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April 22, 2002

Via Hand Delivery

Ana M. Smith-Daley, Deputy Commissioner
Texas Department of Insurance
Life/Health Division, M.C. 106-1A
333 Guadalupe
Austin, Texas 78701

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APR 22 2002

Filings Intake Section
Texas Department of Insurance

RE: Notice Relating to Presumptive Premium Rates for Credit Life
and Credit Accident & Health Insurance

Dear Ms. Smith-Daley:

Enclosed please find the Office of Public Insurance Counsel's duplicate submission of the rate recommendations for the above-referenced notice.

If you have any questions regarding this submission, please do not hesitate to call.

Respectfully submitted,

Erin C. Martens
Staff Attorney

Encl.

OFFICE OF PUBLIC INSURANCE COUNSEL'S

RATE RECOMMENDATIONS

FOR

CREDIT LIFE AND CREDIT ACCIDENT & HEALTH
INSURANCE PRESUMPTIVE PREMIUM RATES

Office of Public Insurance Counsel

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Submitted April 22, 2002

1 **PRE-FILED DIRECT TESTIMONY OF ALLAN I. SCHWARTZ**
2 **FOR CREDIT LIFE AND CREDIT ACCIDENT & HEALTH**
3 **INSURANCE PRESUMPTIVE PREMIUM RATES**
4
5

6 I - QUALIFICATIONS
7

8 Q. Please state your name and address?
9

10 A. My name is Allan I. Schwartz. My address is 4400 Route 9 South, Freehold, New Jersey.
11

12 Q. By whom are you employed and in what capacity?
13

14 A. I am President of AIS Risk Consultants, an actuarial consulting firm which I started in
15 November 1984. In that capacity I have performed consulting work for a variety of
16 clients covering a wide spectrum of actuarial projects.
17

18 Q. What was your previous employment history?
19

20 A. From May 1988 to January 1990 I was Assistant Commissioner with the New Jersey
21 Department of Insurance (NJDOI). In that position, I was responsible for all
22 property/liability filings, excluding workers' compensation, submitted to the NJDOI in
23 addition to other responsibilities. From June 1986 until April 1988 I was Chief Actuary
24 for the North Carolina Department of Insurance (NCDOI). I was responsible for all the
25 actuarial work at the NCDOI, both property / liability and life / accident / health. From
26 August 1977 to November 1984 I worked for the actuarial consulting firm of Woodward
27 and Fondiller. My last position at that firm was Senior Actuary. Prior to that, from
28 March 1976 to August 1977, I was employed by the National Council on Compensation
29 Insurance (NCCI). While there, I worked on rate level analyses, benefit factor
30 evaluations, and special projects. Before that, I attended college where I received a B.S.
31 degree in physics from Cooper Union.
32

33 Q. Are you a member of any actuarial societies?
34

35 A. I am a Fellow of the Casualty Actuarial Society, an Associate in the Society of Actuaries,
36 a Member of the American Academy of Actuaries, and a Fellow of the Conference of
37 Consulting Actuaries. I have Associate in Reinsurance and Associate in Claims
38 designations from the Insurance Institute of America. I have belonged to various regional
39 actuarial organizations and professional actuarial committees. In addition, I have served
40 on the Property / Casualty and Life / Accident / Health Actuarial Task Forces of the
41 National Association of Insurance Commissioners (NAIC). I was also Chairperson of a
42 subcommittee for the NAIC statistical task force. This subcommittee developed NAIC
43 standard private passenger automobile statistical data reporting requirements.
44

45 Q. Would you please describe some of your additional professional activities?

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A. I have written several papers dealing with various aspects of actuarial work. These have included topics on ratemaking, reserving, and reinsurance. I have also presented lectures and taught classes on these subjects. In addition, I was editor of Fresh Air Magazine, a newsletter published by Actuaries in Regulation. This is a special interest group of the Casualty Actuarial Society composed of actuaries who work for State Insurance Departments.

Q. Have you previously testified in regulatory proceedings regarding insurance rates?

A. Yes. I have testified in property / liability insurance rate proceedings in Arkansas, California, District of Columbia, Florida, Georgia, Maine, Massachusetts, Nevada, New Jersey, North Carolina, Oklahoma, Rhode Island, South Carolina, Texas and Virginia.

Q. Do you have a resume setting forth your professional background?

A. Yes. It is attached as Appendix AIS-A.

II - SUMMARY

Q. What is the purpose of your testimony in this proceeding?

A. I have been asked by the Texas Office of Public Insurance Counsel (OPIC) to calculate presumptive premium rates for credit life insurance and credit accident and health¹ insurance for Texas.

Q. What procedures did you follow in deriving an actuarial rate level indication?

A. We used accepted actuarial ratemaking methodologies taking into account previous decisions by the Commissioner of Insurance, the applicable statutory provisions and the applicable regulations.

Q. What sources of data did you use in your analysis?

A. I used data provided by the Texas Department of Insurance (TDI) as well as other generally accepted sources of information (e.g., A.M. Best).

Q. Based upon your analysis, what values did you derive for the indicated change in the presumptive premium rates?

¹ This testimony sometimes uses the term credit disability insurance instead of credit accident and health insurance. Those terms as used in this testimony have the same meaning.

1 A. The overall indications² based upon our actuarial analysis are a decrease in the
2 presumptive premium rates for credit life insurance of -22.81%³, and a decrease in the
3 presumptive premium rates for credit accident & health insurance of -11.11%⁴.
4

5 The derivation of these values is set forth in Schedule AIS-1 for credit life and Schedule
6 AIS-2 for credit accident and health.
7
8

9 III - OVERALL RATEMAKING METHODOLOGY
10

11 Q. Could you explain the calculation of the indicated change in presumptive premium rates
12 in more detail?
13

14 A. The ratemaking technique used for this analysis is the component rating method.
15

16 Q. Could you explain in more detail how you used the component rating method?
17

18 A. We derived a formula for the indicated rate level change as follows :
19

20 Let :

21 PPL = Proposed Premium Level
22

23 CPL = Current Premium Level
24

25 RLC = Rate Level Change
26

27 Loss = Projected Losses
28

29 OE = Projected Overhead Expenses (i.e., Administrative and
30 Loss Settlement Expenses)
31

32 Comm = Projected Commission Expense (i.e., Acquisition Costs)
33

34 Tax = Projected Premium + Miscellaneous Taxes
35

36 UP = Underwriting Profit
37
38

² These are overall statewide premium rate changes across all plans and lenders. Our analysis includes a recommendation to vary the rate level change by class of business.

³ The initial overall indicated rate change is -23.11%. [Schedule AIS-1, Column (11)] When the rate change was distributed to class the overall weighted rate change became -22.81%.

⁴ The initial overall indicated rate change is -11.26%. [Schedule AIS-1, Column (11)] When the rate change was distributed to class the overall weighted rate change became -11.11%.

- 1 LR = Projected Ratio of Losses to Current Premium
 2
 3 OER = Projected Overhead Expenses to Current Premium
 4
 5 CR = Projected Commission Expense to Current Premium
 6
 7 TR = Projected Premium + Miscellaneous Taxes to Current Premium
 8
 9 UPR = Underwriting Profit to Current Premium

10 The basic equation used to solve for the rate level change is as follows :

$$11 \text{ PPL} = \text{Loss} + \text{OE} + \text{Comm} + \text{Tax} + \text{UP}$$

12
 13 Each of the values on the right hand side of the equation can be calculated as the ratio
 14 value multiplied by the premium. For the fixed rate level components (i.e., Loss + OE) the
 15 premium used is the current value, whereas for the variable rate level components (i.e., Comm,
 16 Tax + UP) the premium used is the projected value. Making these substitutions we then obtain :

$$17 \text{ PPL} = [\text{LR} + \text{OER}] \times \text{CPL} + [\text{CR} + \text{TR} + \text{UPR}] \times \text{PPL}$$

18
 19 Dividing both sides of this equation by the current premium level (i.e., CPL) the
 20 following formula results :

$$21 \text{ PPL} / \text{CPL} = [\text{LR} + \text{OER}] \times \text{CPL} / \text{CPL} + [\text{CR} + \text{TR} + \text{UPR}] \times \text{PPL} / \text{CPL}$$

22
 23 However, PPL / CPL is the change in premium from the current to the proposed level,
 24 which is simply the rate level change (i.e., RLC). Making that substitution and simplifying the
 25 result is :

$$26 \text{ RLC} = [\text{LR} + \text{OER}] + [\text{CR} + \text{TR} + \text{UPR}] \times \text{RLC}$$

27 This can be adjusted algebraically as follows :

$$28 \text{ RLC} \times (1 - [\text{CR} + \text{TR} + \text{UPR}]) = [\text{LR} + \text{OER}]$$

29 or

$$30 \text{ RLC} = \frac{\text{LR} + \text{OER}}{1 - [\text{CR} + \text{TR} + \text{UPR}]}$$

1 This last equation⁵ can be used to calculate the indicated rate level change once the
2 component values for LR, OER, CR, TR and UPR are all calculated.

3
4 Q. What factors are considered in the underwriting profit factor?

5
6 A. The underwriting profit factor (i.e., UPR) takes into consideration factors for a : (i)
7 reasonable and adequate profit, (ii) investment income, (iii) reserves [which is dependent upon
8 the duration of various credit transactions] and (iv) federal income taxes. This is shown by the
9 following formulas.

10
11 Let :

12
13 TR = Total Return for a Reasonable and Adequate Profit

14
15 II = Total Investment Income (i.e., investment income on reserves and surplus)

16
17 I = Investment Return

18
19 S = Surplus

20
21 P = Premium

22
23 R = Reserves

24
25 ps = Premium to Surplus Ratio

26
27 rp = Reserve to Premium Ratio

28
29 BTROR = Before Tax Rate of Return

30
31 ATROR = After Tax Rate of Return

32
33 TF = Federal Income Tax Factor

34
35 Starting with the first equation which simply states that the total return is equal to the
36 underwriting profit plus investment income, and then performing various algebraic
37 transformations, we arrive at a formula for the calculation of the underwriting profit which is
38 dependent upon various components.

39
40 TR = UP + II

41

⁵ This equation is equivalent to the one used by the Commissioner of Insurance in the prior credit life and credit accident and health insurance rate case. See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 64.

1 TR = UP + I X R + I X S
2
3 TR / S = [UP / P] X [P / S] + I X [R / P] X [P / S] + I
4
5 BTROR = UPR X ps + I X rp X ps + I
6
7 ATROR / TF = UPR X ps + I X rp X ps + I
8
9 ATROR / TF - I = UPR X ps + I X rp X ps
10
11 UPR = [ATROR / TF - I] / ps + I X rp
12

13 This last equation used to calculate the underwriting profit factor shows how a reasonable
14 profit, federal income taxes and reserves are reflected.

15
16 Q. Does the ratemaking methodology and formula you used take into account all the
17 statutory factors?

18
19 A. Yes it does. The applicable statute is Art. 3.53 Sec. 8 A (3) which states :

20
21 In determining the presumptive premium rate, the commissioner shall
22 consider reasonable acquisition costs, loss ratios, and administrative
23 expenses, reserves, loss settlement expenses, the type or class of business,
24 the duration of various credit transactions, reasonable and adequate profits
25 to the insurers, and other relevant data. The commissioner may not set a
26 presumptive premium rate that is unjust, unreasonable, inadequate,
27 confiscatory, or excessive to the insurers, the insureds, or agents. The
28 commissioner may not fix or limit the amount of compensation actually
29 paid by a company to an agent. The commissioner may request
30 information from any insurer or agent with respect to compensation paid
31 for the sale of credit insurance, expenses, losses, profits, and any other
32 relevant data relating to the presumptive premium rate and it is the duty of
33 each insurer or agent to provide such information to the commissioner in a
34 timely manner.
35

36 Each one of these statutory items is considered in the formula we are using to calculate
37 the rate level change. A comparison of the statutory items and where they are included in our
38 formula is set forth below.

39
40

<u>Statutory Item</u>	<u>Where Reflected in Formula</u>
Reasonable acquisition costs	CR
Loss ratios	LR

41
42
43
44
45

1	Administrative expenses	OE
2		
3	Reserves	UPR
4		
5	Settlement expenses	OE
6		
7	Type or class of business	By Applying Formula by
8		Type or Class of Business
9		
10	Duration of various credit transactions	UPR
11		
12	Reasonable and adequate profits to the insurers	UPR
13		

14 Q. The preceding list did not deal with the statutory item of other relevant data. Have you
15 considered this item?

16
17 A. The other relevant data item in the statute is somewhat vague and leaves to the discretion
18 of the Commissioner of Insurance what other factors to consider.

19
20 One such item the Commissioner may want to consider under this item is whether the
21 expected benefits returned to insureds in the form of losses bears a reasonable relationship to the
22 premium charged. For example, the Commissioner may decide that for credit life an expected
23 loss ratio in the range of 50% to 60% as a minimum is appropriate for insureds to receive
24 reasonable value from the credit life insurance purchase. For credit disability the Commissioner
25 may decide that a minimum loss ratio in the range 60% to 70% is appropriate for insureds to
26 receive reasonable value from the credit disability insurance purchase.

27
28 The use of a minimum loss ratio as a benchmark for evaluating the reasonableness of the
29 rate is appropriate from an actuarial perspective and is also a reasonable regulatory
30 implementation of the statute.⁶

31
32 Q. Using these various statutory factors, how did you derive the indicated rate level changes?

33
34 A. The following table summarizes the key component rating factors used in our analysis for
35 both credit life and credit disability insurance.

36
37

⁶ I acknowledge that I do not have a law degree, which formed the basis of objections from other parties in connection with the previous credit insurance hearing. However, my experience includes being Chief Actuary at the North Carolina Department of Insurance and Assistant Commissioner at the New Jersey Department of Insurance. I have also done consulting work for a number of government agencies dealing with insurance issues. Hence, my work experience has included the regulatory interpretation and implementation of various statutes in a number of jurisdictions dealing with the subject of insurance.

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Statutory Item	Value Selected for Credit	
	Life	Disability
Reasonable acquisition costs	20.00%	20.00%
Loss ratios	46.24%	53.99%
Administrative expenses	17.00%	19.00%
Reserves	Included in Profit	
Settlement expenses	Incl in Administrative Exp	
Type or class of business	By Applying Formula by Type or Class of Business	
Duration of various credit transactions	Included in Profit	
Reasonable and adequate profits to the insurers		
Cost of Capital / Target Total Return	11.3%	11.3%
Underwriting Profit Factor	-5.0%	-5.0%

Applying the RLC formula gives the following results:

Credit Life

$$\text{RLC} = \frac{46.24\% + 17.00\%}{1 - 20.00\% - 2.75\% - (-5.00\%)} = -23.11\%$$

Credit Accident and Health

$$\text{RLC} = \frac{53.99\% + 19.00\%}{1 - 20.00\% - 2.75\% - (-5.00\%)} = -11.26\%$$

The remainder of this testimony deals with the basis used to calculate the various component rating factors.

