The Center For Economic Justice
1506 South First St.
Austin, TX 78704
(512) 912-1327
(fax) 912-1375

RECEIVED

APR 22 2002

Filings Intake Section
Texas Department of Insurance

April 22, 2002

Ana M. Smith-Daley
Deputy Commissoner, Life Health Division, Mail Code 106-1A
P.O. Box 149104
Austin, TX 78714-1904

By Hand Delivery

Re: Comments on Credlit Life and Credit Disability Rates
Pursuant to Notice of March 20, 2002.

Dear Ms. Smith-Daley:

Enclosed please find two copies of comments from the Center for Economic Justice on the above-cited matter. Please let me know if you would like any additional information regarding our recommendations.

Sincerely,

Birny Birnbaum

Birny Birnbaum
Executive Director

Texas Credit Life and Credit Accident and Health
Premium Rates Recommendations

Submitted by the Center for Economic Justice[1]

April 22, 2002

Summary

1. Reverse competition is the dominant characteristic of credit insurance markets, generally, and of Texas credit insurance market, specifically.

2. Because of reverse competition, the Commissioner must address two issues in particular when establishing credit life and credit accident and health presumptive rates:
   a. With prima facie ratemaking, the failure to establish rates by class and plan of business leads to significantly excessive rates for the many consumers; and
   b. In the absence of normal competitive forces in credit insurance market, actual lender compensation and expenses incurred by credit insurers can not be assumed to be reasonable compensation and expenses and are, in fact, excessive.

3. There are significant differences in claim costs by major plans of business (single premium versus outstanding balance) and by major classes of business (banks, finance companies, credit unions and dealers). These differences are remarkably consistent over longer experience periods and require the establishment of prima facie rates by class and plan of business based upon the respective claim experience of the plans and classes of business for which the experience is credible.

4. For purposes of illustrating the rate development, we will utilize the expense, compensation, tax, investment income and profit provisions from the 2000 Commissioner's order. However, the expense provision was based upon actual expenses and, consequently, is excessive. A lower profit provision, even after consideration of the single premium discount factor, can be justified.

5. The Texas Legislature, in 2001, passed HB 2159, which, among other things, amended T.I.C. Art. 3.53 §8.A. to allow insurers to file and use rates from 30% below to 30% above the presumptive rate. The section retains the requirement that presumptive rates not be unjust, unreasonable, inadequate, confisctory, or excessive to the insurers, the insureds, or agents. And the section adds definitions of excessive and inadequate:

[1] These comments were prepared by Birny Birnbaum, who has been accepted as an expert on credit insurance actuarial and economic matters in prior Texas rate proceedings, and by D.J. Powers, an attorney who has extensive experience in credit insurance rate and rule proceedings.

A rate filed under this section is not excessive unless the rate is unreasonably high for the coverage provided and a reasonable degree of competition does not exist with respect to the classification to which the rate is applicable. A rate filed under this section is not inadequate unless either the rate is insufficient to sustain projected losses and expenses, or the rate substantially impairs, or is likely to impair substantially, competition with respect to the sale of the product.

Because of these changes, the Commissioner must establish presumptive rates at 1/1.3 (or 0.77) times the rates by plan and class of business that are neither excessive nor inadequate. Because of reverse competition in Texas credit insurance markets, the failure to establish the presumptive rates utilizing the 1/1.3 factor will cause rates to be excessive and in violation of Texas law.

6. Rates based upon the claim costs in item 3, the non-claim costs in item 4 and the procedure in item 5 will produce premiums that comply with the requirements of T.I.C. Art. 3.53 §8.A.

7. The Texas, in 2001, passed HB 1684, which permits a policy or agent fee to be charged in connection with insurance provided in connection with a motor vehicle installment sales contract. The Commissioner must prescribe that any credit life or credit accident and health premium rate charged by an insurer be reduced, or offset, by the amount of any policy or agent fee charged in connection with the insurance sale. The failure to prescribe the policy fee offset will lead to excessive premiums charged to consumers (insureds) in violation of T.I.C. Art. 3.53 § 8.A. (3) and § 8.D. Although HB 1684 allows a creditor on a motor vehicle installment loan to include a policy or agent fee, it does not allow them to charge a total amount in excess of the premium. These two statutes read together can only mean that there should be an offset for the policy fee in the amount of the premium.

8. The Commissioner should take steps to address the problems with single premium credit life insurance products. T.I.C. Art. 3.53 § 7.B. requires the Commissioner to disapprove any credit life or credit accident and health policy form "if the benefits provided therein are not reasonable in relation to the premium charge, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage . . .." There is ample evidence to demonstrate that gross debt credit life sold in connection with longer-term and/or higher-interest loans are unjust, unfair, inequitable, misleading, deceptive and encourage misrepresentation of the coverage. At a minimum, the Commissioner should require net debt coverage and premium calculation for single premium credit life insurance sold in connection with loans of term greater than 48 months and/or annual percentage rate greater than 15%.

Reverse Competition

Credit insurance is unlike most lines of insurance for two reasons. First, unlike most or all other lines of insurance, the primary beneficiary of credit insurance is not the ultimate consumer. Rather, the primary beneficiary of credit insurance is the lender. Second, unlike most other lines of insurance, credit insurance markets are characterized by reverse competition. In a reverse competitive market, market forces tend to drive up the cost of the product to the ultimate consumers – in contrast to normally competitive markets in which competition drives down the price to consumers.

Credit insurance is insurance sold in conjunction with a consumer loan – sometimes a fixed-term, closed-end loan and sometimes an open-end, revolving loan, like a credit card. The credit insurance pays off the borrower's debt under certain circumstances. Claim payments are generally made not to the ultimate consumer – the borrower – but to the lender. Credit insurance protects the lender's loan and the lender is the primary beneficiary of most credit insurance. Thus, when we talk about a 40% loss ratio, we are saying that 40 cents on the premium dollar is paid in claims to the lender.

Historically, it was not uncommon for lenders to buy a credit insurance policy to cover their loan portfolio and thereby avoid the cost of debt collection in unpleasant circumstances. Today, most credit insurance costs are passed directly to consumers.

Credit insurers do not market their product directly to ultimate consumers who are borrowers. Rather, credit insurers market their products to lenders, who, in turn, sell the credit insurance on behalf of the credit insurer. The lenders produce the business for credit insurers. Lenders get a substantial portion of the premium dollar as commission, or in the case of the credit insurer being affiliated with the lender, as profit. Average commission levels, even including lenders whose commission is reported as profit and not commission, are about a third of the premium dollar.

Because credit insurers market their product to producers of business, rather than the ultimate consumers of the product, credit insurers spend money to get the producers to take and sell the product. A recently promulgated New York State credit insurance regulation describes this reverse competitive dynamic.

> NY State Insurance Department
> Regulation 27A (11NYCCR 185)
>
> 185.0(b) In the marketing of credit insurance, the inferior bargaining position of the debtor creates a "captive market" in which, without appropriate regulation of such insurance, the creditor can dictate the choice of coverages, premium rates, insurer and agent, with such undesirable consequences as: excessive coverage (both as to amount and duration); excessive charges (including payment for nonessential items concealed as unidentifiable extra charges under the heading of insurance);

failure to inform debtors of the existence and character of their credit insurance and the charges therefor, and consequent avoidance of the protection provided the debtor by such coverage.

(c) In the absence of regulation, premium rates and compensation for credit insurance tend to be set at levels determined by the rate of return desired by the creditor in the form of dividends or retrospective rate refunds, commissions, fees, or other allowances, instead of on the basis of reasonable cost. Such "reverse competition," unless properly controlled, results in insurance charges to debtors that are unreasonably high in relation to the benefits provided to them.

In past Texas credit life and credit accident and health insurance rate hearings, the credit insurance industry has admitted that reverse competition drives up the cost of credit insurance to consumers. The industry witness is Gary Fagg.

Hearing Transcript Page 114

Fagg: . . . But given a comparable set of claim costs, higher rates provide more income that will be shared by either the insurer or the creditor, and in the traditional credit insurance marketplace that would be shared primarily with the creditor.

Q: So I take it, the answer to my question then is yes, that creditors benefit by higher commissions from higher rates.

Fagg: Well, your question said they would. I would say they could.

Q: Generally they do, though, don't they?

Fagg: Generally they do, yes.

Hearing Transcript Page 116

Q: You say, "As expected, virtually all of the credit life insurance was written at the prima facie rate." Why is it expected that everyone will charge the maximum rate for credit insurance?

Fagg: Creditors press credit insurance companies to provide the maximum compensation. If we charge a rate that is less than the prima facie rate and pay less commission, the creditor is going to come to us and say, why can't you pay more compensation? The state has set a rate. The state in its regulation says that rate is fair and reasonable. Why can't I charge that rate? Everybody else in the state can charge it. It's deemed fair and reasonable. And that's what happens with rate regulation.

Hearing Transcript Page 119

Q: Okay. Turning now to what you alluded to a minute ago, and that was the 60 to 120 month data. The data that we have for 60 to 120 month, at that time the rate was unregulated. Right?

Fagg: Yes.

Q: Okay. And you claim that the average rate in the unregulated market was 53 cents?

Fagg: Yes.

Q: Now, if there were – during that same period based on the data that we've talked about, an insurer could have made adequate profits had they reduced their commission based on a 40 cent rate.

Fagg: Yes.

Q: Okay. So if there were true competition in the market, an insurer could have undercut the 53 cent rate and could have been charging 40 cents.

Fagg: They could have been charging it. They probably wouldn't have written any business.

Q: And why is that?

Fagg: Because the pressure is to pay the maximum that's payable within the rate.

Q: Do you think any consumers would have been interested in paying a 40 cent rate rather than a 53 cent rate?

Fagg: Yes.

Hearing Transcript Pages 205-6

Q: Let me read the first paragraph of Commandment No. 5 and tell me if I read this correctly: "Do not covet your neighbor's business. Actually it's not too bad to covet business, but just because your neighbor pays a 50 percent commission does not mean you can pay 51 percent. The way the marketplace is going, we'll be paying 100 percent commissions by the year 2,000." Did I read that correctly?

Fagg Yes.

Q: So if I understand this, the way credit insurers compete for business is by offering a higher commission. Right?

Fagg: That's one way of doing it.

Q: Another way would be to offer a lower rate to the producers. Right?

Fagg: They could chose to do that.

Q: They wouldn't get very far, though, would they?

Fagg: No.

Q: And you don't recommend it in the Ten Commandments of Credit Insurance, do you?

Fagg: No.

Q: And that's because if they did try to sell at a lower price, they're not going to get any business, are they?

Fagg: Substantially no business.

In the 1998-99 Texas credit life and credit accident and health rate hearing (Docket 454-98-1807), the Commissioner defined reverse competition as "the act of directing competitive efforts towards the producers of the business rather than the ultimate consumers of credit insurance, which has the effect of raising rather than lowering prices to consumers." The Commissioner also found that reverse competition existed in Texas credit insurance industry.

The most recent evidence of reverse competition in Texas credit insurance markets is the filings by insurers writing almost the entire Texas credit life and credit accident and health markets for deviations of 130% of presumptive rates following the enactment of HB 2159 in September 2001. In response to inquiries by the Texas Department of Insurance for the reasons for filing the 130% deviations, insurers stated the rate increase was necessary to "remain competitive in the Texas marketplace." Clearly, it is only in a reverse competitive market where sellers must increase rates to remain competitive.

Reverse competition is the dominant characteristic of credit insurance markets, generally, and of Texas credit insurance markets, specifically. The presence of reverse competition must be considered throughout the credit insurance rate development process.

The Dynamics of Reverse Competition and Prima Facie Rates

Under prima facie (or presumptive) rate regulation, prima facie rates are established for credit insurance coverages and, typically, any credit insurer may use the prima facie rates without justification. And, again typically, insurers who experience higher-than-average claim costs can gain approval for rates higher than prima facie rates. The problem with prima facie rate regulation in Texas (and most other states) is that, while upward deviations are permitted, downward deviations are not required. And because of reverse competition, credit insurers will always use the maximum allowable rate – even if the claims experience is much better than average. The impact of reverse competition is graphically demonstrated simply by looking at the loss ratios of individual credit insurers in Texas. Even though target loss ratios (based upon component rating analyses) for credit life and credit disability are around 50% and 60%, respectively, many insurers show credit life and credit disability loss ratios in the 20's.

Most states utilizing prima facie rate regulation, including Texas, fail to achieve – sometimes by large margins – the target loss ratios established by statute or regulation. This occurs because prima facie rates are typically established on the basis of overall credit life or overall credit disability experience. For example, suppose half the industry has a 40% loss ratio and half has a 60% loss ratio. Together, the industry produces a 50% loss ratio. But, assuming for this example a 50% target loss ratio, if rates are set based upon all-industry experience, a 50% loss ratio will not result. The half of the industry with a 40% loss ratio will continue to charge the prima facie rate and the half of the industry with the 60% loss ratio will deviate for higher rates. The result will be an actual industry loss ratio of about 45%.

The disparities in loss ratios by company and/or by plan of business are, in fact, even more striking. The attached charts shows loss ratios for single premium (SP) credit life of about 32% compared to loss ratios of about 59% for monthly outstanding balance (OB) credit life. In fact, some insurers writing OB credit life with experience loss ratios greater than 50% have filed for upward deviations, while no insurer – other than insurers writing credit union business – has utilized a downward deviation. Consequently, some classes of business – dealers, in particular – have been able to charge excessive rates relative to their below-average claim costs because of previous Texas rate decisions have established all SP and OB rates on overall average credit life claim costs.

The shortcomings of Texas prima facie rate regulation in credit insurance can only be addressed by establishing prima facie rates by class and major plans of business. This approach attempts to create many prima facie rates to more closely match the rate to experience for the plan of business/class of business combination. For example, auto dealer (class of) business has much lower claim experience than, say, credit union class of business. Under this approach, a separate, lower prima facie rate would be established for auto dealer credit life SP business.

With prima facie ratemaking, the failure to establish rates by class and plan of business leads to significantly excessive rates for the many consumers and excessive rates overall in the marketplace.

Actual versus Reasonable Expenses

In a normally competitive market, one could argue that market forces reflect consumer preferences for a product and market outcomes reflect the value to consumers. Those arguments are not valid for credit insurance because of reverse competition. Because of the reverse competitive nature of credit insurance markets – and in the absence of normal competitive forces – there can be no assumption that actual credit insurance expenses or commissions are reasonable, defined as reflecting reasonable costs of the lender or insurer in developing, presenting and servicing the product.

