

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%
Subtotal	\$ 30,033,651	-3.2%
Optional Coverages		
Personal Injury Protection	\$ 1,383,251	-19.6%
Uninsured Motorist BI/PD	\$ 1,266,854	-5.5%
Subtotal	\$ 2,650,105	-12.9%
TOTAL - ALL COVERAGES	\$ 32,683,756	-4.0%

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	Average
<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>Premium</u>	<u>Fixed Expense</u>
	(11b)	(13b)	(13b)	<u>per Car</u>
				(14b)
2002	2,442,642,532	\$341.64	\$341.64	\$37.24
2003	2,428,489,171	\$362.02	\$362.02	\$39.46
2004	2,401,833,947	\$364.00	\$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)	(16)	(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 & 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 & 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 & Special Types</u>	<u>Zones & 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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Commercial Auto
Development of Fixed Expense Ratio

<u>Liability</u>	Other		<u>Ratio to Premium</u>	General		<u>Ratio to Premium</u>
	<u>Written Premium</u>	<u>Acquisition Expenses</u>		<u>Expenses</u>	<u>Expenses</u>	
<u>Year</u>	(1a)	(2a)	(3a)	(4a)	(5a)	
2002	861,386,578	46,474,757	5.4%	47,009,862	5.5%	
2003	886,301,921	44,836,952	5.1%	46,601,589	5.3%	
2004	895,943,004	44,703,849	5.0%	50,062,118	5.6%	

<u>Physical Damage</u>	Other		<u>Ratio to Premium</u>	General		<u>Ratio to Premium</u>
	<u>Written Premium</u>	<u>Acquisition Expenses</u>		<u>Expenses</u>	<u>Expenses</u>	
<u>Year</u>	(1b)	(2b)	(3b)	(4b)	(5b)	
2002	308,007,100	18,809,431	6.1%	19,804,477	6.4%	
2003	313,920,993	18,353,470	5.8%	17,411,724	5.5%	
2004	307,694,522	17,622,004	5.7%	16,683,931	5.4%	

Selected Expense Provisions:				
	<u>Other Acquisition</u>	<u>General Expense</u>	<u>Disallowed Exp % Adv</u>	<u>Net G & OA Expenses</u>
	(7)	(8)	(9)	(10)
Liability	5.1%	5.5%	-0.4%	10.2%
Phys. Dam.	5.8%	5.6%	-0.4%	11.0%

Conversion from percentage in total market to percentage in TAIPA

<u>Liability (Trucks, Tractors, and Trailers)</u>	Earned		Average	Average
	<u>Premium</u>	<u>Exposures</u>	<u>Liability Premium</u>	<u>Fixed Expense per Exposure</u>
<u>Year</u>	(11a)	(12)	(13a)	(14a)
2002	544,384,584	758,581	717.64	73.20
2003	549,281,338	722,964	759.76	77.50
2004	579,244,150	655,835	883.22	90.09

<u>Physical Damage (Trucks, Tractors, and Trailers)</u>	Earned		Average	Phys Dam
	<u>Premiums</u>		<u>Phys Dam Premium</u>	<u>Fixed Expense per Exposure</u>
<u>Year</u>	(11b)		(13b)	(14b)
2002	151,546,559		199.78	21.98
2003	149,202,642		206.38	22.70
2004	152,894,747		233.13	25.64

<u>Year</u>	Adjusted	TAIPA	TAIPA	Average Rate	Fixed
	<u>Fixed Expense per Exposure</u>	<u>Premium</u>	<u>Earned Exposures</u>	<u>at Current Level</u>	<u>Expense Ratio</u>
	(15)	(16)	(17)	(18)	(19)
2002	84.19	742,930	1,785	416.13	20.2%
2003	88.85	817,996	1,992	410.59	21.6%
2004	102.91	914,922	2,127	430.13	23.9%

<u>Year</u>	Earned	Adjusted	Installment	Adjusted	Selected
	<u>Premium Adjustment</u>	<u>Fixed Expense Ratio</u>	<u>Payment Fee</u>	<u>Fixed Expense Ratio</u>	
	(20)	(21)	(22)	(23)	<u>Fixed Expense Ratio</u>
2002	1.104	22.3%	-4.0%	18.3%	21.0%
2003	1.104	23.8%	-4.0%	19.8%	
2004	1.104	26.4%	-4.0%	22.4%	

Data Sources: Insurance Expense Exhibits - Results of All Companies Writing in Texas, Adjusted for Texas Volume of Business, ca-liability 4.mdb, and ca-PhysDam 1.xls. Weights 15, 30, 55