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2
3 **IV - CREDIT LIFE INSURANCE**

4 **IV-A : CREDIT LIFE INSURANCE LOSS RATIOS**

5
6 Q. How did you derive the loss ratio for credit life insurance?

7
8 A. There are various considerations that actuaries take into account in evaluating loss ratios.
9 Those include : (i) the number of years of experience, (ii) reserves, (iii) trend, (iv)
10 credibility and (v) prior rate changes.

11
12 Q. What did you use for the number of years of experience?

13
14 A. We used data from the four year period covering 1996 to 1999. Four years of experience
15 provides an appropriate balance between responsiveness and stability of the rate level
16 indications for credit life and credit accident and health insurance.⁷

17
18 Q. How did you consider reserves?

19
20 A. With regard to reserves, we have accepted the values reported by insurance companies to
21 the TDI in the annual credit data call and have not made any adjustments to those values.

22
23 Q. What did you do with regard to trend?

24
25 A. With regard to trend, we did not apply a net trend factor. This assumes that the historical
26 mortality and morbidity experience will be reflective of future experience.

27
28 To the extent that future mortality and morbidity experience is better than historical
29 values, this assumption would tend to overstate the appropriate presumptive premium
30 rates.

31
32 Q. How did you reflect credibility?

33
34 A. We used a full credibility standard of \$20,000,000 of premium. For partial credibility we
35 used the square root formula. The square root formula calculates credibility as follows:

36
37
$$\text{Credibility} = \text{Square Root} (\text{Actual Exposure Base} / \text{Full Credibility Exposure Base})$$

38 Limited to a Maximum of 1.00

39
40 In this proceeding we used a full credibility exposure base of \$20,000,000 in premium.
41

⁷ The Commissioner of Insurance in the prior credit life and credit accident and health insurance rate case determined that four years of experience was appropriate to use. See Order No. 99-1481 for Docket No. 454-98-1807.G, Findings of Fact 25 to 27.

1 This \$20,000,000 was derived as follows. Assume an average cost per claim of \$5,000.
2 Use 2,000 as the number of claims for full credibility.⁸ The historical loss ratio is about
3 50%.

4
5 Then $\$5,000 \times 2,000 / .50 = \$20,000,000$ in premium.

6
7 Q. How did you take into account prior rate changes?

8
9 A. We adjusted historical premium to a current rate level basis.

10
11 Q. Taking into account all these considerations, what loss ratios did you derive for credit life
12 insurance by class of business.

13
14 A. A summary of the credit life insurance loss ratio experience by class of business for 1996
15 to 1999 combined is set forth in the following table.

16
17 Texas Credit Life Insurance Loss Ratios From 1996 to 1999

18
19

Class of Business	Loss Ratio at Current Presumptive Rates	
	Before Credibility	After Credibility ⁹
20 Commercial Banks, Savings 21 & Loan Associations and 22 Mortgage Companies	57.84%	57.84%
23 Finance Companies and 24 Small Loan Companies	49.21%	49.21%
25 Credit Unions	57.24%	57.24%
26 Production Credit Associations 27 (Agricultural & Horticultural)	50.00%	47.19%
28 Dealers (Auto & Truck Dealers, 29 Other Dealers, Retail Stores, Etc.)	37.78%	37.78%

30
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32
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36

⁸ A common full credibility standard used by actuaries reflecting only variation in claims is 1,084. In order to consider variations in claim severity, this value needs to be multiplied by a factor that usually ranges from 2 to 4, with the lower range being applicable to smaller variations in claim severity and the higher range for bigger variations in claim severity. Credit insurance is expected to have a smaller variation in claim severity. Multiplying 1,082 X 2 gives 2,164, which we rounded to 2,000.

⁹ This is before rebalancing the loss ratios to have the before credibility and after credibility total loss ratios be equal.

1	Other	70.06%	59.16%
2			
3	Combined	46.24%	46.12%
4			

5 The only two classes not fully credible using this procedure are Production Credit
6 Associations (Agricultural & Horticultural) along with Other. These are by far the two
7 smallest classes of business.

8
9 This credit life insurance experience is set forth in Schedule AIS-1A by plan of benefits
10 by year and in Schedule AIS-1B by class of business by plan of benefit.

11
12 The overall loss ratio across all classes of business and all plans of benefits for credit life
13 insurance has been fairly stable : 47.89% for 1996, 49.23% for 1997, 44.90% for 1998
14 and 43.54% for 1999. Based upon these data, it is reasonable to use the four year overall
15 average loss ratio of 46.24%¹⁰ to derive an overall indicated rate level decrease of -
16 23.11%.

17
18
19 IV-B : CREDIT LIFE INSURANCE COMMISSIONS / ACQUISITION COSTS

20
21 Q. How did you derive a provision for commissions?

22
23 A. We examined the historical ratio of commissions to premium. This is set forth in
24 Schedule AIS-3A, Sheet 1.

25
26 For Commercial Banks, Savings & Loan Associations and Mortgage Companies along
27 with Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.) the historical
28 commission ratios are very high, ranging from 40% to 50% of premium.

29
30 For Finance Companies and Small Loan Companies along with Others, the historical
31 commission ratios are very low, ranging from 1% to 3% of premium.

32
33 For Credit Unions along with Production Credit Associations (Agricultural &
34 Horticultural) the historical commission ratios are in a reasonable range of about 20%.

35
36 Q. What are commission ratios for other lines of insurance?

37
38 A. For ordinary life insurance commission ratios are about 15% and for group life insurance
39 commissions ratios are about 5%.¹¹

40
¹⁰ The 46.24% loss ratio can be converted to an average claim cost per hundred dollars of coverage by multiplying by the current average rate of 30.0¢. This gives an average claim cost of 13.9¢.

¹¹ Best's Aggregates and Averages, Life Health Edition, See Appendix C.

1 Other personal lines of insurance (as opposed to business insurance) such as homeowners
2 have a commission ratio of about 15% and private passenger automobile has a
3 commission ratio of about 8%.¹²
4

5 Furthermore, it should be noted that underwriting and claim adjustment for credit
6 insurance is much simpler than for either homeowners or automobile insurance. Hence,
7 expenses should be much lower for credit insurance.
8

9 With respect to underwriting, for credit insurance there is essentially one product offered
10 with a very simple rate structure. Very limited underwriting is done for credit insurance.
11 By contrast, homeowners and automobile insurance have numerous coverages and
12 various options. In addition, the rating structure for homeowners and automobile
13 insurance takes many different factors into account. For these reasons, underwriting is
14 much simpler, and correspondingly should be less expensive, for credit insurance.
15

16 With respect to claims adjustment, three overall issues that arise in the context of claims
17 settlement are coverage, liability and damages. For credit insurance these claim issues are
18 much simpler than for either homeowners or automobile insurance and hence, once again,
19 costs should be correspondingly lower for credit insurance.
20

21 Q. How did you select a commission ratio?
22

23 A. We considered : (i) the commission ratios by class and observed that the mid range
24 commission ratio is about 20%, (ii) that the commission ratio for commercial banks,
25 savings & loan associations and mortgage companies along with dealers (auto & truck
26 dealers, other dealers, retail stores, etc.) are inflated by the impact of reverse competition,
27 and (iii) that commission ratios for other lines of insurance range from 5% to 15%.
28

29 Taking all this into account, we selected a commission ratio of 20% as being fair and
30 reasonable for the purpose of setting rates.¹³
31

32 Q. Can you briefly explain the issue of reverse competition?
33

34 A. Reverse competition refers to a market structure where competition is not aimed at the
35 ultimate purchaser of the product. Instead, competition is geared towards producers of
36 the business. This results in excessive and inappropriate expenses, and hence reverse
37 competition has the effect of driving up costs and prices.
38

39 Q. What is the extent of reverse competition and its effect on the aggregate expense level of
40 the industry?
41

¹² Best's Aggregates and Averages, Property Casualty Edition, See Appendix C.

¹³ The commission rate used to set the presumptive rate level does not limit or regulate the commission rates that can be paid by insurers to producers.

1 A. The ultimate consumer of credit insurance -- that being the debtor -- has an extremely
2 limited opportunity to shop for alternate coverage. Because of this the seller of the
3 insurance -- that being the creditor -- essentially controls which insurance company will
4 write the business. Because of this, insurance companies compete for the creditor
5 business -- not for the debtor business. This in turn will have the impact of
6 inappropriately driving up the reported costs and will inflate the reported expense ratios.
7

8 The inflated reported costs that result from reverse competition have caused some
9 to question the value of credit insurance, as is illustrated by the following
10 excerpts.
11

12 "Credit disability coverage provides disabled debtors with the funds necessary to
13 meet loan obligations. The coverage is frequently sold in conjunction with
14 mortgages, installment loans, and charge accounts, and, *if bought through the*
15 *lender, may be relatively expensive.*" Personal Insurance : Life, Health, and
16 Retirement, American Institute for CPCU, pages 25 - 26 (emphasis supplied)
17

18 "Credit life insurance allows the beneficiary no flexibility and is *not necessarily*
19 *the most cost effective way to buy decreasing term insurance. It is designed*
20 *primarily to protect the lender.*" Personal Insurance : Life, Health, and
21 Retirement, American Institute for CPCU, page 186 (emphasis supplied)
22

23 Q. Is it commonly accepted that reverse competition exists for credit life and credit disability
24 insurance?
25

26 A. Yes it is.
27

28 In connection with a previous rate hearing for credit insurance rates, the Commissioner of
29 Insurance found that, "There is reverse competition in the credit insurance industry".¹⁴
30

31 Q. Are there any studies examining the impact of reverse competition for credit insurance?
32

33 A. A study by the witness for the credit insurance industry (i.e., Gary Fagg) presented at the
34 prior credit insurance hearing showed reverse competition had an impact of about 6%.¹⁵
35

36 During the course of the credit hearing, various issues in the study performed by Mr. Fagg
37 were discussed.¹⁶ Adjusting for those issues gives values for the impact of reverse
38 competition of up to 52%.¹⁷
39

¹⁴ See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 39

¹⁵ See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 37

¹⁶ Transcript for Docket No. 454-98-1807.G

¹⁷ See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 38

- 1 Q. How can the amount of additional expenses reported as a result of reverse competition be
2 measured?
3
- 4 A. The calculation is neither simple to perform or susceptible to precise measurement. One
5 way to perform the analysis would be to perform a detailed in depth management and
6 financial review of all credit insurance companies and producers operating in Texas. This
7 has practical difficulties. Therefore, methods of measuring the impact of reverse
8 competition on expenses that review data on a more aggregated level must be used.
9
- 10 Q. Does the situation that exists that the analysis / calculation of the impact of reverse
11 competition on expenses cannot be performed precisely mean that this factor should be
12 ignored in the rate level calculation?
13
- 14 A. No it does not. Since it cannot be reasonably disputed that reverse competition does
15 result in inflated expenses, it is certain that if this factor is ignored then the resulting rates
16 will be inaccurate and excessive. It is much better from both an actuarial and regulatory
17 perspective to make an estimate of the impact of reverse competition than to ignore this
18 issue. Furthermore, it should be remembered that all of the factors that enter into the
19 ratemaking calculation are based upon estimates and projections. Hence, in concept, the
20 issue of measuring the impact of reverse competition is not different than any other item,
21 although the measurement process presents more challenges in practice.
22
- 23 Q. If direct detailed evidence regarding the impact of reverse competition on credit insurance
24 cannot be obtained, does that mean, as the credit insurance industry might contend, that
25 no adjustment should be made for the impact of reverse competition on credit insurance?
26
- 27 A. No.
28
- 29 The issue of the evidence needed to reflect the impact of reverse competition depends to a
30 certain extent upon the point of view taken. One point of view takes the position that all
31 expenses should be included unless there is a specific reason for excluding those
32 expenses. That places the burden of proof upon TDI, OPIC and other non credit
33 insurance parties who tend to have less detailed information than do the credit insurance
34 parties. The other point of view takes the position that no expenses should be included
35 unless those expenses can be justified. This would place the burden of proof upon the
36 credit insurance parties, who should have the detailed information needed to justify
37 reasonable expenses.
38
- 39 Q. Is the concept of starting with a base of zero and only adding in needed expenses an
40 accepted method?
41
- 42 A. Yes it is. One way this concept is referred to is as a "zero - base review", which has been
43 described as follows¹⁸ :

¹⁸ Management Accounting Principles, Anthony and Reece, 1975, page 484

1 -----
2 1997 Best's Insurance Reports - Life / Health, page 3008
3

4 During the last few years, Service Life & Casualty has been ranked as the
5 number one producer of credit life and credit accident and health
6 coverages in both Texas and New Mexico. ...
7

8 *The companies operate under the Service Group umbrella which also*
9 *includes several other affiliates which assist in servicing its client base*
10 *of over 1100 dealerships in 48 states. These affiliates include: Service*
11 *Guard, an after market extended service contract company endorsed by*
12 *both the Texas and New Mexico Automobile Dealers Association; Serv-*
13 *Sell, a dealership training division providing classes for professional*
14 *sales consultants, sales management, used vehicle management, lease*
15 *dealing and management, finance and insurance management and in-*
16 *dealership seminars and training. The company also provides*
17 *administration service for Mitsubishi Triple - Diamond, the exclusive*
18 *extended service contract company for Mitsubishi Corporation's factory*
19 *extended service contracts for the nation. The life company receives*
20 *management fees from these affiliates.*
21

22 ...
23 *The company, as many of its credit associates, reinsures a substantial*
24 *portion of its direct business to several producer owned reinsurance*
25 *companies. (PORC's) (emphasis added)*
26 -----

27 1997 Best's Insurance Reports - Life / Health, page 3010

28 Given the high degree of affiliate transactions; involving the producer, life insurance
29 company and reinsurer; as well as between the life insurance company and related
30 companies, the expenses reported by insurance companies as being attributable to credit
31 insurance are likely to be distorted and excessive.
32

- 33 Q. What impact do the excessive reported expenses have on the rate level indication.
34
35 A. Because these reported expenses are not removed from the rate level calculation, the
36 result is an indicated rate level that is too high. Affiliate transactions can have a large
37 impact on the indicated rate level change.²¹
38

39 IV-D : CREDIT LIFE INSURANCE PREMIUM AND MISCELLANEOUS TAXES

²¹ As one actual example of the inflating impact on reported expenses of affiliate transactions, the Commissioner of Insurance has consistently found in connection with the benchmark rate proceedings for private passenger automobile insurance and homeowners insurance, that the transactions between Farmers Insurance Group and its affiliated management company has resulted in the reported expenses being inflated by a significant amount. See for instance TDI Order No. 98-1314, Findings of Fact 112 to 115.