In Order No. 00-0214, the Commissioner recognized this fact with the following findings of facts:

32. The notice of hearing defines reverse competition as "the act of directing competitive efforts towards the producers of the business rather than the ultimate consumers of credit insurance, which has the effect of raising rather than lowering prices to consumers."
33. Competition in the credit insurance industry raises, rather than lowers, credit insurance costs because competitive efforts are aimed at the producers; insurers pay higher commissions in order to attract more business. They may also provide other benefits, such as training and computers.
34. When credit life claim costs are lower, the savings are not passed along to consumers in the form of lower rates; instead, insurers charge the prima facie rate and producers receive greater compensation.
35. In the credit insurance marketplace, higher rates provide more income that will be shared primarily with producers.
36. A good possibility exists that if a credit insurance rate is excessive, the compensation level will also be excessive.
37. In 1992, Mr. Fagg performed a study addressing reverse competition in the credit insurance market. His study showed that reverse competition inflated expenses about 6%.
38. Other evidence suggests that the effect of reverse compensation may be significantly greater than Mr. Fagg's 6%.
39. There is reverse competition in the credit insurance industry.
40. The level of compensation should reasonably relate to loss experience.
41. Article 3.53, §8 requires use of reasonable acquisition costs, loss ratios, and administrative expenses.
42. The commission ratio averages for credit life for 1995 through 1997 were:

Banks	35.8%
Finance Companies	2.3%
Credit Unions	20.7%
PCAs	25.6%

Dealers	48.4%
Other	0.9%
Total	38.1%

43. For credit life insurance, it would be unreasonable to set rates using actual commissions (35% of the current 36-cent rate) because of reverse competition.

On the issue or reasonableness of expenses, let us turn again the position of the credit insurance industry in previous Texas credit insurance rate proceedings through its expert witness, Gary Fagg:

Hearing Transcript Pages 146-48:

Q: And reading from page 4, you state, "What are creditor expenses? What is fair compensation? It doesn't matter. The insurers must provide the financial incentive to creditors for the product to be closed."

Do you still agree with that statement?

Fagg: I am speaking in a fairly broad term there. But the – yeah, the general context, I agree with it.

Q: And turning to page 5, the first paragraph there reads, "The auto dealer has an array of products to offer beyond the car. Credit insurance must compete in the dealer's mind when the dealer decides the order of priority. When the compensation of one product changes, the priorities are reevaluated. Maybe the consumer needs paint sealants and rustproofing more than credit insurance, but the dealer will sell the customer something. If you think reducing the credit insurance compensation will change the dollars of profit left at the dealership, you've not spent a lot of time with auto dealers. They will just sell more paint sealant and less credit insurance."

Do you still agree with that statement?

Hearing Transcript Page 385

Fagg: If you change the compensation, the marketplace will react and will make every attempt to recoup the dollars lost through another source. The position of consumer advocates that cutting credit insurance rates will save consumers millions is false and misleading. It just changes where the dollars are spent.

Hearing Transcript 212-3

Q: So, for instance, if we actually could show you, and you have agreed and determined that it only costs them (lenders) one cent per $100, but the market has paid 12 cents (commission), would your recommendation be less than 12 cents?

Fagg: No.

Q: It would still go with what the market paid. Right?

Fagg: Yes.

Q: So what relevance, given that the market has paid 12 cents, would any information, regardless of -- you know, assume you're 100 percent convinced about the information, what relevance would it have in your recommendation for a 12 percent commission rate?

Fagg: I agree that it would not affect the -- it's not relevant to the determination.

Hearing Transcript 213-4

Q: I'm sorry, I didn't ask for your point, I asked how one would go about showing that the amount the market is paying is unfair. How would you do that?

Fagg: If you could do an expense study, I think you could at least raise the issue and have something to discuss, but so much of it is compensation for the sale of the product and compensation for selling is not directly related to cost.

Q: I thought you just told us a little while ago that the actual costs are irrelevant to you. Did you agree to that, the actual cost to the producer?

Fagg: But that's --

Q: Again, I'm not asking whether -- the reason for it. Didn't you agree to that earlier?

Fagg: Yes.

Q: Okay. If the actual cost to the producer are irrelevant, then why would you look at that irrelevant information to determine whether the compensation of 12 cents is fair?

Fagg: I have not looked at it.

Q: I know you have not looked at it, but isn't it a fact that since that information is irrelevant to you, it has no bearing on whether the 12 cents is fair or not?

Fagg: Correct.

Hearing Transcript 242-245

Q: Now, also on expenses, Mr. Birnbaum has two opinions that I believe you disagree with, and let me make sure. First, his opinion is that if there are unreasonably incurred expenses, those should not be included in calculating the expense component. And then the second opinion is that, in fact, there have been unreasonable expenses. I want to ask you about each of those separately. The first opinion that, in theory, if there were unreasonable expenses, those should not be included in the expense component. Do you agree or disagree with that opinion?

Fagg: I disagree.

Q: So no matter how unreasonable an expense is, it's your opinion it should be included in the rate base.

Fagg: I believe the data should be used as presented.

Q: Regardless of how unreasonable the expenses that went into that data are. Right?

Fagg: Yes.

Q: And, in your opinion, it should be used even if there are errors in the underlying data.

Fagg: It's the only data that there is to work with.

Q: My question to you is not what data there is to work with. Your testimony is that we should use the actual expenses paid, regardless of whether they're -- as presented in the documents you relied on, regardless of whether there are errors in the data.

Fagg: If there are proven errors, they should be reflected in the data.

Q: Again, my question is -- I'll try to separate these out, we're just talking in theory now, we're not talking about proof of actual expenses. Let's just assume for right now that there is proof that some of the expenses reported were unreasonable. Okay? Let's just assume that.

Fagg: Okay.

Q: Now, in that case, is it your opinion that we should still use the exact numbers as reported in calculating the expense provision?

Fagg: Yes.

[objection]

Q: Assuming that a consumer was sold a policy that they didn't ask for, doesn't want and weren't told they were getting, would the expenses associated with that sale, because the insurer is going to incur expenses for that sale, would that be reasonable to include those expenses in the rate base?

JUDGE RAMOS: Okay. I'll allow the question. You can answer it.

Fagg: Yes.

Q: The answer is yes, it's reasonable to include those in the rate base.

Fagg: Yes.

Texas Claim Costs by Class and Plan of Business

There are significant differences in claim costs by major plans of business (single premium versus outstanding balance) and by major classes of business (banks, finance companies, credit unions and dealers). These differences are remarkably consistent over longer experience periods and require the establishment of prima facie rates by class and plan of business based upon the respective claim experience of the plans and classes of business for which the experience is credible.

Exhibit 1 summarizes overall credit life and credit disability experience by class of business from 1991 through 1999. Loss ratios vary significantly among some classes and these differences persist over time.

Exhibit 2 shows credit life claim experience by class and plan of business for two three-year periods: 1994-1996 and 1997-1999. The two periods – reflecting six years of experience and nearly $1 billion in premium – show consistent results. Table 1 shows the credit life claim costs for the major SP and OB coverages and for all SP and all OB coverages combined.

Table 1
Texas Credit Life Insurance Claim Costs by Plan and Class of Business
Claims Costs Expressed as SP Reducing /$100 Exposure Equivalent

	Single Premium Reducing Single Life (Plan 1)			
Banks	0.1259	25.3%	0.1379	24.1%
Finance Companies	0.1487	5.1%	0.1574	6.4%
Credit Unions	0.1275	2.5%	0.1370	2.2%
Dealers	0.1144	67.0%	0.1043	67.2%
All Classes Combined	0.1194		0.1165	
	Single Premium Reducing Joint Life (Plan 5)			
Banks	0.2020	18.2%	0.2080	21.2%
Finance Companies	0.1881	15.8%	0.1972	14.5%
Credit Unions	0.1700	1.2%	0.2296	1.4%
Dealers	0.1830	64.8%	0.1618	62.9%
All Classes Combined	0.1870		0.1777	
	Single Premium Total (Sum of Plans 1,2,5, and 6)			
Banks	0.1479	24.8%	0.1572	23.8%
Finance Companies	0.1701	7.8%	0.1774	8.4%
Credit Unions	0.1342	2.0%	0.1564	1.9%
Dealers	0.1325	64.4%	0.1193	65.9%
All Classes Combined	0.1404		0.1340	
	Outstanding Balance Revolving Single Life (Plan 3)			
Banks	0.3023	17.4%	0.2985	29.6%
Finance Companies	0.2193	1.1%	0.2784	1.4%
Credit Unions	0.1802	77.6%	0.1786	57.4%
Dealers	0.2194	1.9%	0.1591	11.4%
Other	0.4853	2.0%	0.3893	0.1%
All Classes Combined	0.2087		0.2136	
	Outstanding Balance Revolving Joint Life (Plan 7)			
Banks	0.5534	22.9%	0.4576	28.1%
Finance Companies	0.4198	1.8%	0.3878	2.0%
Credit Unions	0.2569	34.4%	0.2835	41.7%
Dealers	0.3382	33.2%	0.3298	18.7%
Other	0.3865	7.7%	0.3644	9.4%
All Classes Combined	0.3648		0.3508	
	Outstanding Balance Total (Sum of Plans 3,4,7 and 8)			
Banks	0.4123	19.9%	0.3432	27.8%
Finance Companies	0.3295	1.4%	0.3016	1.8%
Credit Unions	0.1946	58.6%	0.2035	53.0%
Dealers	0.3308	15.5%	0.2431	12.8%
Other	0.3793	4.7%	0.2871	4.6%
All Classes Combined	0.2695		0.2530	

A review of Table 1 indicates the following. The differences in claim costs between SP and OB coverages is substantial and persistent. OB claim costs are twice SP claim costs. The differences in claims costs by class and plan of business is substantial and persistent. For SP business, dealer claim costs are significantly lower than those of other classes. For OB business, credit union claim costs are significantly lower than those of other classes. Joint claims costs are about 150% of single life claim costs.

Exhibit 3 shows Texas credit disability loss ratios by plan and class of business for two periods – 1995-1997 and 1997-1999.[2] Table 2 summarizes the results.

Table 2
Texas Credit Disability Insurance Claim Costs by Plan and Class of Business

	1994-96		1997-99	
	Claim Cost	Mkt Share	Claim Cost	Mkt Share
	Single Premium 14R (Plan 10)			
Banks	57.6%	17.8%	54.4%	17.8%
Finance Companies	46.9%	13.6%	42.7%	12.4%
Credit Unions	76.9%	1.8%	61.7%	1.9%
Dealers	47.2%	66.8%	40.3%	68.0%
All Classes Combined	49.5%		43.5%	
	Total Single Premium (Sums of Plans 9 through 14)			
Banks	57.7%	17.6%	54.8%	18.2%
Finance Companies	45.3%	13.2%	42.2%	12.1%
Credit Unions	80.1%	2.4%	70.0%	2.4%
Dealers	45.6%	66.8%	40.2%	67.3%
All Classes Combined	48.5%		43.8%	
	Total OB Revolving (Sum of Plans 16 through 20)			
Banks	35.9%	29.9%	31.8%	34.5%
Finance Companies	40.9%	1.6%	36.9%	2.3%
Credit Unions	66.4%	45.8%	65.9%	45.4%
Dealers	25.6%	17.5%	32.0%	14.3%
Other	55.1%	5.1%	24.3%	3.6%
All Classes Combined	49.1%		47.1%	
	Total OB Balance (Sum of Plans 16 through 26)			
Banks	35.9%	28.4%	31.7%	32.7%
Finance Companies	40.9%	1.5%	32.6%	2.4%
Credit Unions	66.0%	48.9%	64.5%	47.8%
Dealers	25.6%	16.4%	32.0%	13.5%
Other	55.1%	4.8%	25.7%	3.5%
All Classes Combined	50.0%		47.2%	

[2] Table 1 and Table 2 use different earlier time periods. We did not have time to complete the 1994-96 data compilation for credit disability. This difference does not affect our conclusions.

As with credit life, Table 2 shows that the differences in loss ratios (claim costs) by class of business are persistent over time. Banks, Finance Companies and Dealers show similar claim overall OB loss ratios, while credit unions show a significantly higher loss ratio. For SP business, finance companies and dealers show significantly lower loss ratios than credit unions.

The differences in claims costs by class and plan of business, where the experience is credible, requires the establishment of rates by class and major plan of business on the basis of their respective claim costs for at least three reasons. First, failure to establish rates by class and plan of business will lead to excessive rates for many consumers in violation of T.I.C. Art. 3.53 §8.A. Second, sound actuarial practice requires recognition of significant differences in claim costs in ratemaking. Third, because ratemaking is prospective in nature and because almost all OB credit insurance sold by banks has been, or will be, replaced by debt cancellation or debt suspension agreements, the failure to establish rates by plan and class of business will overstate future claim costs by incorporating above-average bank claim costs that will not exist in the future.

Non-Claim Costs

For purposes of illustrating the rate development, we will utilize the expense, compensation, tax, investment income and profit provisions from the 2000 Commissioner's order. However, the expense provision was based upon actual expenses and, consequently, is excessive. A lower profit provision, even after consideration of the single premium discount factor, can be justified.

Exhibit 4 provides an analysis of the profit provision. The overall indicated profit provision after consideration of investment income is –8.4%. After consideration of the premium effect of the current SP discount factor, the indicated profit provision is about –5.0%. This is lower than the –2.0% and –4.0% utilized for credit life and credit disability, respectively, by the Commissioner in the last rate order.

We recommend no change in the SP discount factor. Any reduction in the single premium discount factor would have to be offset by a reduction (lowering) of the profit provision. The current discount factor recognizes mortality costs and the lower average expenses per $100 of debt as the term of coverage increases – in addition to the recognition of increased investment income by insurers for SP products compared to OB products.

Establishing Rates that are Neither Excessive nor Inadequate

The Texas Legislature, in 2001, passed HB 2159, which, among other things, amended T.I.C. Art. 3.53 §8.A. to allow insurers to file and use rates from 30% below to 30% above the presumptive rate. The section retains the requirement that presumptive rates not be unjust, unreasonable, inadequate, confisctory, or excessive to the insurers, the insureds, or agents. And the section adds definitions of excessive and inadequate:

> *A rate filed under this section is not excessive unless the rate is unreasonably high for the coverage provided and a reasonable degree of competition does not exist with respect to the classification to which the rate is applicable. A rate filed under this section is not inadequate unless either the rate is insufficient to sustain projected losses and expenses, or the rate substantially impairs, or is likely to impair substantially, competition with respect to the sale of the product.*

Because of these changes, the Commissioner must establish presumptive rates at 1/1.3 (or 0.77) times the rates by plan and class of business that are neither excessive nor inadequate. Because of reverse competition in Texas credit insurance markets, the failure to establish the presumptive rates utilizing the 1/1.3 factor will cause rates to be excess and in violation of Texas law.

