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December 14, 2004

Gene C. Jarmon, Esq.
General Counsel and Chief Clerk
Mail Code 113-2A
Texas Department of Insurance
P. O. Box 149104
Austin, TX 787124-9104

RE: Docket No. 2608
Presumptive Rate Regulation

Dear Mr. Jarmon:

We are writing in response to your Department's proposal to modify credit insurance rates in Texas.

Alternative 1 in the proposed regulations suggests rates for the dealer class that are significantly lower than the rest of the classes of business. There is no justification for rates to vary for the dealer class, as highlighted by the following:

- A single company has a majority of the auto dealer business in the state and has a substantially lower loss ratio than other insurance companies classified as auto dealers. This creates an unfair bias against the rest of the auto dealer companies in the prima facie rate development.

Having rates that vary by class creates additional expenses for companies that write dealer business and other business. This additional expense was not reflected in the prima facie rate development.

- Texas already has one of the nation's lowest prima facie credit accident and health insurance rate structure, yet the credit accident and health claim cost is average compared to other states


Other comments regarding the proposed regulation are:

The proposed effective date of March 1, 2005 does not allow the time required for filing and system conversion.

The joint factor of 1.5 is low. Industry studies have shown the need for a higher factor in the range of 1.6 to 1.75.

Your consideration of the above comments is appreciated.

Very truly yours,


Richard C. Hackett, J.D., LL.M., CLU
Senior Vice President
Legal Compliance and Government Affairs