1
2 Q. How did you determine a provision for premium and miscellaneous taxes?
3

4 A. We used the statutory value of 1.75% for premium taxes.
5

6 For miscellaneous taxes we used a value of 1.00%.
7

8 The combined premium and miscellaneous tax provision is therefore 2.75%.
9

10 This is consistent with the provision for premium and miscellaneous taxes used by the
11 Commissioner of Insurance in connection with the prior credit insurance rate case.²²
12

13 IV-E : CREDIT LIFE INSURANCE UNDERWRITING PROFIT PROVISION
14

15 Q. What analysis did you perform with respect to the underwriting profit factors?
16

17 A. We determined an underwriting profit factor based upon a calendar year accounting
18 model (CYAM). This type of model is generally recognized as being reasonable in the
19 actuarial profession and for regulatory purposes. Furthermore, the Commissioner found
20 such a model to be reasonable in connection with numerous benchmark rate proceedings.
21

22 Based upon that model, we choose an underwriting profit provision of -5.0%.²³
23

24 Q. Can you briefly explain the mathematics involved in using a CYAM to derive an
25 underwriting profit provision?
26

27 A. Yes. A CYAM is based upon the concept that the total profit is equal to the underwriting
28 profit plus investment profit.²⁴ In mathematical form this is as follows:
29

$$30 \quad T = UP + IP$$

31
32 Where:

33 T = Total Profit

34 UP = Underwriting Profit

35 IP = Investment Profit
36
37
38

²² See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 68

²³ The numerically indicated underwriting profit factor was -14.1%. (See Schedule AIS-4, Sheet
1)

²⁴ It is also possible in some circumstances to have other sources of profit in addition to
underwriting and investment which should be taken into account. These other items of profit can
also be reflected in a CYAM.

1
2 As the term suggests, a *zero - base review* examines a certain program,
3 function or responsibility center "from scratch". The reviewer judges what
4 activities should be undertaken, and then estimates the proper level of
5 those activities [footnote omitted]. This approach of starting from a zero
6 base is in sharp contrast with that used in budgeting, in which the starting
7 point usually is the current level of spending.

8
9 In making such a zero - base review, basic questions are raised about the
10 activity, such as:

- 11
12 1. Should the activity be performed at all?
13 2. What should the quality level be? Are we doing too much?
14 3. Should it be performed in this way?
15 4. How much should it cost?
16

17 Looked at from a zero - base review process, credit insurers would need to justify the use
18 of activities and level of expenses for functions that could result from reverse
19 competition.
20

21 Q. Are you taking the position that the consideration of zero - base review should be the only
22 method used to evaluate the impact of reverse competition?
23

24 A. No. But then again, it is not appropriate to simply assume that all expenses are
25 appropriate unless they are proved to be unreasonable. This would place the entire
26 burden on non credit insurance parties and would give the credit insurance industry a free
27 ride for not providing useful information.
28

29 I believe that consideration should be given to both viewpoints in an effort to be fair to
30 both sides, and at the same time take steps so that policyholders are not overcharged for
31 wasteful and unnecessary spending on the part of the credit insurance industry.
32

33 IV-C : CREDIT LIFE INSURANCE

34 ADMINISTRATIVE EXPENSES PLUS LOSS ADJUSTMENT EXPENSES

35
36 Q. How did you derive a provision for administrative expenses plus loss adjustment
37 expenses?
38

39 A. We distributed countrywide administrative expenses plus loss adjustment expenses to
40 Texas on the basis of policies in force and policies incepting. (see Schedule AIS-3A,
41 Sheets 2 to 4).
42

1 The indicated expense ratios derived from these methods were 17.7% of premium and
2 16.2% of premium. We used the average value of 17.0% in our analysis.¹⁹

3
4 Q. Did you exclude any of the reported expenses in your analysis?

5
6 A. No, I did not.

7
8 Q. Is it a common and accepted regulatory practice to exclude certain expenses from the rate
9 level calculation?

10
11 A. Yes, it is.

12
13 Q. What type of expenses are considered inappropriate to include in a rate level calculation?

14
15 A. The types of expense that can be considered to be inappropriate to include in a rate level
16 calculation include: (1) excessive administrative expenses, (2) lobbying expenses, (3)
17 certain advertising expenses, (4) bad faith costs, (5) contributions to organizations
18 engaged in legislative advocacy, (6) fees and penalties imposed on insurers for civil or
19 criminal violations of the law, (7) contributions to social, religious political or fraternal
20 organizations, (8) fees and assessments paid to advisory organizations and (9) any
21 unreasonably incurred expenses as determined by the Commissioner.²⁰

22
23 Q. What types of activities might cause reported expenses to be excessive?

24
25 A. Affiliate transactions between the insurer and agent can impact the reported costs.

26
27 Q. Do affiliate transactions in fact occur related to the credit insurance business?

28
29 A. Yes they do. Set forth below are examples indicating the existence of such affiliated
30 transactions.

31
32 Credit life and disability policies and other products designed for financial
33 institutions are offered through a number of active accounts, principally
34 financial institutions and credit retailers. Leading sources of credit
35 business from banks included the Discover Card and FCC National Bank,
36 from retailers, GE Capital and Hudson's Bay Company (Canada), from
37 consumer finance companies, Norwest Financial and Commercial Credit,
38 and from mortgage bankers and savings institutions, First National Bank.
39 ABIG [American Bankers Insurance Group] also maintains special

¹⁹ The 17.00% administrative cost ratio can be converted to an average expense cost per hundred dollars of coverage by multiplying by the current average rate of 30.0¢. This gives an average expense cost of 5.1¢.

²⁰ This list is based upon the provisions of V.A.T.S., Insurance Code, Art. 5.101(o)

1 representatives throughout the country to solicit financial accounts and act
2 as service representatives for the company with its financial agents.
3

4 About 76% of all direct premiums are ceded through reinsurance treaties
5 with over 100 active reinsurers. About half of the ceded reserves are to
6 unauthorized reinsurance. *The reinsurance arises as a result of ceding
7 business back to producer owned reinsurance companies. Generally,
8 these companies' parent organizations are major financial institutions.
9 ... This significant use of reinsurance is primarily a function of the
10 contractual compensation agreements with the distributors.* (emphasis
11 added)
12 -----

13 1997 Best's Insurance Reports - Life / Health, page 143
14

15 Enterprise Life Insurance Company is owned by the Enterprise Financial
16 Group, a Texas Corporation formed as a service company for many
17 automobile dealerships. ...
18

19 *... The company also provides finance and insurance services, vehicle
20 service contracts, and other "after - market" products (window tinting,
21 undercoating, alarms) through affiliated companies. Furthermore, the
22 company is heavily involved in recruiting and training dealership
23 personnel that market its products, in addition to managing finance and
24 insurance personnel. ...*

25 ...
26 *Management of Enterprise Life Insurance Company is also involved in
27 the formation of several offshore reinsurance companies. These
28 reinsurance companies were established to enable the business
29 producers (the car dealer client) to have the opportunity to participate in
30 the underwriting profits of its block of business. Each reinsurance
31 company formed by the company is managed internally by members of
32 the Enterprise Group itself.* (emphasis added)
33 -----

34 1997 Best's Insurance Reports - Life / Health, page 1105
35

36 All outstanding shares of the company are owned by GS Administrators
37 Inc. (GSA), which is wholly owned by Thomas D. Friedkin. GSA is part
38 of the Gulf States Automotive Group which includes Gulf States Toyota
39 (GST) a wholesaler for Toyota automobiles, parts and accessories. ...
40

41 Servco Life Insurance Company is involved in the selling of credit life and
42 credit accident and health insurance through automobile dealerships. ...
43

44 *The company also assists in the formation of numerous offshore
45 reinsurance companies. Generally these offshore companies are
46 organized for larger producing dealerships.* (emphasis added)

1
2 The prior equation can be transformed into the following equivalent form.

3
4
$$[T / N] = [UP / P] X [P / N] + [IR / P] X [P / N] + I$$

5
6 Where :

7
8 N = Net Worth

9
10 P = Premium

11
12 T / N = Total return on net worth (or cost of capital)

13
14 UP / P = Underwriting profit in relation to premium

15
16 P / N = Premium to net worth ratio

17
18 IR / P = Investment profit on reserves in relation to premium

19
20 I = Investment rate of return.

21
22 The quantity that is needed to calculate the rate level is U / P, which is the underwriting
23 profit provision. The key to using a CYAM is to determine all the other values in the
24 equation and then arithmetically solve for U / P. That is the procedure we followed. The
25 calculation of the underwriting profit factor is given in Schedule AIS-4, Sheet 1.

26
27 Q. What value did you use for T / N (total return on net worth or cost of capital)?

28
29 A. We used an after tax value for T / N of 11.3%. When combined with a tax rate of 30%,
30 this yields a before tax value for T / N of 16.1% (= 11.3% / (1 - .30)).

31
32 Q. How did you determine the after tax value for T / N of 11.3%?

33
34 A. We performed an analysis using both the CAPM (Capital Asset Pricing Model) and the
35 DCF (Discounted Cash Flow) models.

36
37 The indicated rate of return from CAPM was 10.6%. (See Schedule AIS-5, Sheet 2)

38
39 The indicated rate of return from DCF was 12.0%. (See Schedule AIS-5, Sheet 3)

40
41 The average indicated rate of return was 11.3%. (See Schedule AIS-5, Sheet 1)

42

1 Taking these calculations into account as well as my professional experience, education
2 and judgment²⁵, a cost of capital of 11.3% is reasonable.
3

4 Q. In your CAPM analysis what market risk premium did you use?
5

6 A. I used a value of 6%.
7

8 Q. Is a market risk premium of 6% for the CAPM supported by the financial community?
9

10 A. Ivo Welch, Professor of Finance in the School of Management at Yale University recently
11 wrote that²⁶:
12

13 I would recommend that the State of Massachusetts neither adopt the
14 somewhat extreme 9% view held by Ibbotson (and others), nor the
15 somewhat extreme 2% view held by me (and others).
16

17 Instead, I would recommend that Massachusetts adopt the consensus view
18 of academic finance professors of 6% as a "fair" and "non-extreme" equity
19 premium estimate.
20

21 This certainly provides academic support for the risk premium of 6% that I used in my
22 CAPM analysis.
23

24 Q. How did you determine a tax rate of 30%?
25

26 A. The maximum tax rate is 35%. Insurance companies typically have a significantly lower
27 tax rate because a substantial amount of income is sheltered from taxes. The effective
28 federal income tax rate for life insurance companies from 1996 to 2000 was 29.7%.
29 (Schedule AIS-6, Sheet 5)
30

31 Based upon these considerations, we selected a tax rate of 30%.
32

33 Q. What value did you use for P / N (premium to net worth ratio)?
34

35 A. We used a value for P / N of 2.5.
36

37 Q. How did you determine the value for P / N of 2.5?
38

39 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 7) as
40 well as my professional experience, education and judgment.

²⁵ For example, the average return on net worth for the property casualty insurance industry during the 1980's and 1990's (through 1998) was 8.6% and 10.6%, respectively. (see Appendix B) This provides one confirmation that a value of 11.3% is reasonable.

²⁶ See Appendix AIS-D

1
2 Historical experience indicates a premium leverage ratio of 2.2 to 2.8 for credit life
3 insurance companies. We used a mid range value of 2.5.
4

5 Q. What value did you use for I / P (investment profit on reserves in relation to net worth)?
6

7 A. We used a value for I / P of 17.8%.
8

9 Q. How did you determine the value for I / P of 17.8?
10

11 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 1).
12

13 Q. What value did you use for I (investment return)?
14

15 A. We used a value for I of 7.0%.
16

17 Q. How did you determine the value for I of 7.0%?
18

19 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 9).
20

21 Q. How are all these components combined to derive the underwriting profit provision?
22

23 A. Substituting the values for T / N of 16.1%, P / N of 2.50, I / P of 17.8% and I = 7.0% into
24 the equation $[T / N] = [U / P] X [P / N] + [I / P] X [P / N] + I$, we obtain, $16.1\% = [$
25 $U / P] X 2.50 + 17.8\% X 2.50 + 7.0\%$. This can then be solved to yield $U / P = -14.1\%$.
26

27 Q. Did you actually select an underwriting profit provision of -14.1%?
28

29 A. No.
30

31 We used a much less negative value of -5.0%. This is favorable towards insurance
32 companies in terms of giving a higher rate level indication. It also takes into account that
33 some investment income for insurance companies is forgone through the use of a
34 discount applied to the single premium rates.
35

36 IV-F : CREDIT LIFE INSURANCE RATE CHANGES BY CLASS OF BUSINESS

37

38 Q. What presumptive premium rate level changes for credit life insurance did you derive by
39 class of business?
40

41 A. A summary of the initial indicated and selected presumptive premium rate level changes
42 by class of business is set forth in the following table.
43

44 Texas Credit Life Insurance Presumptive Premium Rate Level Changes

45

Class of Business	Presumptive Premium Rate Level Change	
	Initial Indicated	Proposed
Commercial Banks, Savings & Loan Associations and Mortgage Companies	- 8.83%	-10%
Finance Companies and Small Loan Companies	-19.35%	-20%
Credit Unions	- 9.56%	-10%
Production Credit Associations (Agricultural & Horticultural)	-21.80%	-20%
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	-33.28%	-32%
Other	- 7.22%	-10%
Total	-23.11%	-22.81%

The proposed premium level changes were selected using judgment taking into account the : (i) initial indicated rate level changes by class, (ii) relative credibility of the data, (iii) grouping classes with similar experience and (iv) having the overall proposed change be comparable to the initial indicated value.

Q. In the prior credit hearing there were concerns raised with regard to the use of different rate changes by class. How do you respond to that?

A. One objection was that the use of class rating would be too confusing. That is simply not accurate. The widespread use of computers makes it just as simple to have multiple class rates as just one class rate. For some lines of insurance, such as private passenger automobile insurance, there are thousands of possible different class rates, and that has presented no problems.

Another objection was that it would be confusing to consumers if they found that credit disability rates varied among the different classes. This is much more a hypothetical concern than a reality. Consumer very rarely shop for credit insurance. It is sold at the same time as the product being bought by the consumer. Furthermore, the use of flex rating for credit insurance will mean that there will exist varying rates in the marketplace anyway for credit insurance.

Furthermore, if the credit insurance rates are not set by class, but an overall rate across all classes is set, a likely possibility is that for the classes of business for whom that one

1 uniform rate is too low will use higher rates, while at the same time the classes of
2 business for whom that one uniform rate is too high will not use lower rates. This will
3 tend to lead to an unbalanced situation where consumers are being charged overall a rate
4 that is excessive and confiscatory.