Following the enactment of HB 2159, almost every insurer – with the major exception of CUNA Mutual – filed for the maximum 30% file and use deviation. Most insurers explained this action as necessary to "remain competitive in the Texas marketplace." As explained and shown above, credit insurers must utilize the highest allowable rate to compete with other credit insurers – regardless of whether these maximum rates are reasonable or excessive to consumers.

The Commissioner must set rates that are not excessive or inadequate. Establishing presumptive rates without the 1/1.3 factor will – with certainty – lead to excessive rates. Credit insurers will for 130% deviations and rates will be excessive by at least 30%. In addition to violating T.I.C. Art. 3.53 §8.A.(3), the failure to utilize the 1/1.3 factor will violate T.I.C. Art. 3.53 §8.A.(7) because the rates will be unreasonably high for the coverage provided and because a reasonable degree of competition does not exist with respect to the classifications to which the rates are applicable.

In contrast, establishing rates <u>with</u> the 1/1.3 factor will <u>not</u> lead to inadequate rates. Credit insurers will file and use the 130% deviation to attain rates that are reasonable and adequate for the class and plan of business. Further, if the insurer has above-average claim costs, the insurer still has the ability to file and receive approval for higher rates based upon the deviation process in the Department's administrative rule.

The necessity and reasonableness of the 1/1.3 factor is clear – absent the factor, rates will, with certainty, be excessive. With the factor, any insurer can file and use or file and receive approval for adequate rates.

Specific Rate Recommendations

Utilizing claim costs from Tables 1 and 2, non-claim costs from the 2000 rate order and the 1/1/3 factor, the following rates should be established (assuming a continuation of the current SP discount factors and 150% joint life multiples.)

The credit life rates are established by class based upon SP and OB experience, respectively in Tables 3 and 4. For credit life, the PCAs and Other classes did not have credible experience and their rates should be established at the All Classes Combined indication. For SP credit life, column 1 represents the claim costs[3] for all SP credit life coverage combined. Column 2 is the ratio of SP Life Total class claim cost to SP Life Total all classes combined claim cost times the SP Life Reducing (Plan 1) all classes combined claim cost. This calculation applies the relationship among classes for all SP to the SP Reducing (Plan 1) claim cost.[4] This is necessary to make the Plan 1 business the base for Plan 2, 5 and 6 business. Plan 2, 5 and 6 rates are developed using the traditional SP reducing to SP level conversion and the 150% joint multiple. Column 3 (Step 2) performs an interim calculation by applying the non-claim cost factors from the 2000 rate order to the Column 2 claim costs – add 0.08 to claim costs and divide this sum by 1 less 25% commission less –2% profit less 2.75% taxes or 0.7425. Column 4 applies the 1/1.3 factor to derive the presumptive rate.

Table 3
Single Premium Credit Life Presumptive Rates

	(1) SP Life Total (Plans 1,2,5,8)	(2) SP Life Red Single (Plan 1)	(3) Step 2	(4) **Presumptive Rate After 1/1.3 Factor**
Banks	0.1572	0.1367	0.292	**0.225**
Finance Companies	0.1774	0.1543	0.316	**0.243**
Credit Unions	0.1564	0.1361	0.291	**0.224**
Dealers	0.1193	0.1038	0.247	**0.190**
All Classes Combined	0.1340	0.1165	0.265	**0.204**

For OB credit life, column 1 is the total OB life claim cost. Column 2 is the ratio of OB Life Total class claim cost to OB Life Total all classes combined claim cost times the OB Life Revolving (Plan 3) all classes combined claim cost. This calculation applies the relationship among classes for all OB to the OB Revolving (Plan 1) claim cost.[5] This is necessary to make the Plan 1 business the base for Plan 4, 7 and 8 business. Plan 4 rates are equal to Plan 3 rates and Plans 7 and 8 rates 150% of Plans 3 and 4 rates,

[3] Credit life claim costs are based upon experience loss ratios times prima facie rate in effect during experience period. Data issues with insurance in force figures make the loss ratio claim cost a more reliable and reasonable choice. See discussion below in Data Issues section.
[4] No offset is required as the average of the column 2 claim costs by the column 1 market share is 0.1163.
[5] No offset is required as the average of the column 2 claim costs by the column 1 market share is 0.3418.

respectively. Column 3 (Step 2) performs an interim calculation by applying the non-claim cost factors from the 2000 rate order to the Column 2 claim costs – add 0.128 to claim costs and divide this sum by 1 less 25% commission less –2% profit less 2.75% taxes or 0.7425. Column 4 applies the 1/1.3 factor to derive the presumptive rate.

Table 4
Single Premium Credit Life Presumptive Rates

	(1) OB Life Total (Plans 3,4,7,8)	(2) OB Life Rev Single (Plan 3)	(3) Step 2	(4) **Presumptive Rate After 1/1.3 Factor**
Banks	0.5492	0.4636	0.797	**0.613**
Finance Companies	0.4826	0.4075	0.721	**0.555**
Credit Unions	0.3256	0.2749	0.543	**0.418**
Dealers	0.3889	0.3284	0.615	**0.473**
Other	0.4594	0.3878	0.695	**0.535**
All Classes Combined	0.4048	0.3418	0.633	**0.487**

Tables 5 and 6 show the development of credit disability presumptive rates. Column 1 of Table 5 shows the 1997-99 SP credit disability experience loss ratios at prima facie rates. Column 2 (Step 2) performs an interim calculation by applying the non-claim cost factors from the 2000 rate order to the Column 1 claim costs (which are calculated by multiplying the loss ratio by the 36 month 14R SP rate in 1999 of $3.21). The sum of the claim costs and the expense provision (0.5457) are divided by 1 less 25% commission less –4% profit less 2.75% taxes or 0.7625. Column 3 applies the 1/1.3 factor to derive the presumptive rate. Column 4 shows the change from current (2000) rates.

Table 5
Single Premium Credit Disability Presumptive Rates

	(1) Total SP Disability (Plans 9 - 14)	(2) Step 2	(3) **Presumptive Rate After 1/1.3 Factor**	(4) Change from 2000 Rates
Banks	54.8%	3.023	2.325	-16.7%
Finance Companies	42.2%	2.493	1.918	-31.3%
Credit Unions	70.0%	3.663	2.818	1.0%
Dealers	40.2%	2.407	1.852	-33.6%
All Classes Combined	43.8%	2.560	1.969	-29.4%

Table 6 shows the calculation of outstanding balance disability rates. Column 1 is the claim costs (1997-1999 experience loss ratios) for all outstanding balance plans combined. Column 2 calculates the rate change from 1999 rates based upon a 60% target loss ratio and the 1/1.3 factor. The 60% target loss ratio is based upon the indicated single premium component rating analysis loss ratio adjusted upward for consideration of the discount factor applied to single premium products (to arrive at an OB equivalent loss ratio). Column 3 is the presumptive rate change of Step 2 after consideration of the 2000 rate change.

Table 6
Outstanding Balance Credit Disability Presumptive Rates

	(1) Total OB Disability (Plans 16 - 26)	(2) Step 2	(3) **Presumptive Rate After 1/1.3 Factor**
	Total OB (Sum of Plans 16 through 26)		
Banks	31.7%	-59.3%	-53.2%
Finance Companies	32.6%	-58.2%	-51.9%
Credit Unions	64.5%	-17.3%	-4.9%
Dealers	32.0%	-59.0%	-52.9%
Other	25.7%	-67.1%	-62.1%
All Classes Combined	47.2%	-39.5%	-30.3%

Offset for Policy Fees

The Texas, in 2001, passed HB 1684, which permits a policy or agent fee to be charged in connection with insurance provided in connection with a motor vehicle installment sales contract. The Commissioner must prescribe that any credit life or credit accident and health premium rate charged by an insurer be reduced, or offset, by the amount of any policy or agent fee charged in connection with the insurance sale. The failure to prescribe the policy fee offset will lead to excessive premiums charged to consumers (insureds) in violation of T.I.C. Art. 3.53 § 8.A.(3) and § 8.D. Although HB 1684 allows a creditor on a motor vehicle installment loan to include a policy or agent fee, it does not allow them to charge a total amount in excess of the premium. These two statutes read together can only mean that there should be an offset for the policy fee in the amount of the premium.

For example, if the premium under the prima facie rate for a specific risk would be $100, but the insurer charged the consumer a $50 policy fee, then the prima facie rate would be reduced to reflect a $50 premium. Article 3.53 permits (indeed, requires) the commissioner to set a presumptive rate that includes a discount for any policy or other similar fee, for the following reasons.

First, Art. 3.53 § 8.A.(3) provides that the Commissioner may consider "other relevant data" in setting a presumptive rate. That statute also provides that the Commissioner shall consider "acquisition costs" in setting the presumptive rate. Those expenses are not "costs" if the insurer gets reimbursed for them outside of the premium. Moreover, the Commissioner must consider "reasonable" profits to the insurers, and those profits are affected by any policy fees charged in addition to the premium.

Second, allowing insurers to double collect their acquisition costs is unjust, unreasonable, and excessive to the insureds. Policy fees are intended to cover acquisition costs, but the presumptive rate also recovers those same expenses. Thus, if an insurer is allowed to collect both a policy fee and the full presumptive rate, it will collect those costs twice. Art. 3.53 § 8.A.(3) says that "the commissioner may not set a presumptive premium rate that is unjust, unreasonable, ... or excessive to ... the insureds." Moreover, allowing this double recovery would permit an unreasonable profit, also a violation of Art. 3.53 § 8.A.(3).

Third, allowing an insurer to collect a policy fee in addition to the premium would violate Art. 3.53 § 8.D. That statute provides:

> The amount charged to a debtor by the creditor for any credit life or credit accident and health insurance issued to the debtor shall not exceed the actual premium charged the creditor by the insurer for such insurance, as computed at the time the charge to the debtor is determined.

Thus, although HB 1684 allows a creditor on a motor vehicle installment loan to include a policy or agent fee, it does not allow them to charge a total amount in excess of the premium. These two statutes read together can only mean that there should be an offset for the policy fee in the amount of the premium. An example illustrates this. Assume the premium is $500 and the policy fee is $50. If the Commissioner did not set off the premium by $50, then the creditor would charge the debtor $550, in direct violation of Art. 3.53 § 8.D. However, if the Commissioner includes a discount for the policy fee, than the total charge would be $450 for the premium plus $50 for the policy fee, for a total of $500. The creditor could loan the policy fee and would not be in violation of Art. 3.53 § 8.D because the total charge would not exceed the $500 prima facie premium.

Address Problems with Single Premium Credit Insurance

In the past few years, there has been a growing condemnation of single premium credit life insurance sold in connection with loans secured by real estate. The sale of single premium credit life insurance in some instances has been part of predatory lending strategies by some lenders and leads to debt payments far greater than the consumer's ability to pay and to loss of equity by the consumer. These practices harm consumers. In 2000, the United States Departments of Housing and Urban Development and Treasury jointly issued a report on predatory lending practices. The report concluded that, "the charging and financing of single premiums is unfair, abusive, and deceptive . . .."

In addition, Fannie Mae and Freddie Mac – the largest purchasers of mortgage loans – announced policies in response to the problems with the sale of single premium credit life insurance. Both organizations will no longer purchase mortgages or other loans with which single premium credit life insurance was sold.

Earlier this year, the Federal Trade Commission filed a complaint against Citicorp regarding the sale of single premium credit insurance. In response to the efforts of these organizations and fair housing groups and others, many of the sub-prime lenders have announced plans to cease the sale of single premium credit insurance in connection with loans secured by real estate. Although state insurance regulators should have been leading the way in protecting credit insurance consumers, the time has surely come for insurance regulators to at least acknowledge the problems with single premium credit insurance and take steps to stop the most abusive practices.

The problem with single premium gross debt credit life is illustrated in Exhibit 5.[6] Table 1 shows the credit life premium calculations for a $20,000 loan at 12% for 60 months for both net debt and gross debt products using Washington State prima facie rates.

The net debt premium is $663.89 and is based upon an initial amount of insurance equal to the original $20,000 principal plus the $663.89 financed credit life insurance for a total initial amount of insurance of $20,663.89.

The premium and initial amount of insurance for the gross debt product are based upon the sum of the original principal ($20,000), the interest on the original principal ($6,693.34), the credit life insurance premium ($834.20) and the interest on the credit life insurance premium ($279.18) for a total initial amount of insurance of $27,806.72.

The gross debt credit life premium is greater than the net debt life premium ($834.20 versus $663.89) because the initial amount of insurance (and, consequently, the basis for the premium calculation) is greater for the gross debt product.

The initial amount of insurance for the net debt product is equal to the amount necessary for the consumer to pay off the loan. The initial amount of insurance for the gross debt product is about $7,000 more than necessary for the consumer to pay off the loan.

If the credit life had been a monthly outstanding balance (MOB) product, the consumer would have paid a total of $642.56 in monthly insurance premium payments over the 60-month term of the loan. This amount compares with $1,113.38 paid for the up front single premium and interest on the single premium for the single premium gross debt product.

[6] These tables are taken from a CEJ presentation to the NAIC in 2001. Although the calculations are based upon Washington state rates, the same relationships hold utilizing Texas – or any other gross state's – rates.

The disparity between MOB credit life, single premium net debt credit life and single premium gross debt credit life increases dramatically as the term of the loan and the interest rate increase. Table 2 shows the premium calculation for the same $20,000 loan with the loan terms changed to reflect a sub-prime real estate secured-loan – 17% interest, 8 points in loan fees and a 15-year loan term. The credit insurance coverage is truncated at 5 years.

For the sub-prime loan, the sum of MOB premiums is $1,184.03. The net debt premium is now $1,258.53 plus $100.68 in loan fees. The gross debt premium is $3,508.96 plus $280.72 in loan fees.

For the sub-prime loan, the initial amount of insurance on the single premium gross debt credit life product is over $70,000 – almost three times the amount of insurance necessary to pay off the loan.

For the sub-prime loan, the gross debt credit insurance premium and associated loan fees are $3,789.68 for a loan with associated loan fees of $21,600. The total payments for gross debt credit life product are about $10,500 and include about $6,700 in interest payments on the single premium.

Table 3 shows the sum of MOB premiums, net debt single premium and gross debt single premium for credit life insurance associated with loans and insurance coverage of various terms. The table shows how the gross debt premium and initial amount of coverage grow and diverge from the MOB and net debt products as term of loan increases.

It is clear that credit unions – lenders who arguably have the greatest concern about the welfare of their borrowers – have decided that single premium credit life insurance is not a suitable product. The following statements were made by Mike Medland, Associate General Counsel of CUNA Mutual Group at the September 6, 2000 hearing regarding proposed changes in the California credit life and disability regulation (pages 17-19 of transcript).

