1.35	1.75	1.75
Airport Bus/Limo-Local	525	0.60	0.70	0.70
Sightseeing Bus	555	0.62	0.75	0.75
Social Serv.-EmpOper-Local-fleet	648	0.54	0.55	0.55

*Italics indicates factors that have been capped to mitigate the rate impacts of classification changes.