5
6 It is completely consistent with actuarial and regulatory principles to use credit insurance
7 rates that vary by class.
8
9

10 V - CREDIT ACCIDENT AND HEALTH INSURANCE

11
12 Q. How did you derive a rate level indication for credit accident and health insurance?
13

14 A. I used the same procedures, methodologies and considerations as was used for credit life
15 insurance. I will not repeat that testimony in this section, but my testimony regarding
16 credit life insurance is equally applicable to credit accident and health insurance.
17

18 The component rating factors used to derive the rate level indication for credit accident
19 and health insurance, as well as the source of the values is set forth below.
20

21 Reasonable acquisition costs	20.00% (Schedule AIS-3B, Sheet 1 and credit life testimony)
22 23 Loss ratios	53.99% ²⁷ (Schedule AIS-2)
24 25 Administrative expenses	19.00% ²⁸ (Schedule AIS-3, Sheets 2 and 3 and credit life testimony)
26 27 28 Reserves	Included in Profit
29 30 Settlement expenses	Included in Administrative Exp
31 32 Type or class of business	By Applying Formula by Type or Class of Business
33 34 35 Duration of various credit transactions	Included in Profit
36 37 38	

²⁷ The 53.99% loss ratio can be converted to an average claim cost per hundred dollars of coverage by multiplying by the current average rate of \$2.79¢. This gives an average claim cost of \$1.506.

²⁸ The 19.00% administrative cost ratio can be converted to an average expense cost per hundred dollars of coverage by multiplying by the current average rate of 2.79¢. This gives an average expense cost of \$0.53¢.

1 Reasonable and adequate profits to the insurers
 2 Cost of Capital / Target Total Return 11.3% (Schedule AIS-5 and
 3 Underwriting Profit Factor -5.0% credit life testimony)
 4

5 Applying the RLC formula gives the following results:
 6

7 Credit Accident and Health
 8

9
 10 RLC =
$$\frac{53.99\% + 19.00\%}{1 - 20.00\% - 2.75\% - (-5.00\%)} = -11.26\%$$

 11
 12

13 Q. Taking into account all these considerations, what loss ratios did you derive for credit
 14 accident and health insurance by class of business.
 15

16 A. A summary of the credit accident and health insurance loss ratio experience by class of
 17 business for 1996 to 1999 combined is set forth in the following table.
 18

19 Texas Credit Accident and Health Insurance Loss Ratios From 1996 to 1999
 20

Class of Business	Loss Ratio at Current Presumptive Rates	
	Before Credibility	After Credibility ²⁹
24 Commercial Banks, Savings 25 & Loan Associations and 26 Mortgage Companies	53.94%	53.94%
28 Finance Companies and 29 Small Loan Companies	49.94%	49.94%
31 Credit Unions	76.37%	76.37%
33 Production Credit Associations 34 (Agricultural & Horticultural)	N/A	N/A
36 Dealers (Auto & Truck Dealers, 37 Other Dealers, Retail Stores, Etc.)	46.75%	46.75%
39 Other	42.57%	46.59%
41 Combined	53.99%	54.04%

42

²⁹ This is before rebalancing the loss ratios to have the before credibility and after credibility total loss ratios be equal.

1 The overall loss ratio across all classes of business and all plans of benefits for credit
2 accident and health insurance has been fairly stable : 58.8% for 1996, 53.9% for 1997,
3 54.4% for 1998 and 49.0% for 1999. Based upon these data, it is reasonable to use the
4 four year overall average loss ratio of 54.0% to derive an overall indicated rate level
5 decrease of -11.26%.

6
7 Q. What presumptive premium rate level changes for credit accident and health insurance
8 did you derive by class of business?

9
10 A. A summary of the initial indicated and selected presumptive premium rate level changes
11 by class of business is set forth in the following table.

12
13 Texas Credit Accident and Health Insurance Presumptive Premium Rate Level Changes

14
15

Class of Business	Presumptive Premium Rate Level Change	
	Initial Indicated	Proposed
18 Commercial Banks, Savings 19 & Loan Associations and 20 Mortgage Companies	- 11.39%	-17%
22 Finance Companies and 23 Small Loan Companies	-16.25%	-17%
25 Credit Unions	+15.87%	+15%
27 Production Credit Associations 28 (Agricultural & Horticultural)	N/A	N/A
30 Dealers (Auto & Truck Dealers, 31 Other Dealers, Retail Stores, Etc.)	-20.12%	-17%
33 Other	- 20.31%	-17%
35 Total	-11.26%	-11.11%

36

37 The proposed premium level changes were selected using judgment taking into account
38 the : (i) initial indicated rate level changes by class, (ii) relative credibility of the data, (iii)
39 grouping classes with similar experience and (iv) having the overall proposed change be
40 comparable to the initial indicated value.

41
42
43 VII - CONCLUSION

44
45 Q. Please summarize your testimony?

1
2 A. We used accepted actuarial ratemaking methodologies; previous decisions by the
3 Commissioner of Insurance, the applicable statutory provisions and the applicable
4 regulations. Based upon our analysis, we are recommending the following presumptive
5 premium changes.
6

7 Summary of Recommended Presumptive Premium Rate Changes³⁰
8

9 <u>Class of Business</u>	<u>Credit Life</u>	<u>Credit Disability</u>
11 Commercial Banks, Savings 12 & Loan Associations and 13 Mortgage Companies	- 10%	-17%
15 Finance Companies and 16 Small Loan Companies	-20%	-17%
18 Credit Unions	- 10%	+15%
20 Production Credit Associations 21 (Agricultural & Horticultural)	-20%	NA
23 Dealers (Auto & Truck Dealers, 24 Other Dealers, Retail Stores, Etc.)	-32%	-17%
26 Other	-10%	0%
28 Total	-22.81%	-11.11%

29
30 The difference in the presumptive premium rate changes by class of business can be
31 accomplished by setting presumptive premium rates for a base class (i.e., dealers) and
32 deriving the presumptive premium rates for the other classes by the use of rate relativity
33 multipliers. Such rate relatively factors are set forth in Schedule AIS-1 for credit life and
34 in Schedule AIS-2 for credit disability.
35

36 Q. Do you have an opinion regarding your overall recommended presumptive premium level
37 changes for the coverages that are the subject of this proceeding?
38

³⁰ These are the recommended changes based upon using four years of loss experience as was done by the Commissioner of Insurance in connection with the prior credit insurance rate proceeding. If three years of loss experience from 1997 to 1999 is used, the indicated overall rate changes for credit life and credit accident / health insurance are -23.68% and -13.26%, respectively. The recommended rate changes by class of business for credit life and credit accident / health insurance are set forth in Appendices E and F, respectively.

1 A. Yes. I do.

2

3 Q. What is that opinion?

4

5 A. That based upon my analysis the proposed presumptive premium rates are actuarially
6 sound and give appropriate consideration to reasonable acquisition costs, loss ratios, and
7 administrative expenses, reserves, loss settlement expenses, the type or class of business,
8 the duration of various credit transactions, reasonable and adequate profits to the insurers,
9 and other relevant data. Furthermore, the proposed presumptive premium rates are not
10 unjust, unreasonable, inadequate, confiscatory, or excessive to the insurers, the insureds,
11 or agents.

12

13 Q. Does that complete your pre-filed testimony at this time?

14

15 A. Yes.

TEXAS CREDIT INSURANCE

Proposed Presumptive Life Insurance Rate Level Changes in Total and by Class of Business for 2002

(1) Class of Business	(2) Earned Premium at Current Presumptive Rates	(3) Loss Ratio	(4) Credibility	(5) Credibility Loss Ratio	(6) Weighted Balanced	(7) Commission Ratio	(8) Administrative Expense Ratio	(9) Premiums, Taxes, Lic. and Fees	(10) Underwriting Profit Ratio	(11) Rate Level Initial Indicated	(12) Rate Level Change Proposed	(13) Rate Relativity to Dealers
Commercial Banks, Savings & Loan Associations and Mortgage Companies	\$137,641,945	57.84%	100.00%	57.84%	57.99%	20.00%	17.00%	2.75%	-5.00%	-8.83%	-10%	1.324
Finance Companies, Small Loan Companies	\$38,413,536	49.21%	100.00%	49.21%	49.34%	20.00%	17.00%	2.75%	-5.00%	-19.35%	-20%	1.176
Credit Unions	\$71,567,515	57.24%	100.00%	57.24%	57.38%	20.00%	17.00%	2.75%	-5.00%	-9.56%	-10%	1.324
Production Credit Associations (Agricultural & Horticultural P.C.A.s)	\$1,288,919	50.00%	25.39%	47.19%	47.32%	20.00%	17.00%	2.75%	-5.00%	-21.80%	-20%	1.176
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	\$312,239,039	37.78%	100.00%	37.78%	37.87%	20.00%	17.00%	2.75%	-5.00%	-33.28%	-32%	1.000
Other	\$5,883,788	70.06%	54.24%	59.16%	59.31%	20.00%	17.00%	2.75%	-5.00%	-7.22%	-10%	1.324
Total	\$567,034,742	46.24%	46.12%	46.24%	46.24%	20.00%	17.00%	2.75%	-5.00%	-23.11%	-22.81%	

Notes:

- (2) : See Schedules AIS-1B, Sheets 1 to 4
- (3) : See Schedules AIS-1B, Sheets 1 to 4
- (4) : Based upon full credibility standard of \$20,000,000 and the square root formula for partial credibility
- (5) : (3) X (4) + (3T) X [1 - (4)], limited to a maximum of 1.00
- (6) : Rebalanced column (5) so that total loss ratios match
- (7) : Schedule AIS-3A, Sheet 1 and text
- (8) : Average of 16.2% from Schedule AIS-3A, Sheet 2 and 17.7% from AIS-3A, Sheet 3
- (9) : See Text
- (10) : Schedule AIS-4, Sheet 1
- (11) : [(6) + (8)] / [1 - (7) - (9) - (10)]
- (12) : Judgment grouping similar classes and having overall rate change comparable to indicated value
- (13) : [1 + (12)] / [1 + (12) Dealers]

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance Experience 1996 to 1999

Plan of Benefits: (1) Single Premium Reducing Term - Single Life

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (3)/(6)	Loss per \$100 Insurance In Force (3)/(2)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (9)/(2)*0.01	Commission Ratio to Prior Presumptive Rates (9)/(4)
1996	10,586,056,523	28,204,745	81,046,930	0.833	67,512,093	0.4178	0.2664	35,743,712	0.3376	44.1%
1997	11,706,771,596	29,038,873	87,358,171	0.833	72,769,356	0.3991	0.2481	36,319,525	0.3102	41.6%
1998	11,781,187,431	29,546,566	89,979,091	0.833	74,952,583	0.3942	0.2508	41,311,756	0.3507	45.9%
1999	12,224,303,895	30,389,862	93,118,226	0.833	77,567,482	0.3918	0.2486	42,790,216	0.3500	46.0%
Total	46,298,319,445	117,180,046	351,502,418		292,801,514	0.4002	0.2531	156,165,209	0.3373	44.4%

Plan of Benefits: (2) Single Premium Level Term - Single Life

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (14)/(17)	Loss per \$100 Insurance In Force (14)/(13)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	Commission Ratio to Prior Presumptive Rates (20)/(15)
1996	752,618,241	2,008,541	6,328,156	0.833	5,271,354	0.3810	0.2669	3,228,774	0.4290	51.0%
1997	957,175,204	2,279,881	6,261,372	0.833	5,215,723	0.4371	0.2382	2,824,724	0.2951	45.1%
1998	980,986,285	2,192,125	6,320,591	0.833	5,265,052	0.4164	0.2235	2,810,162	0.2865	44.5%
1999	945,088,552	1,369,135	6,796,680	0.833	5,661,634	0.2418	0.1449	3,500,894	0.3704	51.5%
Total	3,635,868,282	7,849,662	25,706,799		21,413,764	0.3666	0.2159	12,364,554	0.3401	48.1%

Plan of Benefits: (3) Outstanding Balance Revolving Account (Open End) - Single Life

(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (25)/(28)	Loss per \$100 Insurance In Force (25)/(24)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	Commission Ratio to Prior Presumptive Rates (31)/(26)
1996	2,157,450,289	9,414,021	16,035,011	0.833	13,357,164	0.5871	0.4363	3,308,067	0.1533	20.6%
1997	2,077,458,618	10,484,150	16,215,429	0.833	13,507,452	0.6466	0.5047	3,388,876	0.1631	20.9%
1998	1,816,704,510	9,917,769	17,320,573	0.833	14,428,037	0.5459	0.5459	3,340,636	0.1839	19.3%
1999	2,730,772,381	16,132,390	28,037,120	0.833	23,354,921	0.5754	0.5908	5,048,509	0.1849	18.0%
Total	8,782,385,798	45,948,330	77,608,133		64,647,575	0.5921	0.5232	15,086,088	0.1718	19.4%

Source: Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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Plan of Benefits: (4) Outstanding Balance Other Than Revolving Account - Single Life

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (3)/(6)	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (9)/(2)*0.01	Commission Ratio to Presumptive Rates (9)/(4)
1996	273,877,319	893,995	2,285,806	0.833	1,904,076	0.4695	0.3264	367,089	0.1340	16.1%
1997	266,671,287	1,371,303	2,862,346	0.833	2,384,334	0.5751	0.5142	539,889	0.2025	18.9%
1998	315,902,647	1,308,495	2,708,173	0.833	2,255,908	0.5800	0.4142	542,052	0.1716	20.0%
1999	1,288,954,505	756,955	2,492,614	0.833	2,076,347	0.3646	0.0587	240,567	0.0187	9.7%
Total	2,145,405,758	4,330,748	10,348,939	0.833	8,620,666	0.5024	0.2019	1,689,597	0.0788	16.3%

Plan of Benefits: (5) Single Premium Reducing Term - Joint Lives

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (14)/(17)	Loss per \$100 Insurance In Force (14)/(13)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	Commission Ratio to Presumptive Rates (20)/(15)
1996	3,603,824,319	11,249,538	33,224,962	0.833	27,676,393	0.4065	0.3122	13,877,496	0.3851	41.8%
1997	3,755,614,628	13,788,853	35,906,220	0.833	29,909,881	0.4610	0.3672	14,584,793	0.3883	40.6%
1998	3,881,211,406	12,031,293	39,755,715	0.833	33,116,511	0.3633	0.3100	19,063,567	0.4912	48.0%
1999	4,876,027,109	13,921,548	45,127,496	0.833	37,591,204	0.3703	0.2855	19,974,534	0.4096	44.3%
Total	16,116,677,462	50,991,232	154,014,393	0.833	128,293,989	0.3975	0.3164	67,500,390	0.4188	43.8%