> We [CUNA Mutual Insurance Society] write our coverages exclusively in the credit union market. Credit unions are also not-for-profit cooperative financial institutions owned by their members, democratically run by an elected board of directors, noncompensated board of directors; and they run exclusively for the benefit of their members.
>
> Our historic loss ratios in California and elsewhere are consistently among the most favorable in the industry. For the three years, 1997 through 1999, for example, our credit disability incurred loss ratio in California was 73%, and the average premium rate on credit disability insurance were [sic] approximately 20 percent below the prima facie rate . . ..
>
> More than 99 percent of our business is written using the monthly outstanding balance premium basis. Only one percent – less than one percent is on a single premium basis. And in comparison, financing at

> single premium in monthly outstanding is generally more cost favorable to consumers, but it is considerably more expensive for creditors to administer.
>
> In addition, approximately two-thirds of our credit disability insurance business is written on a 30-day nonretroactive benefit plan, which is the least costly plan to consumers, and only about two percent is written on the 14 retro plan, which is the most costly to consumers.
>
> These facts amply demonstrate, I believe, that the CUNA Mutual and California's credit unions are dedicated to providing credit union members with consistently high-value products at the lowest possible cost consistent with sound business practices.

Tables 1, 2 and 3 show clearly that single premium gross debt credit life products are unjust, unfair, inequitable, misleading, deceptive and encourage misrepresentation, particularly when sold with longer-term loans. Instead of an amount of insurance necessary to pay of the loan in the event of death, the consumer is sold a much greater amount of insurance with the gross debt product. Moreover, since the single premium is always financed, the consumer pays interest on the insurance premium – interest on a premium for an amount of coverage that is more than expected or required to pay off the loan.

T.I.C. Art. 3.53 § 7.B. requires the Commissioner to disapprove any credit life or credit accident and health policy form "if the benefits provided therein are not reasonable in relation to the premium charge, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage . . .." There is ample evidence to demonstrate that gross debt credit life sold in connection with longer-term and/or higher-interest loans are unjust, unfair, inequitable, misleading, deceptive and encourage misrepresentation of the coverage. At a minimum, the Commissioner should require net debt coverage and premium calculation for single premium credit life insurance sold in connection with loans of term greater than 48 months and/or annual percentage rate greater than 15%.

Credit Disability Claim Costs and Changes in Unemployment Rates

We expect the industry to argue that credit disability claim costs are related to unemployment rates and because unemployment rates have increased to levels greater than those experienced from 1997 to 1999, there should be an adjustment upwards from the actual 1997-1999 credit disability experience. There are several problems with this argument. First, there is no evidence to indicate that unemployment rates determine the loss ratios. It may be than insurers utilized greater underwriting to limit losses in the late 90's.

Second, if the industry wants consideration of economic conditions now – when it benefits the industry – why didn't the industry raise this issue during the periods of low unemployment rates – when consideration of this issue would have benefited consumers? The question arises, when do consumers ever get the benefit of the doubt?

Third, the industry will provide no analysis to quantify the impact of changes in unemployment rates. Absent such an analysis, the proposed adjustment is arbitrary.

Data Issues

The experience data provided by the Department appears to be generally reliable. There are a few issues to note, however. The credit life mean insurance in force data appear to fluctuate at some variance with changes in earned premium. For example, the OB MIF fluctuates while the earned premium and earned premium at prima facie rates is relatively stable. We expect a more direct relationship between earned premium and MIF, particularly for OB business.

	1997	1998	1999
EP@ PF	$34,740,930	$35,655,627	$37,876,967
MIF	$3,940,115,339	$3,424,836,439	$4,750,311,571

Some of the earned premium and incurred claim figures do not reconcile to the combination of written premiums and premium reserves and to the paid claims and claim reserves, respectively. The largest discrepancy is for Nationsbanc 1998 plan 1 and plan 5 business, where the discrepancy is $5.3 million. However, the earned premium figures do correspond to the earned premium figures in the NAIC Credit Insurance Experience Exhibit. The errors appear to be in the premium reserve figures.

No data appear for Resource Life for 1997. Yet, Resource Life reported significant Texas experience for 1997 in the NAIC CIEE.

Exhibit 1

Texas Credit Life Experience, 1991-1999

	Year	Banks	Finance Companies	Credit Unions	PCAs	Dealers	Other	Total
Actual	1991	$32,929,076	$13,352,376	$17,965,534	$1,786,125	$70,413,122	$246,570	$136,692,803
Earned	1992	$29,458,105	$13,459,481	$16,229,033	$123,310	$60,488,240	$31,729	$119,789,898
Premium	1993	$32,201,257	$9,997,400	$16,324,560	$571,569	$63,090,872	$1,220,291	$123,405,949
	1994	$30,797,240	$9,039,002	$17,005,856	$988,848	$64,002,026	$1,032,269	$122,865,241
	1995	$34,800,947	$9,053,478	$20,907,524	$1,307,475	$77,402,436	$1,007,564	$144,479,424
	1996	$35,667,294	$8,992,921	$19,454,675	$1,080,432	$89,411,861	$1,223,811	$155,830,994
	1997	$44,072,810	$9,450,075	$19,360,918	$466,905	$88,629,495	$1,438,501	$163,418,704
	1998	$41,940,581	$12,305,237	$20,024,643	$0	$95,167,014	$1,411,937	$170,849,412
	1999	$43,727,079	$15,592,405	$21,035,739	$0	$106,950,088	$565,418	$187,870,729
Earned	1991	$29,603,031	$11,162,104	$21,303,600	$2,398,766	$60,601,390	$214,688	$125,283,579
Premium	1992	$25,819,938	$11,755,718	$17,775,433	$123,310	$50,795,851	$47,962	$106,318,212
at Prima	1993	$30,793,058	$9,284,729	$17,821,950	$571,569	$57,623,099	$1,298,996	$117,393,401
Facie	1994	$29,841,144	$8,833,622	$18,536,182	$988,848	$61,786,756	$1,051,028	$121,037,580
Rate	1995	$35,054,254	$9,011,147	$22,021,273	$1,307,475	$76,219,863	$1,460,301	$145,074,313
	1996	$35,239,691	$8,985,775	$20,739,675	$1,080,432	$88,516,813	$2,013,540	$156,575,926
	1997	$44,193,974	$9,449,649	$20,779,963	$466,890	$88,647,110	$2,390,458	$165,928,044
	1998	$42,046,269	$12,286,987	$21,891,902	$0	$95,131,985	$1,973,792	$173,330,935
	1999	$43,756,514	$15,392,278	$22,503,844	$0	$106,914,874	$685,581	$189,253,091
Incurred	1991	$10,760,323	$4,489,507	$9,544,838	$658,278	$19,964,591	$101,808	$45,519,345
Claims	1992	$13,373,328	$4,839,712	$9,120,535	$70,536	$18,030,370	$9,471	$45,443,952
	1993	$12,810,706	$3,794,594	$8,815,941	$538,393	$21,117,579	$1,545,267	$48,622,480
	1994	$13,621,088	$3,363,599	$9,003,010	$497,138	$20,794,152	$1,162,705	$48,441,692
	1995	$16,001,757	$3,470,077	$9,774,049	$1,357,747	$25,648,305	$1,012,811	$57,264,746
	1996	$16,953,896	$3,654,894	$9,570,969	$267,439	$30,717,534	$1,302,888	$62,467,620
	1997	$23,665,655	$4,141,949	$10,464,418	$399,784	$27,842,535	$1,532,290	$68,046,631
	1998	$18,455,106	$5,152,133	$10,443,265	-$22,743	$29,650,011	$1,147,105	$64,824,877
	1999	$20,533,536	$6,155,890	$10,483,479	$0	$29,744,425	$139,850	$67,057,180
Incurred	1991	$12,350,868	$1,221,523	$3,945,558	$401,853	$30,798,448	$50,375	$48,768,625
Commissi	1992	$10,561,539	$581,207	$3,557,302	$25,095	$24,334,946	$3,696	$39,063,785
	1993	$10,408,552	$438,986	$3,945,024	$297,463	$29,234,406	$70,254	$44,394,685
	1994	$11,554,995	$104,398	$3,914,480	$334,806	$31,960,071	$80,966	$47,949,716
	1995	$12,016,920	$128,345	$4,809,131	$387,657	$40,644,425	$37,724	$58,024,202
	1996	$13,464,357	$195,463	$4,099,819	$362,734	$41,528,752	$10,829	$59,661,954
	1997	$15,558,973	$320,302	$4,253,383	-$19,195	$40,453,205	$5,515	$60,572,183
	1998	$19,048,657	$391,487	$4,422,936	-$23	$47,225,628	$54,586	$71,143,271
	1999	$16,869,550	$524,958	$4,756,208	$0	$52,184,603	$18,131	$74,353,450
Actual	1991	32.7%	33.6%	53.1%	36.9%	28.4%	41.3%	33.3%
Loss	1992	45.4%	36.0%	56.2%	57.2%	29.8%	29.8%	37.9%
Ratio	1993	39.8%	38.0%	54.0%	94.2%	33.5%	126.6%	39.4%
	1994	44.2%	37.2%	52.9%	50.3%	32.5%	112.6%	39.4%
	1995	46.0%	38.3%	46.7%	103.8%	33.1%	100.5%	39.6%
	1996	47.5%	40.6%	49.2%	24.8%	34.4%	106.5%	40.1%
	1997	53.7%	43.8%	54.0%	85.6%	31.4%	106.5%	41.6%
	1998	44.0%	41.9%	52.2%		31.2%	81.2%	37.9%
	1999	47.0%	39.5%	49.8%		27.8%	24.7%	35.7%

Exhibit 1
Texas Credit Life Experience, 1991-1999

	Year	Banks	Finance Companies	Credit Unions	PCAs	Dealers	Other	Total
Loss	1991	36.3%	40.2%	44.8%	27.4%	32.9%	47.4%	36.3%
Ratio	1992	51.8%	41.2%	51.3%	57.2%	35.5%	19.7%	42.7%
at Prima	1993	41.6%	40.9%	49.5%	94.2%	36.6%	119.0%	41.4%
Facie	1994	45.6%	38.1%	48.6%	50.3%	33.7%	110.6%	40.0%
Rates	1995	45.6%	38.5%	44.4%	103.8%	33.7%	69.4%	39.5%
	1996	48.1%	40.7%	46.1%	24.8%	34.7%	64.7%	39.9%
	1997	53.5%	43.8%	50.4%	85.6%	31.4%	64.1%	41.0%
	1998	43.9%	41.9%	47.7%		31.2%	58.1%	37.4%
	1999	46.9%	40.0%	46.6%		27.8%	20.4%	35.4%
Incurred	1991	41.7%	10.9%	18.5%	16.8%	50.8%	23.5%	38.9%
Commissi(	1992	40.9%	4.9%	20.0%	20.4%	47.9%	7.7%	36.7%
to Earned	1993	33.8%	4.7%	22.1%	52.0%	50.7%	5.4%	37.8%
Premium	1994	38.7%	1.2%	21.1%	33.9%	51.7%	7.7%	39.6%
at Prima	1995	34.3%	1.4%	21.8%	29.6%	53.3%	2.6%	40.0%
Facie	1996	38.2%	2.2%	19.8%	33.6%	46.9%	0.5%	38.1%
Rate	1997	35.2%	3.4%	20.5%	-4.1%	45.6%	0.2%	36.5%
	1998	45.3%	3.2%	20.2%		49.6%	2.8%	41.0%
	1999	38.6%	3.4%	21.1%		48.8%	2.6%	39.3%
Loss Ratio	1991-99	46.2%	40.6%	47.6%	54.3%	32.6%	71.4%	39.0%
at Prima	1992-99	47.2%	40.7%	47.9%	68.5%	32.5%	71.9%	39.3%
Facie Rate	1993-99	46.8%	40.6%	47.5%	68.8%	32.3%	72.1%	39.0%
Averages	1994-99	47.5%	40.6%	47.2%	65.0%	31.8%	65.8%	38.7%
	1995-99	47.7%	41.0%	47.0%	70.1%	31.5%	60.2%	38.5%
	1996-99	48.2%	41.4%	47.7%	41.7%	31.1%	58.4%	38.3%
	1997-99	48.2%	41.6%	48.2%	80.8%	30.0%	55.8%	37.8%
Commissi(	1991-99	38.5%	4.1%	20.6%	25.8%	49.3%	3.0%	38.8%
Ratio	1992-99	38.2%	3.2%	20.8%	30.6%	49.2%	2.6%	38.7%
Averages	1993-99	37.9%	2.9%	20.9%	30.9%	49.3%	2.6%	38.9%
	1994-99	38.5%	2.6%	20.8%	27.7%	49.1%	2.2%	39.1%
	1995-99	38.4%	2.8%	20.7%	25.6%	48.8%	1.5%	39.0%
	1996-99	39.3%	3.1%	20.4%	22.2%	47.8%	1.3%	38.8%
	1997-99	39.6%	3.3%	20.6%	-4.1%	48.1%	1.5%	39.0%