Plan of Benefits: (6) Single Premium Level Term - Joint Lives

(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Presumptive Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (25)/(28)	Loss per \$100 Insurance In Force (25)/(24)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	Commission Ratio to Presumptive Rates (31)/(26)
1996	151,930,701	326,368	1,583,422	0.833	1,318,991	0.2474	0.2148	853,316	0.5616	53.9%
1997	203,296,482	442,042	1,861,351	0.833	1,383,905	0.3194	0.2174	754,640	0.3712	45.4%
1998	166,960,797	331,206	1,619,911	0.833	1,349,386	0.2454	0.1984	856,930	0.5133	52.9%
1999	200,990,777	544,167	1,959,722	0.833	1,632,448	0.3333	0.2707	1,286,162	0.6399	55.6%
Total	723,178,757	1,643,783	6,824,406	0.833	5,684,730	0.2892	0.2273	3,751,048	0.5187	55.0%

Source : Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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Plan of Benefits: (7) Outstanding Balance Revolving Account (Open End) - Joint Lives

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (3)/(6)	Loss per \$100 Insurance In Force (3)/(2)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (9)/(2)*0.01	Commission Ratio to Prior Presumptive Rates (9)/(4)
1996	1,510,033,882	10,269,300	15,213,985	0.833	12,673,250	0.8103	0.6801	2,027,064	0.1342	13.3%
1997	1,550,035,504	10,503,317	15,091,764	0.833	12,571,439	0.8355	0.6776	2,013,168	0.1299	13.3%
1998	1,222,308,678	9,316,457	14,851,207	0.833	12,371,055	0.7531	0.7622	3,038,630	0.2486	20.5%
1999	647,183,296	3,858,848	6,503,487	0.833	5,417,405	0.7123	0.5963	1,358,016	0.2098	20.9%
Total	4,929,561,360	33,947,922	51,660,443	0.833	43,033,149	0.7889	0.6887	8,436,878	0.1711	16.3%

Plan of Benefits: (8) Outstanding Balance Other Than Revolving Account - Joint Lives

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Presumptive Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (14)/(17)	Loss per \$100 Insurance In Force (14)/(13)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	Commission Ratio to Prior Presumptive Rates (20)/(15)
1996	86,158,654	101,012	857,644	0.833	714,417	0.1414	0.1172	256,436	0.2976	29.9%
1997	45,949,930	138,232	571,391	0.833	475,969	0.2904	0.3008	146,568	0.3190	25.7%
1998	69,920,604	180,966	775,674	0.833	646,136	0.2801	0.2588	179,538	0.2568	23.1%
1999	83,401,389	84,275	843,746	0.833	702,840	0.1199	0.1010	154,552	0.1853	18.3%
Total	285,430,577	504,485	3,048,455	0.833	2,539,363	0.1987	0.1767	737,094	0.2582	24.2%

All Life Credit Plans of Benefits

(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Year	Mean Insurance In Force	Incurred Claims	Earned Premium at Presumptive Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presumptive Rates (25)/(28)	Loss per \$100 Insurance In Force (25)/(24)*0.01	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	Commission Ratio to Prior Presumptive Rates (31)/(26)
1996	19,121,949,928	62,467,520	156,575,916	0.833	130,427,738	0.4789	0.3267	59,661,954	0.3120	38.1%
1997	20,562,973,249	68,046,631	165,928,044	0.833	138,218,061	0.4923	0.3309	60,572,183	0.2946	36.5%
1998	20,235,182,358	64,824,877	173,330,935	0.833	144,384,669	0.4490	0.3204	71,143,271	0.3516	41.0%
1999	22,996,721,904	67,057,180	184,879,091	0.833	154,004,283	0.4354	0.2916	74,353,450	0.3233	40.2%
Total	82,916,827,439	262,396,208	680,713,986	0.833	567,034,750	0.4628	0.3165	265,730,858	0.3205	39.0%

Source : Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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A.: Commercial Banks, Savings and Loan Associations and Mortgage Companies

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rat.	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (9)/(10)*0.01	Commission Ratio to Prior Presumptive Rates (9)/(11)
1	11,367,392,381	32,009,253	85,153,312	0.833	70,932,709	0.4513	0.2816	35,942,475	0.3162	42.2%
2	1,316,193,282	3,450,658	9,267,805	0.833	7,720,082	0.4470	0.2622	3,358,855	0.2552	36.2%
3	1,768,355,352	18,133,668	22,025,035	0.833	18,346,854	0.9884	1.0255	5,601,737	0.3168	25.4%
4	78,482,201	539,811	1,212,012	0.833	1,009,606	0.5347	0.6878	172,049	0.2192	14.2%
5	2,979,808,032	12,163,703	31,360,348	0.833	26,123,170	0.4656	0.4082	15,896,396	0.5335	50.7%
6	195,504,109	809,912	1,725,805	0.833	1,437,596	0.5634	0.4143	637,833	0.3263	37.0%
7	1,357,194,872	12,422,954	13,655,384	0.833	11,374,935	1.0921	0.9153	3,226,791	0.2378	23.6%
8	44,159,758	78,236	836,727	0.833	696,994	0.1122	0.1772	105,401	0.2387	12.6%
Total	19,107,089,987	79,608,193	165,236,428	0.833	137,641,945	0.5784	0.4166	64,941,537	0.3399	39.3%

B.: Finance Companies and Small Loan Companies

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rat.	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (20)/(21)*0.01	Commission Ratio to Prior Presumptive Rates (20)/(22)
1	2,755,119,577	9,292,324	21,599,126	0.833	17,992,072	0.5165	0.3373	728,561	0.0264	3.4%
2	1,903,500	4,236	15,670	0.833	13,053	0.3245	0.2225	(1,285)	-0.0675	-8.2%
3	122,758,145	837,860	1,032,639	0.833	860,188	0.9740	0.6825	38,866	0.0317	3.8%
4	21,746,519	42,102	165,678	0.833	138,010	0.3051	0.1936	584	0.0027	0.4%
5	2,210,221,428	8,091,809	22,066,255	0.833	18,381,190	0.4402	0.3661	567,484	0.0257	2.6%
6	1,615,388	4,253	20,057	0.833	16,707	0.2546	0.2633	(90)	-0.0056	-0.4%
7	104,828,690	551,428	1,000,789	0.833	833,657	0.6615	0.5260	97,884	0.0934	9.8%
8	22,990,155	78,854	214,475	0.833	178,658	0.4414	0.3430	206	0.0009	0.1%
Total	5,241,164,402	18,902,866	46,114,689	0.833	38,413,536	0.4921	0.3607	1,432,210	0.0273	3.1%

Source : Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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C.: Credit Unions

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance In Force (9)/(2)*0.01	Commission Ratio to Prior Presumptive Rates (9)/(4)
1	876,620,428	2,699,538	7,436,789	0.833	6,194,845	0.4358	0.3079	2,126,726	0.2426	28.6%
2	6,576,601	15,235	40,484	0.833	33,723	0.4518	0.2317	16,936	0.2575	41.8%
3	6,215,794,538	23,691,384	47,194,980	0.833	39,313,418	0.6026	0.3811	8,716,520	0.1402	18.5%
4	1,914,947,081	3,298,562	7,353,795	0.833	6,125,711	0.5385	0.1723	1,457,237	0.0761	19.8%
5	191,071,937	801,112	2,018,044	0.833	1,681,031	0.4766	0.4193	648,316	0.3393	32.1%
6	622,987	5,081	6,324	0.833	5,268	0.9645	0.8156	3,093	0.4965	48.9%
7	1,998,020,196	10,159,488	20,155,045	0.833	16,789,152	0.6051	0.5085	3,962,993	0.1983	19.7%
8	171,094,541	291,731	1,709,923	0.833	1,424,366	0.2048	0.1705	600,525	0.3510	35.1%
Total	11,374,748,309	40,962,131	85,915,384	0.833	71,567,515	0.5724	0.3601	17,532,346	0.1541	20.4%

D.: Production Credit Associations (Agricultural & Horticultural P.C.A.'s)

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance In Force (20)/(13)*0.01	Commission Ratio to Prior Presumptive Rates (20)/(15)
1	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
2	131,793,998	706,392	992,095	0.833	826,415	0.8548	0.5360	226,650	0.1720	22.8%
3	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
4	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
5	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
6	83,224,338	(61,912)	555,227	0.833	462,504	-0.1339	-0.0744	116,866	0.1404	21.0%
7	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
8	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
Total	215,018,336	644,480	1,547,322	0.833	1,288,919	0.5000	0.2997	343,516	0.1598	22.2%

Source : Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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E.: Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, etc.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (9)/(2)*0.01	Commission Ratio to Prior Presumptive Rates (9)/(4)
1	31,295,577,470	73,180,413	237,278,773	0.833	197,653,218	0.3702	0.2338	117,367,057	0.3750	49.5%
2	2,179,400,897	3,673,141	15,390,725	0.833	12,820,474	0.2865	0.1685	8,763,398	0.4021	56.9%
3	664,893,741	3,224,526	7,271,201	0.833	6,056,910	0.5324	0.4850	727,615	0.1094	10.0%
4	910,843	1,076	7,560	0.833	6,297	0.1709	0.1181	4,158	0.4565	55.0%
5	10,734,894,830	29,932,669	98,560,743	0.833	82,101,099	0.3646	0.2788	50,387,404	0.4694	51.1%
6	442,211,935	886,449	4,516,993	0.833	3,762,655	0.2356	0.2005	2,993,346	0.6769	66.3%
7	1,005,839,364	7,056,231	11,810,787	0.833	9,838,386	0.7172	0.7015	1,149,210	0.1143	9.7%
8	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
Total	46,323,729,080	117,954,505	374,836,782	0.833	312,239,039	0.3778	0.2546	181,392,188	0.3916	48.4%

E.: Other Than A Through E

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Plan of Benefits	Mean Insurance In Force	Incurred Claims	Earned Premium at Prior Presump. Rates	Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Presump. Rates	Loss per \$100 Insurance In Force	Commission and Service Fees Incurred	Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	Commission Ratio to Prior Presumptive Rates (20)/(15)
1	3,609,589	(1,382)	34,418	0.833	28,670	-0.0482	-0.0383	390	0.0108	1.1%
2	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
3	10,583,022	60,894	84,288	0.833	70,212	0.8673	0.5754	1,350	0.0128	1.6%
4	129,319,114	448,197	1,609,894	0.833	1,341,042	0.3350	0.3474	55,569	0.0430	3.5%
5	681,235	(61)	9,003	0.833	7,499	-0.0081	-0.0090	790	0.1160	8.8%
6	0	0	0	0.833	0	ERR	ERR	0	ERR	ERR
7	463,678,238	3,557,821	5,038,438	0.833	4,197,019	0.8477	0.7673	0	0.0000	0.0%
8	47,186,123	55,664	287,330	0.833	239,346	0.2326	0.1180	30,962	0.0656	10.8%
Total	655,057,321	4,122,133	7,063,371	0.833	5,883,788	0.7006	0.6293	89,061	0.0136	1.3%

Source : Texas Department of Insurance, Credit Life Experience Report, years 1996 to 1999

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Summary by Plan - All Classes

(1) Plan of Benefits	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at Presump. Rates	(5) Rate Change	(6) Earned Premium at Current Presump. Rates	(7) Loss Ratio at Current Presump. Rates	(8) Loss per \$100 Insurance In Force	(9) Commission and Service Fees Incurred	(10) Commission & Service Fees per \$100 Insurance In Force (9)/(2)*0.01	(11) Commission Ratio to Prior Presumptive Rates (9)/(4)
1	46,296,319,445	117,180,146	351,502,418	0.833	292,801,514	0.4002	0.2531	156,165,209	0.3373	44.4%
2	3,635,868,278	7,849,662	25,706,779	0.833	21,413,747	0.3666	0.2159	12,364,554	0.3401	48.1%
3	8,782,385,798	45,948,330	77,608,143	0.833	64,647,563	0.7108	0.5232	15,086,088	0.1718	19.4%
4	2,145,405,758	4,330,748	10,348,939	0.833	8,620,666	0.5024	0.2019	1,689,597	0.0788	16.3%
5	16,116,677,462	50,989,232	154,014,393	0.833	128,293,989	0.3974	0.3164	67,500,390	0.4188	43.8%
6	723,178,757	1,643,783	6,824,406	0.833	5,684,730	0.2892	0.2273	3,751,048	0.5187	55.0%
7	4,929,561,360	33,747,922	51,660,443	0.833	43,033,149	0.7842	0.6846	8,436,878	0.1711	16.3%
8	285,430,577	504,485	3,048,455	0.833	2,539,363	0.1987	0.1767	737,094	0.2582	24.2%
Total	82,916,827,435	262,194,308	680,713,976	0.833	567,034,742	0.4624	0.3162	265,730,858	0.3205	39.0%

TEXAS CREDIT INSURANCE

Proposed Presumptive Accident and Health Insurance Rate Level Changes in Total and by Class of Business for 2002

(1) Class of Business	(2) Earned Premium at Current Presumptive Rates	(3) Loss Ratio	(4) Credibility	(5) Credibility Weighted Loss Ratio Initial / Balanced	(6) Commission Ratio	(7) Administrative Expense Ratio	(8) Premiums Taxes, Lics. and Fees	(9) Underwriting Profit Ratio	(10) Rate Level Initial Indicated	(11) Proposed	(12) Rate Change	(13) Rate Relativity to Dealers
Commercial Banks, Savings & Loan Associations and Mortgage Companies	\$141,355,802	53.94%	100.00%	53.94%	53.88%	20.00%	19.00%	2.75%	-5.00%	-11.39%	-17%	1.000
Finance Companies, Small Loan Companies	\$59,362,251	49.94%	100.00%	49.94%	49.89%	20.00%	19.00%	2.75%	-5.00%	-16.25%	-17%	1.000
Credit Unions	\$120,441,300	76.37%	100.00%	76.37%	76.30%	20.00%	19.00%	2.75%	-5.00%	15.87%	15%	1.356
Production Credit Associations (Agricultural & Horticultural P.C.A.s)												
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	\$324,651,392	46.75%	100.00%	46.75%	46.70%	20.00%	19.00%	2.75%	-5.00%	-20.12%	-17%	1.000
Other	\$8,408,054	42.57%	64.84%	46.59%	46.54%	20.00%	19.00%	2.75%	-5.00%	-20.31%	-17%	1.000
Total	\$654,218,809	53.99%		54.04%	53.99%	20.00%	19.00%	2.75%	-5.00%	-11.26%	-11.11%	

Notes:

- (2) : See Schedules AIS-2B, Sheets 1 to 7
- (3) : See Schedules AIS-2B, Sheets 1 to 7
- (4) : Based upon full credibility standard of \$20,000,000 and the square root formula for partial credibility
- (5) : (3) X (4) + (3T) X [1 - (4)], limited to a maximum of 1.00
- (6) : Rebalanced column (5) so that total loss ratios match
- (7) : Schedule AIS-3B, Sheet 1 and text
- (8) : Average of 20.0% from Schedule AIS-3B, Sheet 2 and 18.4% from AIS-3B, Sheet 3
- (9) : See Text
- (10) : Schedule AIS-4, Sheet 2
- (11) : [(6) + (8)] / [1 - (7) - (9) - (10)]
- (12) : Judgment grouping similar classes and having overall rate change comparable to indicated value
- (13) : [1 + (12)] / [1 + (12) Dealers]

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance Experience 1997 to 1999

Expenses - Allocation to Texas

Number of Policies (in 1,000's)

	Year			
	1997	1998	1999	Total
Texas				
(1) Single Premium, (BOY)	2,080	2,020	2,050	
(2) Single Premium, (EOY)	2,102	2,286	1,861	
(3) Average	2,091	2,153	1,956	6,200
(4) Monthly Premium (BOY)	2,000	1,949	1,543	
(5) Monthly Premium (EOY)	1,932	1,591	1,699	
(6) Average	1,966	1,770	1,621	5,357
(7) Grand Total	4,057	3,923	3,577	11,557
Countrywide				
(8) Single Premium, (BOY)	18,246	17,736	16,313	
(9) Single Premium, (EOY)	17,590	17,422	15,468	
(10) Average	17,918	17,579	15,891	51,388
(11) Monthly Premium (BOY)	24,273	12,014	28,149	
(12) Monthly Premium (EOY)	12,071	20,639	29,015	
(13) Average	18,172	16,327	28,582	63,081
(14) Grand Total	36,090	33,906	44,473	114,468
(15) Texas percent of countrywide	11.2%	11.6%	8.0%	10.1%
(16) Credit Life Expenses	299,757,037	228,353,229	309,800,541	837,910,807
(17) Estimated Texas Expenses	33,696,711	26,421,369	24,914,310	85,032,389
(18) Premium at Presumptive Rates	165,928,044	173,330,935	184,879,091	524,138,070
(19) Expense Ratio	20.3%	15.2%	13.5%	16.2%

Notes :

- (3) : $[(1)+(2)] / 2$
 (6) : $[(4)+(5)] / 2$
 (7) : (3) + (6)
 (10) : $[(8)+(9)] / 2$
 (13) : $[(11)+(12)] / 2$
 (14) : (10) + (13)
 (15) : (7) / (14)
 (16) : Texas Department of Insurance, Credit Life IEE Summary, Section III
 (17) : (15) x (16)
 (18) : Texas Department of Insurance, Credit Life Experience Report, Plans 01 to 08 total
 (19) : (17) / (18) x 100

Source: Texas Department of Insurance, Credit Insurance Expense Summary, Section III

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance Experience 1997 to 1999

Expenses - Allocation to Texas

Number of Incepting Policies (in 1,000's)

	Year			Total
	1997	1998	1999	
Texas				
(1) Single Premium, Incepting	1,357	1,354	1,105	3,816
(2) Monthly Premium, Incepting	712	513	689	1,914
(3) Total	2,069	1,867	1,794	5,730
Countrywide				
(4) Single Premium, Incepting	11,436	11,176	7,818	30,430
(5) Monthly Premium, Incepting	5,674	14,540	6,079	26,293
(6) Total	17,110	25,716	13,897	56,723
(7) Texas percent of countrywide	12.1%	7.3%	12.9%	10.1%
(8) Credit Life Expenses	299,757,037	228,353,229	309,800,541	
(9) Estimated Texas Expenses	36,247,651	16,578,608	39,992,960	92,819,219
(10) Premium at Presumptive Rates	165,928,044	173,330,935	184,879,091	524,138,070
(11) Expense Ratio	21.8%	9.6%	21.6%	17.7%

Notes :

- (3) : (1) + (2)
- (6) : (4) + (5)
- (7) : [(3) / (6)] x 100
- (8) : Texas Department of Insurance, Credit Life IEE Summary, Section III
- (9) : (7) x (8)
- (10) : Texas Department of Insurance, Credit Life Experience Report, Plans 01 to 08 total
- (11) : [(9) / (10)]x 100

Source: Texas Department of Insurance, Credit Insurance Expense Summary, Section III

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance Experience 1997 to 1999

Credit Life Insurance Expenses - Annual Expense Call

Expense Item	Year			Total
	1997	1998	1999	
RENT	9,095,322	7,875,198	10,228,953	27,199,473
SALARIES_WAGES	96,863,567	80,665,073	125,962,404	303,491,044
CONTRI_EMPL	13,524,483	11,420,647	14,771,872	39,717,002
CONTRI_AGENTS	95,674	348,525	368,451	812,650
PAY_EMPL	54,621	75,507	34,593	164,721
PAY_AGENT	2,860	0	0	2,860
OTHER_EMPL_WELFARE	2,031,260	1,747,043	4,484,854	8,263,157
OTHER_AGENTS_WELFARE	67,014	46,613	57,482	171,109
LEGAL_FEES_EXP	5,809,018	4,735,670	3,789,849	14,334,537
MED_EXAM_FEES	1,552,750	1,265,114	1,738,642	4,556,506
INSPECT_RPT_FEES	664,026	473,038	618,206	1,755,270
FEES_PA_CA	3,159,072	2,838,129	3,393,430	9,390,631
EXP_INV_CLAIMS	3,487,825	1,746,201	2,336,986	7,571,012
TRAVEL_EXP	10,074,213	9,116,421	9,903,598	29,094,232
ADVERTISING	19,286,553	9,985,925	19,258,543	48,531,021
POST_PHONE	12,050,095	7,453,919	12,188,769	31,692,783
PRINT_STAT	6,967,786	4,711,767	6,536,385	18,215,938
DEPR_EQUIP	7,514,700	6,320,577	7,988,059	21,823,336
EQUIP_RENT	5,626,154	3,511,398	7,557,819	16,695,371
BOOKS	500,613	251,392	369,251	1,121,256
BUREAU ASSO_FEES	1,259,962	1,024,292	926,948	3,211,202
INSUR_EXC_REAL	1,183,238	4,591,094	1,291,393	7,065,725
MISC_LOSS	(112,741)	2,211,670	(2,694,511)	(595,582)
COLL_BANK_SERV	427,224	383,064	991,172	1,801,460
SUNDRY_EXP	33,178,787	1,083,946	3,696,272	37,959,005
GRP_SERV_FEES	38,524,277	36,123,662	50,808,251	125,456,190
REIMB_UNINSUR	(52,241)	185,544	(1,567)	131,736
AGENCY_EXP_ALLOW	2,957,772	2,128,428	3,348,568	8,434,768
NET_AGENTS_CHRG	372,063	778,183	1,271,628	2,421,874
AGENCY_CONF	889,604	495,365	1,078,707	2,463,676
REAL_EST_EXP	601,921	635,150	1,644,505	2,881,576
INVEST_EXP	1,296,544	1,404,091	2,103,019	4,803,654
AGG_WRITEIN	20,803,021	22,720,583	13,748,010	57,271,614
Total	299,757,037	228,353,229	309,800,541	837,910,807

Source: Texas Department of Insurance,
Credit Insurance Expense Summary, Section III

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (9) Single Premium - 7 Day Retro

(1) Year	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	(982,910)	2,914,983	0.869	2,533,120	-38.8%	(9,819)	-0.3%
1997	(678,377)	415,635	0.869	361,187	-243.2%	3,512	0.8%
1998	(251,939)	9,846,209	0.869	8,556,356	-2.9%	(151,987)	-1.5%
1999	309,895	(23,630)	0.869	(20,534)	-1509.1%	(105,098)	444.8%
Total	(1,803,331)	13,153,197	0.869	11,430,128	-15.8%	(263,392)	-2.0%

Plan of Benefits (10) Single Premium - 14 Day Retro

(9) Year	(10) Incurred Claims	(11) Earned Premium at Prior Presump. Rates	(12) Presumptive Rate Change	(13) Earned Premium at Current Presump. Rates	(14) Loss Ratio at Current Rates (10)/(13)	(15) Commission and Service Fees Incurred	(16) Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	61,834,338	119,673,345	0.869	103,996,137	59.5%	46,355,956	38.7%
1997	55,470,463	119,428,025	0.869	103,782,954	53.4%	43,848,606	36.7%
1998	51,593,436	101,989,874	0.869	88,629,201	58.2%	49,172,351	48.2%
1999	50,878,380	126,047,281	0.869	109,535,087	46.4%	49,153,096	39.0%
Total	219,775,617	467,138,525	0.869	405,943,378	54.1%	188,530,009	40.4%

Plan of Benefits (11) Single Premium - 30 Day Retro

(17) Year	(18) Incurred Claims	(19) Earned Premium at Prior Presump. Rates	(20) Presumptive Rate Change	(21) Earned Premium at Current Presump. Rates	(22) Loss Ratio at Current Rates (18)/(21)	(23) Commission and Service Fees Incurred	(24) Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	1,026,528	1,716,375	0.869	1,491,530	68.8%	929,505	54.2%
1997	1,453,572	2,322,087	0.869	2,017,894	72.0%	813,937	35.1%
1998	864,323	1,289,500	0.869	1,120,576	77.1%	576,777	44.7%
1999	1,663,191	2,555,499	0.869	2,220,729	74.9%	779,154	30.5%
Total	5,007,614	7,883,461	0.869	6,850,728	73.1%	3,099,373	39.3%

Source: Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (12) Single Premium - 14 Day Non Retro

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (2)/(5)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	600,853	860,791	0.869	748,027	80.3%	234,741	27.3%
1997	347,060	634,478	0.869	551,361	62.9%	312,539	49.3%
1998	618,263	716,323	0.869	622,485	99.3%	436,163	60.9%
1999	449,994	961,594	0.869	835,625	53.9%	287,657	29.9%
Total	2,016,170	3,173,186	0.869	2,757,499	73.1%	1,271,100	40.1%

Plan of Benefits (13) Single Premium - 30 Day Non Retro

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (10)/(13)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	594,992	551,140	0.869	478,941	124.2%	170,542	30.9%
1997	675,978	593,217	0.869	515,506	131.1%	342,172	57.7%
1998	416,068	526,170	0.869	457,242	91.0%	143,242	27.2%
1999	425,478	834,554	0.869	725,227	58.7%	217,013	26.0%
Total	2,112,516	2,505,081	0.869	2,176,915	97.0%	872,969	34.8%

Plan of Benefits (14) Single Premium - 90 Day Non Retro

(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (18)/(21)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	0	0	0.869	0	ERR	0	ERR
1997	0	0	0.869	0	ERR	0	ERR
1998	0	0	0.869	0	ERR	0	ERR
1999	0	(153)	0.869	(133)	0.0%	(880)	575.2%
Total	0	(153)	0.869	(133)	0.0%	(880)	575.2%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (15) Outstanding Balance Revolving Account - 7 Day Retro

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (2)/(5)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	2,071	0	0.869	0	ERR	0	ERR
1997	0	0	0.869	0	ERR	0	ERR
1998	(3,042)	0	0.869	0	ERR	0	ERR
1999	0	0	0.869	0	ERR	0	ERR
Total	(971)	0	0.869	0	ERR	0	ERR

Plan of Benefits (16) Outstanding Balance Revolving Account - 14 Day Retro

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (10)/(13)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	7,093,613	10,530,084	0.869	9,150,643	77.5%	2,460,661	23.4%
1997	5,935,112	10,952,066	0.869	9,517,345	62.4%	2,472,042	22.6%
1998	5,346,140	10,236,909	0.869	8,895,874	60.1%	2,345,433	22.9%
1999	8,175,960	14,771,571	0.869	12,836,495	63.7%	3,743,880	25.3%
Total	26,550,825	46,490,630	0.869	40,400,357	65.7%	11,022,016	23.7%

Plan of Benefits (17) Outstanding Balance Revolving Account - 30 Day Retro

(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (18)/(21)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	12,194,172	31,801,159	0.869	27,635,207	44.1%	7,492,093	23.6%
1997	11,984,613	32,335,158	0.869	28,099,252	42.7%	7,969,182	24.6%
1998	8,482,875	25,111,265	0.869	21,821,689	38.9%	5,368,631	21.4%
1999	6,634,658	23,245,683	0.869	20,200,499	32.8%	5,666,685	24.4%
Total	39,296,318	112,493,265	0.869	97,756,647	40.2%	26,496,591	23.6%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (18) Outstanding Balance Revolving Account - 14 Day Non-Retro

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (2)/(5)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	3,964,395	4,594,185	0.869	3,992,347	99.3%	801,566	17.4%
1997	3,266,960	4,651,709	0.869	4,042,335	80.8%	795,957	17.1%
1998	2,613,690	4,552,169	0.869	3,955,835	66.1%	992,938	21.8%
1999	4,512,823	7,214,532	0.869	6,269,428	72.0%	1,208,314	16.7%
Total	14,357,868	21,012,595	0.869	18,259,945	78.6%	3,798,775	18.1%

Plan of Benefits (19) Outstanding Balance Revolving Account - 30 Day Non-Retro

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (10)/(13)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	8,824,361	14,473,980	0.869	12,577,889	70.2%	2,130,707	14.7%
1997	8,658,824	15,199,335	0.869	13,208,222	65.6%	2,704,155	17.8%
1998	8,713,770	12,698,158	0.869	11,034,699	79.0%	1,869,116	14.7%
1999	10,165,134	19,584,766	0.869	17,019,162	59.7%	3,053,939	15.6%
Total	36,362,089	61,956,239	0.869	53,839,972	67.5%	9,757,917	15.7%

Plan of Benefits (20) Outstanding Balance Revolving Account - 90 Day Non-Retro

(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (18)/(21)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	320,846	434,580	0.869	377,650	85.0%	125,164	28.8%
1997	(6,339)	257,818	0.869	224,044	-2.8%	93,736	36.4%
1998	55,801	99,133	0.869	86,147	64.8%	730	0.7%
1999	(66,028)	1,773	0.869	1,541	-4285.5%	660	37.2%
Total	304,280	793,304	0.869	689,381	44.1%	220,290	27.8%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (21) Outstanding Balance Other Than Revolving Account - 7 Day Retro

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (2)/(5)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	0	0	0.869	0	ERR	0	ERR
1997	0	0	0.869	0	ERR	0	ERR
1998	(44)	0	0.869	0	ERR	0	ERR
1999	0	0	0.869	0	ERR	0	ERR
Total	(44)	0	0.869	0	ERR	0	ERR