Exhibit 1
Texas Credit Disability Experience, 1991-99

	Year	Banks	Finance Companies	Credit Unions	PCAs	Dealers	Other	Total
Actual Earned Premium	1991	$20,640,378	$21,238,784	$28,910,661	$0	$62,332,787	$12,750	$133,135,360
	1992	$23,427,903	$21,928,314	$27,185,134	$1,873	$64,284,913	$5,660	$136,833,797
	1993	$23,278,159	$18,796,670	$27,555,270	$0	$65,414,381	$2,705,378	$137,749,858
	1994	$26,662,479	$18,372,273	$29,344,571	$0	$70,555,322	$2,092,323	$147,026,968
	1995	$32,181,749	$17,372,427	$33,188,623	$0	$86,867,049	$2,118,569	$171,728,417
	1996	$38,012,362	$16,820,153	$33,512,235	$0	$99,754,006	$2,690,264	$190,789,020
	1997	$47,482,834	$16,541,204	$33,763,202	$0	$88,391,384	$2,946,201	$189,124,825
	1998	$42,915,296	$16,555,749	$33,693,136	$0	$94,959,972	$2,684,232	$190,808,385
	1999	$42,054,439	$17,617,921	$35,366,840	$0	$99,460,279	$371,537	$194,871,016
Earned Premium at Prima Facie Rate	1991	$20,462,568	$20,310,238	$30,088,214	$0	$60,210,823	$12,602	$131,084,445
	1992	$22,125,980	$21,424,562	$27,567,377	$1,873	$61,082,064	$5,513	$132,207,369
	1993	$23,057,911	$18,606,612	$28,078,955	$0	$64,598,531	$3,113,759	$137,455,768
	1994	$26,280,324	$18,286,479	$29,659,040	$0	$70,051,332	$2,439,238	$146,716,413
	1995	$32,249,112	$17,351,812	$33,195,878	$0	$86,848,979	$2,506,532	$172,152,313
	1996	$38,168,158	$16,820,716	$34,022,958	$0	$98,849,542	$3,170,355	$191,031,729
	1997	$47,726,421	$16,540,996	$34,329,765	$0	$88,374,978	$3,469,796	$190,441,956
	1998	$43,040,487	$16,548,638	$34,953,524	$0	$94,836,968	$3,181,682	$192,561,299
	1999	$44,521,213	$17,597,467	$37,048,982	$0	$99,518,590	$528,880	$199,215,132
Incurred Claims	1991	$13,850,413	$9,704,294	$22,645,395	$0	$30,141,781	$17,552	$76,359,435
	1992	$16,243,057	$9,679,366	$20,784,118	$5,975	$32,154,120	$4,195	$78,870,831
	1993	$12,335,169	$9,112,090	$19,568,925	$0	$29,778,708	$1,775,960	$72,570,852
	1994	$14,838,835	$7,728,732	$19,911,563	$0	$30,019,720	$1,991,365	$74,490,215
	1995	$15,637,769	$8,377,753	$21,298,139	$0	$37,378,563	$1,590,757	$84,282,981
	1996	$20,697,399	$6,936,264	$25,010,467	$0	$43,087,383	$1,952,872	$97,684,385
	1997	$20,059,252	$7,528,892	$21,946,428	$0	$38,197,518	$1,495,585	$89,227,675
	1998	$19,007,929	$6,265,174	$23,389,625	$0	$37,448,531	$1,800,382	$87,911,641
	1999	$19,745,175	$7,132,049	$23,736,528	$0	$35,693,635	-$1,459,898	$84,847,489
Incurred Commissic	1991	$6,690,598	$739,995	$6,309,068	$0	$27,908,165	$1,597	$41,649,423
	1992	$8,627,412	$166,845	$5,688,868	$0	$27,989,739	$720	$42,473,584
	1993	$8,521,649	$597,887	$5,735,514	$0	$32,630,320	$38,830	$47,524,200
	1994	$10,331,648	$1,467,299	$6,150,821	$0	$34,870,359	$16,863	$52,836,990
	1995	$11,814,380	$210,341	$7,069,397	$0	$42,946,814	$0	$62,040,932
	1996	$14,670,062	$470,926	$6,398,330	$0	$39,865,434	$1,241	$61,405,993
	1997	$16,021,943	$427,178	$6,643,399	$0	$37,064,057	$4,093	$60,160,670
	1998	$14,513,121	$609,542	$6,353,783	$0	$39,149,706	$14,147	$60,640,299
	1999	$12,842,687	$995,726	$7,391,797	$0	$43,631,159	$7,904	$64,869,273
Actual Loss Ratio	1991	67.1%	45.7%	78.3%		48.4%	137.7%	57.4%
	1992	69.3%	44.1%	76.5%	319.0%	50.0%	74.1%	57.6%
	1993	53.0%	48.5%	71.0%		45.5%	65.6%	52.7%
	1994	55.7%	42.1%	67.9%		42.5%	95.2%	50.7%
	1995	48.6%	48.2%	64.2%		43.0%	75.1%	49.1%
	1996	54.4%	41.2%	74.6%		43.2%	72.6%	51.2%
	1997	42.2%	45.5%	65.0%		43.2%	50.8%	47.2%
	1998	44.3%	37.8%	69.4%		39.4%	67.1%	46.1%
	1999	47.0%	40.5%	67.1%		35.9%	-392.9%	43.5%

Exhibit 1
Texas Credit Disability Experience, 1991-99

	Year	Banks	Finance Companies	Credit Unions	PCAs	Dealers	Other	Total
Loss	1991	67.7%	47.8%	75.3%		50.1%	139.3%	58.3%
Ratio	1992	73.4%	45.2%	75.4%	319.0%	52.6%	76.1%	59.7%
at Prima	1993	53.5%	49.0%	69.7%		46.1%	57.0%	52.8%
Facie	1994	56.5%	42.3%	67.1%		42.9%	81.6%	50.8%
Rates	1995	48.5%	48.3%	64.2%		43.0%	63.5%	49.0%
	1996	54.2%	41.2%	73.5%		43.6%	61.6%	51.1%
	1997	42.0%	45.5%	63.9%		43.2%	43.1%	46.9%
	1998	44.2%	37.9%	66.9%		39.5%	56.6%	45.7%
	1999	44.4%	40.5%	64.1%		35.9%	-276.0%	42.6%
Incurred	1991	32.7%	3.6%	21.0%		46.4%	12.7%	31.8%
Commissic	1992	39.0%	0.8%	20.6%	0.0%	45.8%	13.1%	32.1%
to Earned	1993	37.0%	3.2%	20.4%		50.5%	1.2%	34.6%
Premium	1994	39.3%	8.0%	20.7%		49.8%	0.7%	36.0%
at Prima	1995	36.6%	1.2%	21.3%		49.4%	0.0%	36.0%
Facie	1996	38.4%	2.8%	18.8%		40.3%	0.0%	32.1%
Rate	1997	33.6%	2.6%	19.4%		41.9%	0.1%	31.6%
	1998	33.7%	3.7%	18.2%		41.3%	0.4%	31.5%
	1999	28.8%	5.7%	20.0%		43.8%	1.5%	32.6%
Loss Ratio	1991-99	51.2%	44.3%	68.6%	319.0%	43.3%	49.8%	50.0%
at Prima	1992-99	50.0%	43.8%	67.9%	319.0%	42.7%	49.7%	49.2%
Facie Rate	1993-99	48.0%	43.6%	67.0%		41.7%	49.7%	48.1%
Averages	1994-99	47.4%	42.6%	66.6%		41.2%	48.2%	47.5%
	1995-99	46.3%	42.7%	66.5%		40.9%	41.8%	47.0%
	1996-99	45.8%	41.3%	67.0%		40.5%	36.6%	46.5%
	1997-99	43.5%	41.3%	65.0%		39.4%	25.6%	45.0%
Commissic	1991-99	35.0%	3.5%	20.0%	0.0%	45.0%	0.5%	33.1%
Ratio	1992-99	35.1%	3.5%	19.9%	0.0%	44.9%	0.5%	33.2%
Averages	1993-99	34.8%	3.9%	19.8%		44.8%	0.5%	33.3%
	1994-99	34.6%	4.1%	19.7%		44.1%	0.3%	33.1%
	1995-99	34.0%	3.2%	19.5%		43.3%	0.2%	32.7%
	1996-99	33.5%	3.7%	19.1%		41.9%	0.3%	32.0%
	1997-99	32.1%	4.0%	19.2%		42.4%	0.4%	31.9%

Exhibit 2, Sheet 1

Texas Credit Life Experience by Plan and Class of Business, 1994-96   Texas Credit Life Experience by Plan and Class of Business, 1994-96

	SP Reducing Sing	SP Level Single	SP Reducing Joint	SP Level Joint	SP Total	OB Rev Single	OB Oth Single	OB Rev Joint	OB Oth Joint	OB Total	Life Total
Earned Premium @ PF Rate											
Banks	$55,954,726	$7,882,172	$16,297,337	$1,436,955	$81,571,190	$7,522,721	$1,193,035	$9,330,948	$517,195	$18,563,899	100,135,089
Finance Companies	$11,335,933	$24,649	$14,125,147	$74,299	$25,560,028	$461,113	$66,057	$743,346	$0	$1,270,516	26,830,544
Credit Unions	$5,630,509	$15,012	$1,067,145	$8,757	$6,721,423	$33,627,185	$5,125,294	$13,992,078	$1,831,150	$54,575,707	61,297,130
PCAs	$0	$2,384,444	$0	$992,311	$3,376,755	$0	$0	$0	$0	$0	3,376,755
Dealers	$148,055,972	$4,834,284	$57,982,029	$1,239,776	$212,112,061	$838,165	$55,550	$13,517,656	$0	$14,411,371	226,523,432
Others	$123,702	$29	$18,725	$0	$142,456	$870,776	$371,656	$3,139,981	$0	$4,382,413	4,524,869
Total	$221,100,842	$15,140,590	$89,490,383	$3,752,098	$329,483,913	$43,319,960	$6,811,592	$40,724,009	$2,348,345	$93,203,906	422,687,819
Share of Life Market	52.3%	3.6%	21.2%	0.9%	77.9%	10.2%	1.6%	9.6%	0.6%	22.1%	100.0%
Incurred Claims											
Banks	$19,573,030	$3,712,603	$6,096,416	$721,636	$30,103,685	$6,316,824	$578,858	$9,561,968	$15,406	$16,473,056	46,576,741
Finance Companies	$4,682,546	$4,730	$4,920,733	$6,749	$9,614,758	$280,915	$15,047	$577,850	$0	$873,812	10,488,570
Credit Unions	$1,994,561	$194	$336,044	$5,003	$2,335,802	$16,833,450	$2,209,190	$6,657,659	$311,927	$26,012,226	28,348,028
PCAs	$0	$1,728,176	$0	$394,148	$2,122,324	$0	$0	$0	$0	$0	2,122,324
Dealers	$47,058,501	$1,235,406	$19,644,643	$212,835	$68,151,385	$510,918	$31,382	$8,466,306	$0	$9,008,606	77,159,991
Others	-$5,473	$0	-$9,964	$0	-$15,437	$1,173,908	$72,274	$2,247,659	$0	$3,493,841	3,478,404
Total	$73,303,165	$6,681,109	$30,987,872	$1,340,371	$112,312,517	$25,116,015	$2,906,751	$27,511,442	$327,333	$55,861,541	168,174,058
Mean Insurance in Force											
Banks	$7,049,514,623	$992,797,171	$1,572,659,300	$210,888,372	$9,825,859,466	$848,274,180	$70,142,058	$1,098,192,176	$26,493,706	$2,043,102,120	11,868,961,586
Finance Companies	$1,626,016,889	$3,796,491	$1,490,521,733	$7,621,283	$3,127,956,396	$54,326,239	$9,562,645	$98,611,552	$0	$162,500,436	3,290,456,832
Credit Unions	$669,549,081	$2,216,633	$120,713,490	$848,439	$793,327,643	$4,963,325,438	$696,382,721	$1,576,309,776	$199,680,818	$7,435,698,753	8,229,026,396
PCAs	$0	$457,597,068	$0	$63,258,205	$520,855,273	$0	$0	$0	$0	$0	520,855,273
Dealers	$19,947,302,915	$658,238,299	$5,998,683,163	$119,382,841	$26,723,607,218	$206,276,350	$7,905,523	$1,457,026,878	$0	$1,671,208,751	28,394,815,969
Others	$13,872,842	$0	$2,793,899	$0	$16,666,741	$77,378,503	$21,560,225	$208,849,799	$0	$307,788,527	324,455,268
Total	$29,306,256,350	$2,114,645,662	$9,185,371,585	$401,999,140	$41,008,272,737	$6,149,580,710	$805,553,172	$4,438,990,181	$226,174,524	$11,620,298,587	52,628,571,324
Share of Life Market	55.7%	4.0%	17.5%	0.8%	77.9%	11.7%	1.5%	8.4%	0.4%	22.1%	1
Claim Costs per $100 in Force											
Banks	$0.2777	$0.3740	$0.3877	$0.3422	$0.3064	$0.7447	$0.8253	$0.8707	$0.0581	$0.8063	
Finance Companies	$0.2880	$0.1246	$0.3301	$0.0886	$0.3074	$0.5171	$0.1574	$0.5860		$0.5377	
Credit Unions	$0.2979	$0.0088	$0.2784	$0.5897	$0.2944	$0.3392	$0.3172	$0.4224	$0.1562	$0.3498	
PCAs		$0.3777		$0.6231	$0.4075						
Dealers	$0.2359	$0.1877	$0.3275	$0.1783	$0.2550	$0.2477	$0.3970	$0.5811		$0.5390	
Others	-$0.0395		-$0.3566		-$0.0926	$1.5171	$0.3352	$1.0762		$1.1351	
Total	$0.2501	$0.3159	$0.3374	$0.3334	$0.2739	$0.4084	$0.3608	$0.6198	$0.1447	$0.4807	
SP Reducing Conversion Factor	0.5208 25/48	0.5208 25/48	0.5208 25/48	0.5208 25/48	Wtgd Avg	$1.0000	$1.0000	$1.0000	$1.0000	Wtgd Avg	
Equiv SP Reducing Claim Cost											
Banks	$0.1446	$0.1948	$0.2019	$0.1782	$0.1596	$0.7447	$0.4470	$0.8707	$0.0315	$0.7929	$0.2770
Finance Companies	$0.1500	$0.0649	$0.1719	$0.0461	$0.1601	$0.5171	$0.0852	$0.5860	$0.0000	$0.5335	$0.1778
Credit Unions	$0.1552	$0.0046	$0.1450	$0.3071	$0.1533	$0.3392	$0.1718	$0.4224	$0.0846	$0.3343	$0.3144
PCAs		$0.1967		$0.3245	$0.2122						$0.2122
Dealers	$0.1229	$0.0978	$0.1706	$0.0929	$0.1328	$0.2477	$0.2150	$0.5811		$0.5382	$0.1586
Others	-$0.0205		-$0.1857		-$0.0482	$1.5171	$0.3352	$1.0762	$0.0000	$1.1351	$1.0979
Total	$0.1303	$0.1646	$0.1757	$0.1737	$0.1426	$0.4084	$0.1955	$0.6198	$0.0784	$0.4680	$0.2144