Plan of Benefits (22) Outstanding Balance Other Than Revolving Account - 14 Day Retro

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (10)/(13)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	1,187,293	1,515,889	0.869	1,317,308	90.1%	433,255	28.6%
1997	821,499	1,135,545	0.869	986,789	83.2%	269,885	23.8%
1998	1,896,672	3,374,366	0.869	2,932,324	64.7%	984,763	29.2%
1999	752,264	1,580,361	0.869	1,373,334	54.8%	389,213	24.6%
Total	4,657,728	7,606,161	0.869	6,609,754	70.5%	2,077,116	27.3%

Plan of Benefits (23) Outstanding Balance Other Than Revolving Account - 30 Day Retro

(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (18)/(21)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	186,199	381,962	0.869	331,925	56.1%	44,969	11.8%
1997	374,569	343,935	0.869	298,880	125.3%	45,031	13.1%
1998	309,914	556,008	0.869	483,171	64.1%	126,221	22.7%
1999	111,971	240,402	0.869	208,909	53.6%	42,776	17.8%
Total	982,653	1,522,307	0.869	1,322,885	74.3%	258,997	17.0%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plan of Benefits (24) Outstanding Balance Other Than Revolving Account - 14 Day Non Retro

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (2)/(5)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	520,987	846,282	0.869	735,419	70.8%	61,971	7.3%
1997	400,571	708,213	0.869	615,437	65.1%	54,203	7.7%
1998	560,258	755,974	0.869	656,941	85.3%	99,607	13.2%
1999	367,655	535,993	0.869	465,778	78.9%	13,173	2.5%
Total	1,849,471	2,846,462	0.869	2,473,575	74.8%	228,954	8.0%

Plan of Benefits (25) Outstanding Balance Other Than Revolving Account - 30 Day Non Retro

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (10)/(13)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (15)/(11)
1996	316,647	736,974	0.869	640,430	49.4%	174,682	23.7%
1997	723,170	1,464,735	0.869	1,272,855	56.8%	435,713	29.7%
1998	236,424	400,255	0.869	347,822	68.0%	76,947	19.2%
1999	466,114	1,664,753	0.869	1,446,670	32.2%	418,811	25.2%
Total	1,742,355	4,266,717	0.869	3,707,777	47.0%	1,106,153	25.9%

Plan of Benefits (26) Outstanding Balance Other Than Revolving Account - 90 Day Non Retro

(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Year	Incurred Claims	Earned Premium at Prior Presump. Rates	Presumptive Rate Change	Earned Premium at Current Presump. Rates	Loss Ratio at Current Rates (18)/(21)	Commission and Service Fees Incurred	Commission & Service Fee Ratio at Presumptive Rates (23)/(19)
1996	0	0	0.869	0	ERR	0	ERR
1997	0	0	0.869	0	ERR	0	ERR
1998	0	0	0.869	0	ERR	0	ERR
1999	0	0	0.869	0	ERR	0	ERR
Total	0	0	0.869	0	ERR	0	ERR

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Plans of Benefits (09) to (26)

(1) Year	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
1996	97,684,385	191,031,729	0.869	166,006,573	58.8%	61,405,993	32.1%
1997	89,227,675	190,441,956	0.869	165,494,060	53.9%	60,160,670	31.6%
1998	81,452,609	172,152,313	0.869	149,600,360	54.4%	62,040,932	36.0%
1999	84,847,489	199,214,979	0.869	173,117,817	49.0%	64,868,393	32.6%
Total	353,212,158	752,840,977	0.869	654,218,809	54.0%	248,475,988	33.0%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Commercial Banks, Savings and Loan Associations and Mortgage Lenders

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	(34,495)	368,971	0.869	320,636	-10.8%	(9,014)	-2.4%
10	46,177,511	80,716,108	0.869	70,142,298	65.8%	31,417,035	38.9%
11	2,320,593	3,338,028	0.869	2,900,746	80.0%	587,573	17.6%
12	381,668	496,350	0.869	431,328	88.5%	181,522	36.6%
13	361,184	389,112	0.869	338,138	106.8%	172,711	44.4%
14	0	0	0.869	0	ERR	0	ERR
15	0	0	0.869	0	ERR	0	ERR
16	544,448	958,461	0.869	832,903	65.4%	308,359	32.2%
17	19,826,829	55,338,051	0.869	48,088,766	41.2%	18,341,493	33.1%
18	0	0	0.869	0	ERR	0	ERR
19	6,315,796	19,779,044	0.869	17,187,989	36.7%	4,112,043	20.8%
20	104,584	372,336	0.869	323,560	32.3%	90,096	24.2%
21	0	0	0.869	0	ERR	0	ERR
22	22,843	36,937	0.869	32,098	71.2%	7,848	21.2%
23	62,630	570,184	0.869	495,490	12.6%	58,395	10.2%
24	9,673	28,367	0.869	24,651	39.2%	16,740	59.0%
25	148,490	272,955	0.869	237,198	62.6%	64,271	23.5%
26	0	0	0.869	0	ERR	0	ERR
Total	76,241,754	162,664,904	0.869	141,355,802	53.9%	55,349,072	34.0%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Finance Companies and Small Loan Companies

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	(404,659)	1,511,989	0.869	1,313,918	-30.8%	(33,390)	-2.2%
10	28,192,083	61,687,399	0.869	53,606,350	52.6%	1,113,484	1.8%
11	(2,480)	9,223	0.869	8,015	-30.9%	508	5.5%
12	1,082	9,768	0.869	8,488	12.7%	3,520	36.0%
13	28,745	8,120	0.869	7,056	407.4%	6,103	75.2%
14	0	0	0.869	0	ERR	0	ERR
15	0	0	0.869	0	ERR	0	ERR
16	1,010,368	2,818,261	0.869	2,449,069	41.3%	761,785	27.0%
17	802,090	2,078,633	0.869	1,806,332	44.4%	215,044	10.3%
18	0	0	0.869	0	ERR	0	ERR
19	15,848	189,412	0.869	164,599	9.6%	36,383	19.2%
20	0	0	0.869	0	ERR	0	ERR
21	0	0	0.869	0	ERR	0	ERR
22	0	(4,798)	0.869	(4,169)	0.0%	0	0.0%
23	0	2,035	0.869	1,768	0.0%	734	36.1%
24	0	0	0.869	0	ERR	0	ERR
25	0	949	0.869	825	0.0%	0	0.0%
26	0	0	0.869	0	ERR	0	ERR
Total	29,643,077	68,310,991	0.869	59,362,251	49.9%	2,104,171	3.1%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1997 to 1999

Credit Unions

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates
9	312,605	28,499	0.869	24,766	1262.3%	(696)	-2.4%
10	6,131,425	8,575,237	0.869	7,451,881	82.3%	2,545,992	29.7%
11	459,503	545,076	0.869	473,671	97.0%	81,180	14.9%
12	1,037,625	1,489,418	0.869	1,294,304	80.2%	388,278	26.1%
13	1,207,399	1,243,655	0.869	1,080,736	111.7%	105,176	8.5%
14	0	0	0.869	0	ERR	0	ERR
15	(971)	0	0.869	0	ERR	0	ERR
16	24,670,440	41,249,999	0.869	35,846,249	68.8%	9,644,146	23.4%
17	4,910,374	7,394,438	0.869	6,425,767	76.4%	1,817,772	24.6%
18	14,357,868	21,012,595	0.869	18,259,945	78.6%	3,798,775	18.1%
19	30,010,097	41,982,265	0.869	36,482,588	82.3%	5,607,189	13.4%
20	0	0	0.869	0	ERR	0	ERR
21	(44)	0	0.869	0	ERR	0	ERR
22	4,634,565	7,573,057	0.869	6,580,987	70.4%	2,069,051	27.3%
23	920,023	950,088	0.869	825,626	111.4%	199,868	21.0%
24	1,839,798	2,818,095	0.869	2,448,925	75.1%	212,214	7.5%
25	1,492,895	3,735,161	0.869	3,245,855	46.0%	1,033,978	27.7%
26	0	0	0.869	0	ERR	0	ERR
Total	91,983,602	138,597,583	0.869	120,441,300	76.4%	27,502,923	19.8%

Source: Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Production Credit Associations (Agricultural & Horticultural P.C.A.'s)

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates
9	0	0	0.869	0	ERR	0	ERR
10	0	0	0.869	0	ERR	0	ERR
11	0	0	0.869	0	ERR	0	ERR
12	0	0	0.869	0	ERR	0	ERR
13	0	0	0.869	0	ERR	0	ERR
14	0	0	0.869	0	ERR	0	ERR
15	0	0	0.869	0	ERR	0	ERR
16	0	0	0.869	0	ERR	0	ERR
17	0	0	0.869	0	ERR	0	ERR
18	0	0	0.869	0	ERR	0	ERR
19	0	0	0.869	0	ERR	0	ERR
20	0	0	0.869	0	ERR	0	ERR
21	0	0	0.869	0	ERR	0	ERR
22	0	0	0.869	0	ERR	0	ERR
23	0	0	0.869	0	ERR	0	ERR
24	0	0	0.869	0	ERR	0	ERR
25	0	0	0.869	0	ERR	0	ERR
26	0	0	0.869	0	ERR	0	ERR
Total	0	0	ERR	0	ERR	0	ERR

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, etc.)

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	(1,676,449)	11,261,522	0.869	9,786,263	-17.1%	(220,292)	-2.0%
10	139,275,359	316,159,181	0.869	274,742,328	50.7%	153,452,970	48.5%
11	2,229,998	3,991,134	0.869	3,468,295	64.3%	2,430,112	60.9%
12	595,795	1,177,650	0.869	1,023,378	58.2%	697,780	59.3%
13	514,716	842,394	0.869	732,040	70.3%	584,173	69.3%
14	0	(153)	0.869	(133)	0.0%	(880)	575.2%
15	0	0	0.869	0	ERR	0	ERR
16	325,569	1,463,909	0.869	1,272,137	25.6%	307,726	21.0%
17	10,343,330	38,309,770	0.869	33,291,190	31.1%	6,122,282	16.0%
18	0	0	0.869	0	ERR	0	ERR
19	4,352	5,518	0.869	4,795	90.8%	2,302	41.7%
20	151,419	380,046	0.869	330,260	45.8%	130,194	34.3%
21	0	0	0.869	0	ERR	0	ERR
22	320	965	0.869	839	38.2%	217	22.5%
23	0	0	0.869	0	ERR	0	ERR
24	0	0	0.869	0	ERR	0	ERR
25	0	0	0.869	0	ERR	0	ERR
26	0	0	0.869	0	ERR	0	ERR
Total	151,764,409	373,591,936	0.869	324,651,392	46.7%	163,506,584	43.8%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Other Than A Through E

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	(333)	(17,784)	0.869	(15,454)	2.2%	0	0.0%
10	239	600	0.869	521	45.8%	528	88.0%
11	0	0	0.869	0	ERR	0	ERR
12	0	0	0.869	0	ERR	0	ERR
13	472	21,800	0.869	18,944	2.5%	4,806	22.0%
14	0	0	0.869	0	ERR	0	ERR
15	0	0	0.869	0	ERR	0	ERR
16	0	0	0.869	0	ERR	0	ERR
17	3,413,695	9,372,373	0.869	8,144,592	41.9%	0	0.0%
18	0	0	0.869	0	ERR	0	ERR
19	15,996	0	0.869	0	ERR	0	ERR
20	48,277	40,922	0.869	35,561	135.8%	0	0.0%
21	0	0	0.869	0	ERR	0	ERR
22	0	0	0.869	0	ERR	0	ERR
23	0	0	0.869	0	ERR	0	ERR
24	0	0	0.869	0	ERR	0	ERR
25	100,970	257,652	0.869	223,900	45.1%	7,904	3.1%
26	0	0	0.869	0	ERR	0	ERR
Total	3,579,316	9,675,563	0.869	8,408,064	42.6%	13,238	0.1%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Disability Insurance Experience 1996 to 1999

Summary All Benefit Plans Combined

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Prior Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current Presump. Rates	(6) Loss Ratio at Current Rates (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	(1,803,331)	13,153,197	0.869	11,430,128	-15.8%	(263,392)	-2.0%
10	219,776,617	467,138,525	0.869	405,943,378	54.1%	188,530,009	40.4%
11	5,007,614	7,883,461	0.869	6,850,728	73.1%	3,099,373	39.3%
12	2,016,170	3,173,186	0.869	2,757,499	73.1%	1,271,100	40.1%
13	2,112,516	2,505,081	0.869	2,176,915	97.0%	872,969	34.8%
14	0	(153)	0.869	(133)	0.0%	(880)	575.2%
15	(971)	0	0.869	0	ERR	0	ERR
16	26,550,825	46,490,630	0.869	40,400,357	65.7%	11,022,016	23.7%
17	39,296,318	112,493,265	0.869	97,756,647	40.2%	26,496,591	23.6%
18	14,357,868	21,012,595	0.869	18,259,945	78.6%	3,798,775	18.1%
19	36,362,089	61,956,239	0.869	53,839,972	67.5%	9,757,917	15.7%
20	304,280	793,304	0.869	689,381	44.1%	220,290	27.8%
21	(44)	0	0.869	0	ERR	0	ERR
22	4,657,728	7,606,161	0.869	6,609,754	70.5%	2,077,116	27.3%
23	982,653	1,522,307	0.869	1,322,885	74.3%	258,997	17.0%
24	1,849,471	2,846,462	0.869	2,473,575	74.8%	228,954	8.0%
25	1,742,355	4,266,717	0.869	3,707,777	47.0%	1,106,153	25.9%
26	0	0	0.869	0	ERR	0	ERR
Total	353,212,158	752,840,977	0.869	654,218,809	54.0%	248,475,988	33.0%

Source : Texas Department of Insurance, Credit Disability Experience Reports (plans 09-26)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance Experience 1996 to 1999

Summary of Commission Ratios By Class

Plan of Benefits	Class						
	A	B	C	D	E	F	All
(1)							(2)
1	42.2%	3.4%	28.6%	ERR	49.5%	1.1%	44.4%
2	36.2%	-8.2%	41.8%	22.8%	56.9%	ERR	48.1%
3	25.4%	3.8%	18.5%	ERR	10.0%	1.6%	19.4%
4	14.2%	0.4%	19.8%	ERR	55.0%	3.5%	16.3%
5	50.7%	2.6%	32.1%	ERR	51.1%	8.8%	43.8%
6	37.0%	-0.4%	48.9%	21.0%	66.3%	ERR	55.0%
7	23.6%	9.8%	19.7%	ERR	9.7%	0.0%	16.3%
8	12.6%	0.1%	35.1%	ERR	ERR	10.8%	24.2%
Total	39.3%	3.1%	20.4%	22.2%	48.4%	1.3%	39.0%