Exhibit 2, Sheet 2

Texas Credit Life Experience by Plan and Class of Business, 1994-96

	SP Reducing Sing	SP Level Single	SP Reducing Joint	SP Level Joint	SP Total
Inc Claims to EP@PF Rate					
Banks	35.0%	47.1%	37.4%	50.2%	36.9%
Finance Companies	41.3%	19.2%	34.8%	9.1%	37.6%
Credit Unions	35.4%	1.3%	31.5%	57.1%	34.8%
PCAs		72.5%		39.7%	62.9%
Dealers	31.8%	25.6%	33.9%	17.2%	32.1%
Others	-4.4%		-53.2%		-10.8%
Total	33.2%	44.1%	34.6%	35.7%	34.1%
Claim Costs per LR & PF Rate					
Prima Facie Rate	$0.360	$0.691	$0.540	$1.037	Wtgd Avg
Banks	$0.1259	$0.3255	$0.2020	$0.5208	$0.1674
Finance Companies	$0.1487	$0.1326	$0.1881	$0.0942	$0.1703
Credit Unions	$0.1275	$0.0089	$0.1700	$0.5925	$0.1346
PCAs	$0.0000	$0.5008	$0.0000	$0.4119	$0.4747
Dealers	$0.1144	$0.1766	$0.1830	$0.1780	$0.1349
Others	-$0.0159	$0.0000	-$0.2873	$0.0000	-$0.0516
Total	$0.1194	$0.3049	$0.1870	$0.3705	$0.1491
SP Reduc Equiv Claim Cost Conversion Factor	1	0.5208	1	0.5208	Wtgd Avg
Banks	0.1259	0.1695	0.2020	0.2712	0.1479
Finance Companies	0.1487	0.0691	0.1881	0.0491	0.1701
Credit Unions	0.1275	0.0047	0.1700	0.3086	0.1342
PCAs	-	0.2608	-	0.2145	0.2472
Dealers	0.1144	0.0920	0.1830	0.0927	0.1325
Others	(0.0159)	-	(0.2873)	-	(0.0516)
Total	0.1194	0.1588	0.1870	0.1929	0.1404
Pct of EP@PF for Coverage					
Banks	25.3%	52.1%	18.2%	38.3%	24.8%
Finance Companies	5.1%	0.2%	15.8%	2.0%	7.8%
Credit Unions	2.5%	0.1%	1.2%	0.2%	2.0%
PCAs	0.0%	15.7%	0.0%	26.4%	1.0%
Dealers	67.0%	31.9%	64.8%	33.0%	64.4%
Others	0.1%	0.0%	0.0%	0.0%	0.0%
Pct of In Force for Coverage					
Banks	24.1%	46.9%	17.1%	52.5%	24.0%
Finance Companies	5.5%	0.2%	16.2%	1.9%	7.6%
Credit Unions	2.3%	0.1%	1.3%	0.2%	1.9%
PCAs	0.0%	21.6%	0.0%	15.7%	1.3%
Dealers	68.1%	31.1%	65.3%	29.7%	65.2%
Others	0.0%	0.0%	0.0%	0.0%	0.0%

Texas Credit Life Experience by Plan and Class of Business, 1994-96

	OB Rev Single	OB Oth Single	OB Rev Joint	OB Oth Joint	OB Total	Life Total
Inc Claims to EP@PF Rate						
Banks	84.0%	48.5%	102.5%	3.0%	88.7%	46.5%
Finance Companies	60.9%	22.8%	77.7%	#DIV/0!	68.8%	39.1%
Credit Unions	50.1%	43.1%	47.6%	17.0%	47.7%	46.2%
PCAs						62.9%
Dealers	61.0%	56.5%	62.6%		62.5%	34.1%
Others	134.8%	19.4%	71.6%	#DIV/0!	79.7%	76.9%
Total	58.0%	42.7%	67.6%	13.9%	59.9%	39.8%
Claim Costs per LR & PF Rate						
Prima Facie Rate	$0.576	$0.576	$0.864	$0.864	Wtgd Avg	
Banks	$0.4837	$0.2795	$0.8854	$0.0257	$0.6597	
Finance Companies	$0.3509	$0.1312	$0.6716		$0.5271	
Credit Unions	$0.2883	$0.2483	$0.4111	$0.1472	$0.3113	
PCAs						
Dealers	$0.3511	$0.3254	$0.5411		$0.5293	
Others	$0.7765	$0.1120	$0.6185		$0.6069	
Total	$0.3340	$0.2458	$0.5837	$0.1204	$0.4312	
SP Reduc Equiv Claim Cost Conversion Factor	0.625	0.625	0.625	0.625	Wtgd Avg	
Banks	0.3023	0.1747	0.5534	0.0161	0.4123	$0.1969
Finance Companies	0.2193	0.0820	0.4198	-	0.3295	$0.1777
Credit Unions	0.1802	0.1552	0.2569	0.0920	0.1946	$0.1880
PCAs	-	-	-	-		$0.2472
Dealers	0.2194	0.2034	0.3382	-	0.3308	$0.1451
Others	0.4853	0.0700	0.3865	-	0.3793	$0.3658
Total	0.2087	0.1536	0.3648	0.0753	0.2695	$0.1689
Pct of EP@PF for Coverage						
Banks	17.4%	17.5%	22.9%	22.0%	19.9%	23.7%
Finance Companies	1.1%	1.0%	1.8%	0.0%	1.4%	6.3%
Credit Unions	77.6%	75.2%	34.4%	78.0%	58.6%	14.5%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
Dealers	1.9%	0.8%	33.2%	0.0%	15.5%	53.6%
Others	2.0%	5.5%	7.7%	0.0%	4.7%	1.1%
Pct of In Force for Coverage						
Banks	13.8%	8.7%	24.7%	11.7%	17.6%	22.6%
Finance Companies	0.9%	1.2%	2.2%	0.0%	1.4%	6.3%
Credit Unions	80.7%	86.4%	35.5%	88.3%	64.0%	15.6%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Dealers	3.4%	1.0%	32.8%	0.0%	14.4%	54.0%
Others	1.3%	2.7%	4.7%	0.0%	2.6%	0.6%

Exhibit 2, Sheet 3

Texas Credit Life Experience by Plan and Class of Business, 1997 - 99

Texas Credit Life Experience by Plan and Class of Business, 1997 - 99

	SP Reducing Sing	SP Level Single	SP Reducing Joint	SP Level Joint	SP Total	OB Rev Single	OB Oth Single	OB Rev Joint	OB Oth Joint	OB Total	Life Total
Earned Premium @ PF Rate											
Banks	$66,292,009	$6,789,788	$25,599,567	$1,259,088	$99,940,452	$18,252,964	$915,319	$10,241,712	$646,310	$30,056,305	129,996,757
Finance Companies	$17,625,477	$4,230	$17,554,097	$3,469	$35,187,273	$889,884	$100,603	$736,679	$214,475	$1,941,641	37,128,914
Credit Unions	$6,104,738	$37,045	$1,638,901	$5,527	$7,786,211	$35,338,809	$5,805,537	$15,202,456	$1,042,696	$57,389,498	65,175,709
PCAs	$0	$226,366	$0	$240,524	$466,890	$0	$0	$0	$0	$0	466,890
Dealers	$184,790,551	$12,321,214	$75,990,905	$3,732,376	$276,835,046	$7,029,458	$3,436	$6,826,029	$0	$13,858,923	290,693,969
Others	$16,713	$0	$5,961	$0	$22,674	$62,007	$1,238,238	$3,439,582	$287,330	$5,027,157	5,049,831
Total	$274,829,488	$19,378,643	$120,789,431	$5,240,984	$420,238,546	$61,573,122	$8,063,133	$36,446,458	$2,190,811	$108,273,524	528,512,070
Share of Life Market	52.0%	3.7%	22.9%	1.0%	79.5%	11.7%	1.5%	6.9%	0.4%	20.5%	100.0%
Incurred Claims											
Banks	$25,390,418	$2,465,094	$9,861,977	$658,099	$38,375,588	$15,135,216	$388,352	$8,679,629	$75,512	$24,278,709	62,654,297
Finance Companies	$7,708,665	$2,062	$6,410,367	$5,896	$14,126,990	$688,067	$27,050	$529,011	$78,854	$1,322,982	15,449,972
Credit Unions	$2,322,367	$15,242	$696,698	$63	$3,034,370	$17,536,676	$2,646,767	$7,979,906	$193,443	$28,356,792	31,391,162
PCAs	$0	$472,714	$0	-$95,673	$377,041	$0	$0	$0	$0	$0	377,041
Dealers	$53,555,419	$2,886,009	$22,772,637	$749,030	$79,963,095	$3,107,290	-$2,339	$4,168,925	$0	$7,273,876	87,236,971
Others	-$1,568	$0	$15	$0	-$1,553	$67,060	$376,923	$2,321,151	$55,664	$2,820,798	2,819,245
Total	$88,975,301	$5,841,121	$39,741,694	$1,317,415	$135,875,531	$36,534,309	$3,436,753	$23,678,622	$403,473	$64,053,157	199,928,688
Mean Insurance in Force											
Banks	$9,037,383,602	$1,013,620,498	$2,363,691,098	$140,952,240	$12,555,647,438	$1,358,185,540	$55,872,320	$1,004,718,863	$32,348,141	$2,451,124,864	15,006,772,302
Finance Companies	$2,199,980,970	$625,735	$1,733,286,209	$287,062	$3,934,179,976	$109,116,283	$12,269,734	$82,974,974	$22,990,155	$227,351,146	4,161,531,122
Credit Unions	$683,135,606	$5,841,500	$142,646,314	$531,126	$832,154,546	$4,516,821,813	$1,695,213,520	$1,422,764,472	$96,747,504	$7,731,547,309	8,563,701,855
PCAs	$0	$54,208,096	$0	$54,208,096	$108,416,192	$0	$0	$0	$0	$0	108,416,192
Dealers	$23,789,877,796	$1,808,954,212	$8,272,716,382	$375,269,532	$34,246,817,922	$634,115,502	$413,976	$559,208,377	$0	$1,193,737,855	35,440,555,777
Others	$1,884,948	$0	$513,140	$0	$2,398,088	$6,696,371	$107,758,889	$349,860,792	$47,186,123	$511,502,175	513,900,263
Total	$35,712,262,922	$2,883,250,041	$12,512,853,143	$571,248,056	$51,679,614,162	$6,624,935,509	$1,871,528,439	$3,419,527,478	$199,271,923	$12,115,263,349	63,794,877,511
Share of Life Market	56.0%	4.5%	19.6%	0.9%	81.0%	10.4%	2.9%	5.4%	0.3%	19.0%	1
Claim Costs per $100 in Force											
Banks	$0.2809	$0.2432	$0.4172	$0.4669	$0.3056	$1.1144	$0.6951	$0.8639	$0.2334	$0.9905	
Finance Companies	$0.3504	$0.3295	$0.3698	$2.0539	$0.3591	$0.6306	$0.2205	$0.6376	$0.3430	$0.5819	
Credit Unions	$0.3400	$0.2609	$0.4884	$0.0119	$0.3646	$0.3883	$0.1561	$0.5609	$0.1999	$0.3668	
PCAs		$0.8720		-$0.1765	$0.3478	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
Dealers	$0.2251	$0.1595	$0.2753	$0.1996	$0.2335	$0.4900	-$0.5650	$0.7455	#DIV/0!	#DIV/0!	
Others	-$0.0832		$0.0029		-$0.0648	$1.0014	$0.3498	$0.6634	$0.1180	$0.5515	
Total	$0.2491	$0.2026	$0.3176	$0.2306	$0.2629	$0.5515	$0.1836	$0.6925	$0.2025	$0.5287	
SP Reducing Conversion Factor	0.5208 25/48	0.5208 25/48	0.5208 25/48	0.5208 25/48	Wtgd Avg	$1.0000	$1.0000	$1.0000	$1.0000	Wtgd Avg	
Equiv SP Reducing Claim Cost											
Banks	$0.1463	$0.1267	$0.2173	$0.2432	$0.1592	$1.1144	$0.3765	$0.8639	$0.1264	$0.9818	$0.3494
Finance Companies	$0.1825	$0.1716	$0.1926	$1.0697	$0.1870	$0.6306	$0.1194	$0.6376	$0.1858	$0.5606	$0.2066
Credit Unions	$0.1771	$0.1359	$0.2544	$0.0062	$0.1899	$0.3883	$0.0846	$0.5609	$0.1083	$0.3499	$0.3308
PCAs		$0.4542		-$0.0919	$0.1811						$0.1811
Dealers	$0.1172	$0.0831	$0.1434	$0.1040	$0.1216	$0.4900	-$0.3060	$0.7455		$0.6094	$0.1449
Others	-$0.0433		$0.0015		-$0.0337	$1.0014	$0.3498	$0.6634	$0.0639	$0.5465	$0.5439
Total	$0.1298	$0.1055	$0.1654	$0.1201	$0.1369	$0.5515	$0.0995	$0.6925	$0.1097	$0.5142	$0.2142

Exhibit 2, Sheet 4

Texas Credit Life Experience by Plan and Class of Business, 1997 - 99

	SP Reducing Sing	SP Level Single	SP Reducing Joint	SP Level Joint	SP Total	OB Rev Single	OB Oth Single	OB Rev Joint	OB Oth Joint	OB Total	Life Total
Inc Claims to EP@PF Rate											
Banks	38.3%	36.3%	38.5%	52.3%	38.4%	82.9%	42.4%	84.7%	11.7%	80.8%	48.2%
Finance Companies	43.7%	48.7%	36.5%	170.0%	40.1%	77.3%	26.9%	71.8%	36.8%	68.1%	41.6%
Credit Unions	38.0%	41.1%	42.5%	1.1%	39.0%	49.6%	45.6%	52.5%	18.6%	49.4%	48.2%
PCAs		208.8%		-39.8%	80.8%						80.8%
Dealers	29.0%	23.4%	30.0%	20.1%	28.9%	44.2%	-68.1%	61.1%		52.5%	30.0%
Others	-9.4%		0.3%		-6.8%	108.1%	30.4%	67.5%	19.4%	56.1%	55.8%
Total	32.4%	30.1%	32.9%	25.1%	32.3%	59.3%	42.6%	65.0%	18.4%	59.2%	37.8%
Claim Costs per LR & PF Rate											
Prima Facie Rate	$0.360	$0.691	$0.540	$1.037	Wtgd Avg	$0.576	$0.576	$0.864	$0.864	Wtgd Avg	
Banks	$0.1379	$0.2509	$0.2080	$0.5420	$0.1686	$0.4776	$0.2444	$0.7322	$0.1009	$0.5492	
Finance Companies	$0.1574	$0.3368	$0.1972	$1.7625	$0.1775	$0.4454	$0.1549	$0.6204	$0.3177	$0.4826	
Credit Unions	$0.1370	$0.2843	$0.2296	$0.0118	$0.1571	$0.2858	$0.2626	$0.4535	$0.1603	$0.3256	
PCAs	$0.0000	$1.4430	$0.0000	-$0.4125	$0.4871						
Dealers	$0.1043	$0.1619	$0.1618	$0.2081	$0.1241	$0.2546	-$0.3921	$0.5277		$0.3889	
Others	-$0.0338	$0.0000	$0.0014	$0.0000	-$0.0245	$0.6229	$0.1753	$0.5831	$0.1674	$0.4594	
Total	$0.1165	$0.2083	$0.1777	$0.2607	$0.1401	$0.3418	$0.2455	$0.5613	$0.1591	$0.4048	
SP Reduc Equiv Claim Cost											
Conversion Factor	1	0.5208	1	0.5208	Wtgd Avg	0.625	0.625	0.625	0.625	Wtgd Avg	
Banks	0.1379	0.1307	0.2080	0.2823	0.1572	0.2985	0.1527	0.4576	0.0631	0.3432	$0.2002
Finance Companies	0.1574	0.1754	0.1972	0.9180	0.1774	0.2784	0.0968	0.3878	0.1985	0.3016	$0.1839
Credit Unions	0.1370	0.1481	0.2296	0.0062	0.1564	0.1786	0.1641	0.2835	0.1002	0.2035	$0.1979
PCAs	-	0.7516	-	(0.2148)	0.2537	-	-	-	-	#DIV/0!	#DIV/0!
Dealers	0.1043	0.0843	0.1618	0.1084	0.1193	0.1591	(0.2451)	0.3298	-	0.2431	$0.1252
Others	(0.0338)	-	0.0014	-	(0.0245)	0.3893	0.1096	0.3644	0.1046	0.2871	$0.2857
Total	0.1165	0.1085	0.1777	0.1358	0.1340	0.2136	0.1534	0.3508	0.0994	0.2530	$0.1584
Pct of EP@PF for Coverage											
Banks	24.1%	35.0%	21.2%	24.0%	23.8%	29.6%	11.4%	28.1%	29.5%	27.8%	24.6%
Finance Companies	6.4%	0.0%	14.5%	0.1%	8.4%	1.4%	1.2%	2.0%	9.8%	1.8%	7.0%
Credit Unions	2.2%	0.2%	1.4%	0.1%	1.9%	57.4%	72.0%	41.7%	47.6%	53.0%	12.3%
PCAs	0.0%	1.2%	0.0%	4.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Dealers	67.2%	63.6%	62.9%	71.2%	65.9%	11.4%	0.0%	18.7%	0.0%	12.8%	55.0%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	15.4%	9.4%	13.1%	4.6%	1.0%
Pct of In Force for Coverage											
Banks	25.3%	35.2%	18.9%	24.7%	24.3%	20.5%	3.0%	29.4%	16.2%	20.2%	23.5%
Finance Companies	6.2%	0.0%	13.9%	0.1%	7.6%	1.6%	0.7%	2.4%	11.5%	1.9%	6.5%
Credit Unions	1.9%	0.2%	1.1%	0.1%	1.6%	68.2%	90.6%	41.6%	48.6%	63.8%	13.4%
PCAs	0.0%	1.9%	0.0%	9.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Dealers	66.6%	62.7%	66.1%	65.7%	66.3%	9.6%	0.0%	16.4%	0.0%	9.9%	55.6%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	5.8%	10.2%	23.7%	4.2%	0.8%

Exhbit 3, Sheet 1

Texas Credit Disability Insurance Experience, 1995-1997 Combined

	SP 7 R	SP 14 R	SP 30 R	SP 14 NR	SP 30 NR	Total SP
Earned Premium @ PF Rate						
Banks	$368,929	$60,713,946	$2,377,193	$384,337	$282,949	$64,127,354
Finance Companies	$1,511,989	$46,279,565	-$2,621	$9,768	$1,155	$47,799,856
Credit Unions	$28,499	$6,119,292	$469,763	$990,491	$969,441	$8,577,486
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$11,285,228	$227,977,841	$2,483,627	$826,996	$395,577	$242,969,269
Other	-$17,818	$600	$0	$0	$21,405	$4,187
Total	$13,176,827	$341,091,244	$5,327,962	$2,211,592	$1,670,527	$363,478,152
Share of Disability Market	2.4%	61.6%	1.0%	0.4%	0.3%	65.7%
Incurred Losses						
Banks	-$156,887	$34,962,892	$1,702,332	$231,992	$250,025	$36,990,354
Finance Companies	-$71,358	$21,695,261	$0	$1,082	$27,234	$21,652,219
Credit Unions	$2,127	$4,708,513	$307,992	$819,856	$1,032,237	$6,870,725
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$943,597	$107,531,332	$1,334,099	$513,246	$377,070	$110,699,344
Other	-$333	$239	$0	$0	$472	$378
Total	$717,146	$168,898,237	$3,344,423	$1,566,176	$1,687,038	$176,213,020
Incurred Losses to EP @ PF Rate						
Banks	-42.5%	57.6%	71.6%	60.4%	88.4%	57.7%
Finance Companies	-4.7%	46.9%	0.0%	11.1%	2357.9%	45.3%
Credit Unions	7.5%	76.9%	65.6%	82.8%	106.5%	80.1%
PCAs						
Dealers	8.4%	47.2%	53.7%	62.1%	95.3%	45.6%
Other	1.9%	39.8%			2.2%	9.0%
Total	5.4%	49.5%	62.8%	70.8%	101.0%	48.5%
Total Less Credit Unions	5.4%	49.0%	62.5%	61.1%	93.4%	47.7%
Share of Coverage Market						
Banks	2.8%	17.8%	44.6%	17.4%	16.9%	17.6%
Finance Companies	11.5%	13.6%	0.0%	0.4%	0.1%	13.2%
Credit Unions	0.2%	1.8%	8.8%	44.8%	58.0%	2.4%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	85.6%	66.8%	46.6%	37.4%	23.7%	66.8%
Other	-0.1%	0.0%	0.0%	0.0%	1.3%	0.0%

Exhbit 3, Sheet 2

Texas Credit Disability Insurance Experience, 1995-1997 Combined

	OB Rev 14R	OB Rev 30R	OB Rev 14NR	OB Rev 30NR	OB Rev 90NR	OB Oth 14R
Earned Premium @ PF Rate						
Banks	$811,315	$43,433,856	$0	$8,606,617	$370,563	$36,937
Finance Companies	$1,347,398	$1,480,337	$0	$82,949	$0	$0
Credit Unions	$28,168,859	$5,900,083	$13,798,063	$33,681,907	$0	$5,987,898
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$1,391,487	$29,331,732	$0	$0	$380,046	$965
Other	$0	$9,101,574	$0	$0	$40,922	$0
Total	$31,719,059	$89,247,582	$13,798,063	$42,371,473	$791,531	$6,025,800
Share of Disability Market	5.7%	16.1%	2.5%	7.7%	0.1%	1.1%
Incurred Losses						
Banks	$415,231	$15,665,354	$0	$2,869,889	$170,612	$22,454
Finance Companies	$646,881	$513,849	$0	$29,960	$0	$0
Credit Unions	$17,015,971	$3,994,562	$9,845,045	$23,278,843	$0	$3,882,690
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$296,782	$7,515,599	$0	$0	$151,419	$320
Other	$0	$4,972,296	$0	$18,263	$48,277	$0
Total	$18,374,865	$32,661,660	$9,845,045	$26,196,955	$370,308	$3,905,464
Incurred Losses to EP @ PF I						
Banks	51.2%	36.1%		33.3%	46.0%	60.8%
Finance Companies	48.0%	34.7%		36.1%		
Credit Unions	60.4%	67.7%	71.4%	69.1%		64.8%
PCAs						
Dealers	21.3%	25.6%			39.8%	33.2%
Other		54.6%			118.0%	
Total	57.9%	36.6%	71.4%	61.8%	46.8%	64.8%
Total Less Credit Unions	38.3%	34.4%		33.6%	46.8%	60.1%
Share of Coverage Market						
Banks	2.6%	48.7%	0.0%	20.3%	46.8%	0.6%
Finance Companies	4.2%	1.7%	0.0%	0.2%	0.0%	0.0%
Credit Unions	88.8%	6.6%	100.0%	79.5%	0.0%	99.4%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	4.4%	32.9%	0.0%	0.0%	48.0%	0.0%
Other	0.0%	10.2%	0.0%	0.0%	5.2%	0.0%

Exhbit 3, Sheet 3

Texas Credit Disability Insurance Experience, 1995-1997 Combined

	OB Oth 30R	OB Oth 14NR	OB Oth 30NR	Total OB	Total Disability
Earned Premium @ PF Rate					
Banks	$455,727	$28,367	$272,955	$54,016,337	$118,143,691
Finance Companies	$2,035	$0	$949	$2,913,668	$50,713,524
Credit Unions	$824,143	$2,282,102	$2,328,060	$92,971,115	$101,548,601
PCAs	$0	$0	$0	$0	$0
Dealers	$0	$0	$0	$31,104,230	$274,073,499
Other	$0	$0	$0	$9,142,496	$9,146,683
Total	$1,281,905	$2,310,469	$2,601,964	$190,147,846	$553,625,998
Share of Disability Market	0.2%	0.4%	0.5%	34.3%	100.0%
Incurred Losses					
Banks	$102,577	$9,673	$148,276	$19,404,066	$56,394,420
Finance Companies	$0	$0	$0	$1,190,690	$22,842,909
Credit Unions	$768,105	$1,472,143	$1,127,965	$61,385,324	$68,256,049
PCAs	$0	$0	$0	$0	$0
Dealers	$0	$0	$0	$7,964,120	$118,663,464
Other	$0	$0	$0	$5,038,836	$5,039,214
Total	$870,682	$1,481,816	$1,276,241	$94,983,036	$271,196,056
Incurred Losses to EP @ PF I					
Banks	22.5%	34.1%	54.3%	35.9%	47.7%
Finance Companies	0.0%			40.9%	45.0%
Credit Unions	93.2%	64.5%	48.5%	66.0%	67.2%
PCAs					
Dealers				25.6%	43.3%
Other				55.1%	55.1%
Total	67.9%	64.1%	49.0%	50.0%	49.0%
Total Less Credit Unions	22.4%	34.1%	54.1%	34.6%	44.9%
Share of Coverage Market					
Banks	35.6%	1.2%	10.5%	28.4%	21.3%
Finance Companies	0.2%	0.0%	0.0%	1.5%	9.2%
Credit Unions	64.3%	98.8%	89.5%	48.9%	18.3%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	0.0%	0.0%	0.0%	16.4%	49.5%
Other	0.0%	0.0%	0.0%	4.8%	1.7%

Exhibit 3, Sheet 4

Texas Credit Disability Experience by Plan and Class of Business, 1997 - 99

	SP 7R	SP 14R	SP 30R	SP 14NR	SP 30NR	Total SP
Earn Prem @ PF Rate						
Banks	$9,099	$65,385,452	$2,862,400	$328,060	$308,817	$68,893,828
Finance Companies	$87,243	$45,346,621	$19,108	$317,251	$4,189	$45,774,412
Credit Unions	$1,025	$6,813,833	$400,145	$1,196,034	$847,981	$9,259,018
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$292,455	$249,436,475	$3,826,099	$840,687	$944,861	$255,340,577
Other	$26,807	$369	$0	$0	$2,707	$29,883
Total	**$416,629**	**$366,982,750**	**$7,107,752**	**$2,682,032**	**$2,108,555**	**$379,297,718**
Share of Disability Market	0.1%	63.0%	1.2%	0.5%	0.4%	65.1%
Incurred Claims						
Banks	$22,068	$35,562,837	$1,718,340	$300,504	$151,177	$37,754,926
Finance Companies	-$42,162	$19,343,672	$2,046	$25,128	-$3,046	$19,325,638
Credit Unions	$316,787	$4,201,375	$323,404	$683,466	$958,089	$6,483,121
PCAs	$0	$0	$0	$0	$0	$0
Dealers	-$1,116,781	$100,634,927	$2,262,031	$322,192	$483,722	$102,586,091
Other	-$333	$55	$0	$0	$219	-$59
Total	**-$820,421**	**$159,742,866**	**$4,305,821**	**$1,331,290**	**$1,590,161**	**$166,149,717**
Inc Claims to EP@PF						
Banks	242.5%	54.4%	60.0%	91.6%	49.0%	54.8%
Finance Companies	-48.3%	42.7%	10.7%	7.9%	-72.7%	42.2%
Credit Unions	30906.0%	61.7%	80.8%	57.1%	113.0%	70.0%
PCAs						
Dealers	-381.9%	40.3%	59.1%	38.3%	51.2%	40.2%
Other	-1.2%	14.9%			8.1%	-0.2%
Total	-196.9%	43.5%	60.6%	49.6%	75.4%	43.8%
Pct of EP@PF for Plan						
Banks	2.2%	17.8%	40.3%	12.2%	14.6%	18.2%
Finance Companies	20.9%	12.4%	0.3%	11.8%	0.2%	12.1%
Credit Unions	0.2%	1.9%	5.6%	44.6%	40.2%	2.4%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	70.2%	68.0%	53.8%	31.3%	44.8%	67.3%
Other	6.4%	0.0%	0.0%	0.0%	0.1%	0.0%

Exhibit 3, Sheet 5

Texas Credit Disability Experience by Plan and Class of Business, 1997 - 99

	OB Rev 14R	OB Rev 30R	OB Rev 14NR	OB Rev 30NR	OB Rev 90NR	Total OB Rev
Earn Prem @ PF Rate						
Banks	$706,938	$43,216,726	$0	$21,859,165	$65,444	$65,848,273
Finance Companies	$2,502,608	$1,634,322	$0	$205,968	$0	$4,342,898
Credit Unions	$33,925,097	$5,816,235	$18,181,970	$28,742,773	$0	$86,666,075
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$636,197	$26,586,524	$0	$5,518	$161,720	$27,389,959
Other	$0	$6,771,364	$33,443	$0	$27,574	$6,832,381
Total	**$37,770,840**	**$84,025,171**	**$18,215,413**	**$50,813,424**	**$254,738**	**$191,079,586**
Share of Disability Market	6.5%	14.4%	3.1%	8.7%	0.0%	32.8%
Incurred Claims						
Banks	$476,294	$13,930,294	$0	$6,505,462	$6,203	$20,918,253
Finance Companies	$899,671	$675,249	$0	$25,557	$0	$1,600,477
Credit Unions	$20,704,333	$4,033,208	$11,521,488	$20,847,958	$0	$57,106,987
PCAs	$0	$0	$0	$0	$0	$0
Dealers	-$70,153	$8,751,754	$0	$4,352	$67,640	$8,753,593
Other	$0	$1,743,219	-$27,321	$24,816	-$82,110	$1,658,604
Total	**$22,010,145**	**$29,133,724**	**$11,494,167**	**$27,408,145**	**-$8,267**	**$90,037,914**
Inc Claims to EP@PF						
Banks	67.4%	32.2%		29.8%	9.5%	31.8%
Finance Companies	35.9%	41.3%		12.4%		36.9%
Credit Unions	61.0%	69.3%	63.4%	72.5%		65.9%
PCAs						
Dealers	-11.0%	32.9%		78.9%	41.8%	32.0%
Other		25.7%	-81.7%		-297.8%	24.3%
Total	58.3%	34.7%	63.1%	53.9%	-3.2%	47.1%
Pct of EP@PF for Plan						
Banks	1.9%	51.4%	0.0%	43.0%	25.7%	34.5%
Finance Companies	6.6%	1.9%	0.0%	0.4%	0.0%	2.3%
Credit Unions	89.8%	6.9%	99.8%	56.6%	0.0%	45.4%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	1.7%	31.6%	0.0%	0.0%	63.5%	14.3%
Other	0.0%	8.1%	0.2%	0.0%	10.8%	3.6%

Exhibit 3, Sheet 6

Texas Credit Disability Experience by Plan and Class of Business, 1997 - 99

	OB Oth 14R	OB Oth 30R	OB Oth14NR	OB Oth 30NR	Total OB	Total Disability
Earn Prem @ PF Rate						
Banks	$230	$436,423	$18,529	$90,838	$66,394,293	$135,288,121
Finance Companies	$567,466	$2,035	$0	$290	$4,912,689	$50,687,101
Credit Unions	$4,001,031	$369,919	$1,808,317	$4,227,911	$97,073,253	$106,332,271
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$0	$0	$0	$0	$27,389,959	$282,730,536
Other	$0	$0	$0	$318,094	$7,150,475	$7,180,358
Total	**$4,568,727**	**$808,377**	**$1,826,846**	**$4,637,133**	**$202,920,669**	**$582,218,387**
Share of Disability Market	0.8%	0.1%	0.3%	0.8%	34.9%	
Incurred Claims						
Banks	$1,741	$51,217	$1,166	$85,053	$21,057,430	$58,812,356
Finance Companies	$0	$0	$0	$0	$1,600,477	$20,926,115
Credit Unions	$2,230,947	$544,611	$961,328	$1,745,587	$62,589,460	$69,072,581
PCAs	$0	$0	$0	$0	$0	$0
Dealers	$0	$0	$0	$0	$8,753,593	$111,339,684
Other	$0	$0	$0	$177,524	$1,836,128	$1,836,069
Total	**$2,232,688**	**$595,828**	**$962,494**	**$2,008,164**	**$95,837,088**	**$261,986,805**
Inc Claims to EP@PF						
Banks	757.0%	11.7%	6.3%	93.6%	31.7%	43.5%
Finance Companies	0.0%	0.0%		0.0%	32.6%	41.3%
Credit Unions	55.8%	147.2%	53.2%	41.3%	64.5%	65.0%
PCAs						
Dealers					32.0%	39.4%
Other				55.8%	25.7%	25.6%
Total	48.9%	73.7%	52.7%	43.3%	47.2%	45.0%
Pct of EP@PF for Plan						
Banks	0.0%	54.0%	1.0%	2.0%	32.7%	23.2%
Finance Companies	12.4%	0.3%	0.0%	0.0%	2.4%	8.7%
Credit Unions	87.6%	45.8%	99.0%	91.2%	47.8%	18.3%
PCAs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dealers	0.0%	0.0%	0.0%	0.0%	13.5%	48.6%
Other	0.0%	0.0%	0.0%	6.9%	3.5%	1.2%

Exhibit 4, Sheet 1

Credit Life Investment Income and Federal Income Tax

Year	Premium ($ 000)	Net Investment Income ($ 000)	Investment Income to Premium	Net Gain Before Taxes ($ 000)	Federal Income Tax ($ 000)	Tax Rate
1989	$2,185,325	$391,511	17.9%	$463,294	$133,697	28.9%
1990	$2,058,246	$397,375	19.3%	$450,538	$109,022	24.2%
1991	$1,799,800	$384,166	21.3%	$384,497	$124,893	32.5%
1992	$1,692,463	$329,047	19.4%	$403,191	$125,893	31.2%
1993	$1,796,862	$322,865	18.0%	$335,385	$108,890	32.5%
1994	$1,930,696	$277,593	14.4%	$245,079	$68,747	28.1%
1995	$1,977,651	$301,810	15.3%	$311,152	$113,067	36.3%
1996	$1,796,404	$329,181	18.3%	$479,241	$104,365	21.8%
1997	$1,857,064	$301,183	16.2%	$318,988	$84,097	26.4%
1998	$1,895,984	$309,353	16.3%	$260,555	$120,610	46.3%
1999	$1,885,686	$368,676	19.6%	$282,694	$63,525	22.5%
11 Year Average			17.8%			30.0%
5-Year Average			17.1%			30.6%
3-Year Average			17.4%			31.7%

Source: *Best's Aggregates and Averages, Life-Health, 2000 Edition*, pages 56 and 60

Credit A & H Investment Income and Federal Income Tax

Year	Premium ($ 000)	Net Investment Income ($ 000)	Investment Income to Premium	Net Gain Before Taxes ($ 000)	Federal Income Tax ($ 000)	Tax Rate
1989	1,767,292	430,497	24.4%	327,930	98,859	30.1%
1990	1,694,370	424,896	25.1%	364,549	101,851	27.9%
1991	1,604,699	378,204	23.6%	315,521	111,047	35.2%
1992	1,630,798	367,082	22.5%	345,741	106,546	30.8%
1993	1,659,521	327,782	19.8%	247,941	81,897	33.0%
1994	1,929,768	292,534	15.2%	253,215	93,129	36.8%
1995	1,886,642	306,394	16.2%	261,208	93,486	35.8%
1996	1,614,287	299,084	18.5%	360,257	106,682	29.6%
1997	1,815,537	298,315	16.4%	345,277	72,277	20.9%
1998	1,725,025	300,491	17.4%	409,423	139,144	34.0%
1999	1,676,548	306,822	18.3%	390,066	132,687	34.0%
11 Year Average			19.8%			31.7%
5-Year Average			17.4%			30.9%
3-Year Average			17.4%			29.6%

Source: *Best's Aggregates and Averages, Life-Health, 2000 Edition*, pages 57 and 62

Exhibit 4, Sheet 2
Fifty Largest Writers of Credit Life Insurance
Ranked by 1999 Net Premium Written
($ 000)

Insurer	Credit Life Net Premium Written	Total Net Premium Written	Capital & Surplus	Premium to Surplus Ratio
CUNA Mutual	$225,773	$2,001,990	$645,695	3.10
Household Intrntl Gr	$216,873	$708,842	$343,687	2.06
Fortis, Inc	$204,801	$4,029,612	$1,695,605	2.38
American General	$155,248	$12,651,784	$5,690,802	2.22
Citigroup	$131,885	$8,661,554	$5,720,278	1.51
Associates Ins	$107,146	$227,073	$540,692	0.42
GE Financial Assr	$74,524	$9,275,813	$2,760,778	3.36
BankAmerica	$58,444	$117,101	$200,963	0.58
General American	$49,109	$7,762,854	$1,001,207	7.75
AEGON USA	$46,847	$22,815,177	$5,161,522	4.42
Minnesota Mutual	$46,676	$2,690,489	$1,091,100	2.47
Zurich Ins Grp	$38,103	$3,069,629	$942,672	3.26
Allstate	$35,625	$8,866,384	$2,749,085	3.23
Employers Re Group	$33,712	$1,177,048	$2,553,697	0.46
Central States	$31,366	$128,816	$68,886	1.87
American International	$30,884	$14,159,124	$7,229,057	1.96
JMIC Life	$30,223	$65,059	$52,332	1.24
Centurion Life	$29,786	$68,810	$616,725	0.11
Amer National Ins	$26,904	$1,041,706	$1,889,599	0.55
Life of the South	$24,699	$39,353	$18,285	2.15
Protective Life	$24,026	$1,598,161	$576,202	2.77
AMERCO Group	$23,878	$148,431	$60,739	2.44
CBD Holdings Ltd	$21,962	$64,941	$44,479	1.46
Conseco	$21,577	$6,112,270	$2,173,027	2.81
Service Life & Cas	$21,446	$38,903	$28,533	1.36
Cherokee National Lf	$18,883	$25,827	$7,117	3.63
Aon Corporation	$16,260	$1,472,763	$454,254	3.24
Individual Assur	$13,865	$33,879	$17,159	1.97
Frontier Ins Group	$13,622	$36,204	$63,387	0.57
Cooperativa de Seg V	$11,124	$128,195	$24,181	5.30
LDS Group	$10,576	$16,882	$22,953	0.74
Southern Pioneer Group	$10,327	$13,174	$10,392	1.27
Munich Amer Reassur	$9,647	$172,286	$112,669	1.53
Pekin Ins Group	$8,068	$174,581	$93,784	1.86
Bankers Life Ins	$8,038	$10,232	$10,275	1.00
National Life Ins PR	$7,362	$36,678	$15,246	2.41
Universal Life Ins	$6,875	$9,266	$1,948	4.76
American United Life	$6,741	$1,446,283	$468,864	3.08
Gulf Guaranty Life	$6,692	$9,563	$17,862	0.54
Enterprise Life Ins	$6,596	$14,251	$7,873	1.81
Relia Star Finl Corp	$6,392	$3,931,386	$1,153,667	3.41
Amer Modern Ins	$6,331	$11,620	$10,355	1.12
Independence Holding	$5,752	$90,725	$54,689	1.66
State Farm Group	$5,747	$2,945,517	$3,159,136	0.93
Swiss Reinsurance	$5,732	$1,563,245	$799,579	1.96
Guarantee Trust Grp	$5,297	$137,875	$45,498	3.03
Old Republic Ins Grp	$5,068	$38,347	$35,798	1.07
Plateau Group Ins	$4,722	$4,688	$5,840	0.80
Mellon Life Ins Co	$4,653	$5,854	$9,874	0.59
Old United Group	$4,440	$6,700	$26,413	0.25

Average of Top Fifty: Weighted by Credit Insurance Premium	2.28
Average of Top Fifty: Weighted by Total Premium	3.16
26 Insurers with Credit Life > 10% of Total Premium: Weighted by Credit Premium	1.87
26 Insurers with Credit Life > 10% of Total Premium: Weighted by Total Premium	2.37

Source: *Best's Aggregates and Averages, Life-Health, 2000 Edition*, Page 310

Exhibit 4, Sheet 3
Fifty Largest Writers of Credit A & H Insurance
Ranked by 1999 Net Premium Written
($ 000)

Insurer	Credit Life Net Premium Written	Total Net Premium Written	Capital & Surplus	Premium to Surplus Ratio
CUNA Mutual	$357,785	$2,001,990	$645,695	3.10
Fortis, Inc.	$161,510	$4,029,612	$1,695,605	2.38
Citigroup	$157,136	$8,661,554	$5,720,278	1.51
Household Intrntl Gr	$149,202	$708,842	$343,687	2.06
American General	$140,402	$12,651,784	$5,690,802	2.22
Associates Ins	$81,518	$227,073	$540,692	0.42
GE Financial Assr Gr	$66,034	$9,275,813	$2,760,778	3.36
Minnesota Mutual	$53,073	$2,690,489	$1,091,100	2.47
AEGON USA Inc	$53,024	$22,815,177	$5,161,522	4.42
Centurion Life Inc	$38,938	$68,810	$616,725	0.11
Allstate	$38,743	$8,866,384	$2,749,085	3.23
JMIC Life	$34,835	$65,059	$52,332	1.24
CBD Holding Ltd	$34,023	$64,941	$44,479	1.46
Employers Re Group	$26,510	$1,177,048	$2,553,697	0.46
AMERCO Group	$26,081	$148,431	$60,739	2.44
Central States	$23,420	$128,816	$68,886	1.87
Amer National Ins	$23,231	$1,041,706	$1,889,599	0.55
Frontier Ins Group	$20,870	$36,204	$63,387	0.57
Zurich Ins Grp US	$19,118	$3,069,629	$642,672	4.78
Service Life & Cas	$17,456	$38,903	$28,533	1.36
Alabama Reassurance	$17,363	$67,626	$120,112	0.56
General American Lf	$15,279	$7,762,854	$1,001,207	7.75
BankAmerica Group	$14,936	$117,101	$200,963	0.58
Pekin Ins Group	$11,264	$174,581	$93,784	1.86
Life of The South	$8,905	$39,353	$18,285	2.15
Individual Assur	$8,651	$33,879	$17,159	1.97
Enterprise Life Ins	$7,655	$14,251	$7,873	1.81
Old Republic Ins Grp	$7,371	$38,347	$35,798	1.07
Independence Holding	$7,342	$90,725	$54,689	1.66
J.C. Penney	$7,148	$847,519	$243,449	3.48
Munich Amer Reassur	$6,812	$172,286	$112,669	1.53
Conseco	$6,365	$6,112,270	$2,173,027	2.81
LDS Group	$6,305	$16,882	$22,953	0.74
Cherokee National Lf	$5,382	$25,827	$7,117	3.63
Amer Modern Ins	$5,289	$11,620	$10,355	1.12
American Untied Life	$5,165	$1,446,283	$468,864	3.08
Southern Finl Life	$5,009	$6,080	$6,958	0.87
Protective Life	$4,948	$1,598,161	$576,202	2.77
ReliaStar Finl Corp	$4,740	$3,931,386	$1,153,667	3.41
Servco Life Ins	$4,114	$6,067	$6,618	0.92
Untited Life Ins Co	$3,895	$173,312	$53,912	3.21
Guarantee Trust Grp	$3,863	$137,875	$45,498	3.03
Commowealth Dlrs Lf	$3,562	$6,395	$9,679	0.66
American Road Ins Gr	$2,937	$7,364	$27,821	0.26
Southern Pioneer Grp	$2,637	$13,174	$10,392	1.27
UICI Group	$2,308	$622,370	$287,360	2.17
Old United Group	$2,233	$6,700	$26,413	0.25
Gulf Guaranty Life	$2,113	$9,563	$17,862	0.54
First Virginia Life	$1,774	$3,779	$5,095	0.74
Marquette Indem & Lf	$1,617	$3,017	$6,075	0.50

Average of Top Fifty: Weighted by Credit Insurance Premium	2.26
Average of Top Fifty: Weighted by Total Premium	3.44
28 Insurers with Credit Life > 10% of Total Premium: Weighted by Credit Premium	2.04
28 Insurers with Credit Life > 10% of Total Premium: Weighted by Total Premium	2.33

Source: *Best's Aggregates and Averages, Life-Health, 2000 Edition,* Page 318

Exhibit 4 Sheet 4
Derivation of Underwriting Profit Provision

		Base Case
[1]	Target After-tax Return [See Discussion in Comments]	12.00%
[2]	Selected Tax Rate [See Sheet 1]	30.0%
[3]	Target Before-tax Return [(1) * (2)]	17.14%
[4]	Investment Yield on Equity [See Discussion in Comments and Below]	7.00%
[5]	Required Return from Insurance Operation [(3) - (4)]	10.14%
[6]	Premium to Surplus Ratio [See Sheets 2 and 3]	2.00
[7]	Required Return on Premium [(5) / (6)]	5.07%
[8]	Investment Income on Policyholder-Supplied Funds as a Percentage of Premium [See Discussion in Comments and Below]	13.50%
[9]	Underwriting Profit Provision [(7) - (8)]	**-8.43%**

Reconciliation of Investment Yields

Historical Investment Gain as a Percentage of Premium -- Sheet 1	17.00%
Selected Investment Gain on Equity as a Percentage of Premium	3.50%
Selected Investment Gain on Policyholder Supplied Funds as % of Premium	13.50%
Total Investment Gain as a Percentage of Premium in Profit Provision Analysis	17.00%