Source : Schedule AIS-1B, Sheets 1 to 4, Columns (11) and (22)

OFFICE OF PUBLIC INSURANCE COUNSEL
 Credit Disability Insurance Experience 1996 to 1999

Summary of Commission Ratios By Class

Plan of Benefits	Class						
	A	B	C	D	E	F	All
9	-2.4%	-2.2%	-2.4%	ERR	-2.0%	0.0%	-2.0%
10	38.9%	1.8%	29.7%	ERR	48.5%	88.0%	40.4%
11	17.6%	5.5%	14.9%	ERR	60.9%	ERR	39.3%
12	36.6%	36.0%	26.1%	ERR	59.3%	ERR	40.1%
13	44.4%	75.2%	8.5%	ERR	69.3%	22.0%	34.8%
14	ERR	ERR	ERR	ERR	575.2%	ERR	575.2%
15	ERR	ERR	ERR	ERR	ERR	ERR	ERR
16	32.2%	27.0%	23.4%	ERR	21.0%	ERR	23.7%
17	33.1%	10.3%	24.6%	ERR	16.0%	0.0%	23.6%
18	ERR	ERR	18.1%	ERR	ERR	ERR	18.1%
19	20.8%	19.2%	13.4%	ERR	41.7%	ERR	15.7%
20	24.2%	ERR	ERR	ERR	34.3%	0.0%	27.8%
21	ERR	ERR	ERR	ERR	ERR	ERR	ERR
22	21.2%	0.0%	27.3%	ERR	22.5%	ERR	27.3%
23	10.2%	36.1%	21.0%	ERR	ERR	ERR	17.0%
24	59.0%	ERR	7.5%	ERR	ERR	ERR	8.0%
25	23.5%	0.0%	27.7%	ERR	ERR	3.1%	25.9%
26	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Total	34.0%	3.1%	19.8%	ERR	43.8%	0.1%	33.0%

Source : Schedule AIS-2B, Sheets 1 to 7, Column (8)

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Accident and Health Insurance Experience 1997 to 1999

Expenses - Allocation to Texas

Number of Policies (in 1,000's)

	Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Texas				
(1) Single Premium, (BOY)	1,218	1,001	924	
(2) Single Premium, (EOY)	1,108	924	925	
(3) Average	1,163	963	925	3,050
(4) Monthly Premium (BOY)	1,015	796	726	
(5) Monthly Premium (EOY)	789	747	576	
(6) Average	902	772	651	2,325
(7) Grand Total	2,065	1,734	1,576	5,375
Countrywide				
(8) Single Premium, (BOY)	11,115	9,444	8,419	
(9) Single Premium, (EOY)	10,429	9,573	8,012	
(10) Average	10,772	9,509	8,216	28,496
(11) Monthly Premium (BOY)	7,850	8,036	7,665	
(12) Monthly Premium (EOY)	8,188	7,710	7,485	
(13) Average	8,019	7,873	7,575	23,467
(14) Grand Total	18,791	17,382	15,791	51,963
(15) Texas percent of countrywide	11.0%	10.0%	10.0%	10.3%
(16) Credit Accident and Health Expe	339,926,666	323,003,579	426,329,124	1,089,259,369
(17) Estimated Texas Expenses	37,355,573	32,223,238	42,537,066	112,115,876
(18) Premium at Presumptive Rates	190,441,956	172,152,313	199,215,123	561,809,392
(19) Expense Ratio	19.6%	18.7%	21.4%	20.0%

Notes:

(3) : [(1)+(2)] / 2

(6) : [(4)+(5)] / 2

(7) : (3) + (6)

(10) : [(8)+(9)] / 2

(13) : [(11)+(12)] / 2

(14) : (10) + (13)

(15) : (7) / (14)

(16) : Texas Department of Insurance, Credit Accident and Health IEE Summary, Section IV

(17) : (15) x (16)

(18) : Texas Department of Insurance, Credit A & H Experience Report, Plans 09 to 26 total

(19) : (17) / (18) x 100

Source: Texas Department of Insurance, Credit Insurance Expense Summary, Section IV

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Accident and Health Insurance Experience 1997 to 1999

Expenses - Allocation to Texas

Number of Incepting Policies (in 1,000's)

	Year			Total
	1997	1998	1999	
<u>Texas</u>				
(1) Single Premium, Incepting	632	541	499	1,672
(2) Monthly Premium, Incepting	366	271	189	826
(3) Total	998	812	688	2,498
<u>Countrywide</u>				
(4) Single Premium, Incepting	6,207	5,240	4,356	15,803
(5) Monthly Premium, Incepting	4,084	3,504	2,862	10,450
(6) Total	10,291	8,744	7,218	26,253
(7) Texas percent of countrywide	9.7%	9.3%	9.5%	9.5%
(8) Credit Accident and Health Expe	339,926,666	323,003,579	426,329,124	
(9) Estimated Texas Expenses	32,965,388	29,995,300	40,636,525	103,597,214
(10) Premium at Presumptive Rates	190,441,956	172,152,313	199,215,123	561,809,392
(11) Expense Ratio	17.3%	17.4%	20.4%	18.4%

Notes :

- (3) : (1) + (2)
- (6) : (4) + (5)
- (7) : [(3) / (6)] x 100
- (8) : Texas Department of Insurance, Credit Accident and Health IEE Summary, Section IV
- (9) : (7) x (8)
- (10) : Texas Department of Insurance, Credit A & H Experience Report, Plans 09 to 26 total
- (11) : [(9) / (10)]x 100

Source: Texas Department of Insurance, Credit Insurance Expense Summary, Section IV

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Accident and Health Insurance Experience 1997 to 1999

Credit Accident and Health Insurance Expenses - Annual Expense Call

Expense Item	Year			Total
	1997	1998	1999	
RENT	9,820,301	11,233,505	13,257,392	34,311,198
SALARIES_WAGES	112,920,707	119,372,176	158,054,419	390,347,302
CONTRI_EMPL	18,155,875	18,194,913	24,617,786	60,968,574
CONTRI_AGENTS	667,655	1,017,656	1,120,416	2,805,727
PAY_EMPL	82,739	90,379	54,459	227,577
PAY_AGENT	0	0	0	0
OTHER_EMPL_WELFARE	1,837,081	2,633,858	4,639,685	9,110,624
OTHER_AGENTS_WELFARE	624	9,954	72,004	82,582
LEGAL_FEES_EXP	6,840,787	5,989,652	5,424,823	18,255,262
MED_EXAM_FEES	879,626	849,344	580,194	2,309,164
INSPECT_RPT_FEES	377,439	433,790	1,081,450	1,892,679
FEES_PA_CA	3,282,791	3,382,315	3,903,343	10,568,449
EXP_INV_CLAIMS	7,575,045	3,282,233	2,725,648	13,582,926
TRAVEL_EXP	12,414,845	12,378,327	14,529,681	39,322,853
ADVERTISING	8,482,133	9,463,592	39,529,169	57,474,894
POST_PHONE	13,113,869	10,996,387	15,126,044	39,236,300
PRINT_STAT	6,931,678	6,804,673	7,767,179	21,503,530
DEPR_EQUIP	8,192,852	8,926,603	9,607,946	26,727,401
EQUIP_RENT	6,179,440	6,635,699	7,748,830	20,563,969
BOOKS	535,447	363,686	443,978	1,343,111
BUREAU ASSO_FEES	1,054,564	1,112,411	1,043,723	3,210,698
INSUR_EXC_REAL	1,313,003	2,870,100	2,120,348	6,303,451
MISC_LOSS	91,595	1,384,307	(3,192,381)	(1,716,479)
COLL_BANK_SERV	398,574	619,857	1,114,244	2,132,675
SUNDRY_EXP	27,958,187	(4,084,453)	(6,287,721)	17,586,013
GRP_SERV_FEES	67,372,715	68,514,448	97,482,873	233,370,036
REIMB_UNINSUR	(112,740)	(34,511)	(80,781)	(228,032)
AGENCY_EXP_ALLOW	1,961,255	2,304,729	2,678,284	6,944,268
NET_AGENTS_CHRG	414,257	601,576	1,118,238	2,134,071
AGENCY_CONF	701,608	942,916	983,751	2,628,275
REAL_EST_EXP	539,297	1,255,121	2,074,453	3,868,871
INVEST_EXP	130,075	216,543	145,179	491,797
AGG_WRITEIN	19,813,342	25,241,793	16,844,468	61,899,603
Total	339,926,666	323,003,579	426,329,124	1,089,259,369

Source: Texas Department of Insurance,
Credit Insurance Expense Summary, Section IV

OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Life Insurance

Analysis of Underwriting Profit Factor

(1) : Selected After - Tax Return on Net Worth	11.3%
(2) : Tax Rate	0.3
(3) : Before Tax Return on Net Worth	16.1%
(4) : Investment Income on Net Worth	7.0%
(5) : Indicated Operating Profit Factor as a Percent of Net Worth	9.1%
(6) : Net Worth Leverage Ratio	2.5
(7) : Indicated Operating Profit Factor as a Percent of Revenue	3.7%
(8) : Investment Income on Reserves	17.8%
(9) : Indicated Underwriting Profit	-14.1%
(10) : Selected Underwriting Profit Factor	-5.0%

Notes:

(1) : Schedule AIS-5, Sheet 1

(2) : Schedule AIS-6, Sheet 5

(3) : (1) / [1 - (2)]

(4) : See Schedule AIS-6, Sheet 9

(5) : (3) - (4)

(6) : Schedule AIS-6, Sheet 7

(7) : (5) / (6)

(8) : Schedule AIS-6, Sheet 1

(9) : (7) - (8)

(10) : Judgment

Schedule AIS-4, Sheet 1

OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Accident and Health Insurance

Analysis of Underwriting Profit Factor

(1) : Selected After - Tax Return on Net Worth	11.3%
(2) : Tax Rate	0.3
(3) : Before Tax Return on Net Worth	16.1%
(4) : Investment Income on Net Worth	7.0%
(5) : Indicated Operating Profit Factor as a Percent of Net Worth	9.1%
(6) : Net Worth Leverage Ratio	2.5
(7) : Indicated Operating Profit Factor as a Percent of Revenue	3.7%
(8) : Investment Income on Reserves	18.5%
(9) : Indicated Underwriting Profit	-14.8%
(10) : Selected Underwriting Profit Factor	-5.0%

Notes:

(1) : Schedule AIS-5, Sheet 1

(2) : Schedule AIS-6, Sheet 5

(3) : (1) / [1 - (2)]

(4) : See Schedule AIS-6, Sheet 9

(5) : (3) - (4)

(6) : Schedule AIS-6, Sheet 8

(7) : (5) / (6)

(8) : Schedule AIS-6, Sheet 3

(9) : (7) - (8)

(10) : Judgment

Schedule AIS-4, Sheet 2

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Overall Indicated Rate of Return

(1) : CAPM Indicated Rate of Return	10.6%
(2) : DCF Indicated Rate of Return	12.0%
(3) : Combined Indicated Rate of Return	11.3%

Notes:

(1) : Schedule AIS - 5, Sheet 2

(2) : Schedule AIS - 5, Sheet 3

(3) : $[(1) + (2)] / 2$

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

CAPM Indicated Rate of Return

(1) Risk Free Rate of Return	4.5%
(2) Market Risk Premium	6.0%
(3) Beta	1.01
(4) CAPM Rate of Return	10.6%

Notes:

- (1) Selected Based Upon Current and Interest Rates
- (2) Based upon consideration of historical data and prospective indications
- (3) Schedule AIS - 5, Sheet 4
- (4) $(1) + (2) \times (3)$

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Summary of Annual Rates of Change

Combined Average of Property/Casualty, Diversified and Life Insurance

Time Period	Insurance Industry	(1) Average Annual Change in					Book Value	Average
		Premium Income	Invest Income	Earnings	Dividends	Book Value		
10 Years	Property/Casualty	9.3%	7.5%	5.0%	9.3%	13.3%		
10 Years	Diversified Insurance	10.7%	9.6%	10.4%	13.9%	11.2%		
10 Years	Life	8.8%	10.3%	15.1%	14.6%	14.6%		
10 Years	Combined Wtd. Avg.	9.5%	8.8%	8.9%	12.0%	13.0%	10.5%	
5 Years	Property/Casualty	11.7%	9.6%	17.3%	15.4%	12.7%		
5 Years	Diversified	9.9%	10.2%	11.3%	10.9%	11.5%		
5 Years	Life	6.8%	9.4%	11.0%	13.2%	13.5%		
5 Years	Combined Wtd. Avg.	10.2%	9.7%	14.4%	13.8%	12.6%	12.1%	
5 Year Proj.	Property/Casualty	9.9%	4.7%	14.0%	5.5%	8.1%		
5 Year Proj.	Diversified	10.8%	10.7%	11.5%	8.2%	11.7%		
5 Year Proj.	Life	7.5%	6.4%	9.8%	9.7%	9.0%		
5 Year Proj.	Combined Wtd. Avg.	9.5%	6.6%	12.3%	7.1%	9.1%	8.9%	
Average		9.7%	8.4%	11.9%	11.0%	11.6%	10.5%	
(2) : Selected Growth Rate							10.6%	
(3) : Dividend Yield							1.4%	
(4) : DCF Indicated Rate of Return							12.0%	

Notes..

(1) : Schedule AIS-5, Sheets 8 - 16

(2) : Based on data in (1)

(3) : Schedule AIS-5, Sheet 17

(4) : (2) + (3) * [1.0 + (2) / 2.0]

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Summary of Insurance Industry Risk Ratios

Combined Average of Property / Casualty, Diversified and Life Insurance

<u>Insurance Industry</u>	<u>Average</u>			
	<u>Beta</u>	<u>Safety</u>	<u>Price Stability</u>	<u>Earnings Predictability</u>
Property / Casualty	0.95	2.7	75	33
Diversified	1.06	2.4	73	73
Life	1.10	2.9	64	67
Combined Wtd. Avg.	1.01	2.7	72	50

Source: Schedules AIS-5, Sheets 5 - 7

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Property / Casualty Insurance

Insurance Industry Risk Ratios

<u>Company</u>	<u>Beta</u>	<u>Safety</u>	<u>Price Stability</u>	<u>Earnings Predictability</u>
ACE Limited	1.35	3	50	10
Allmerica Financial	1.10	3	70	65
Allstate Corp	1.05	3	65	50
American Financial Grp.	0.95	2	85	10
Berkley	0.75	3	75	5
Berkshire Hathaway	0.95	2	90	40
CNA Financial	1.05	2	85	5
Chubb Corp	1.10	2	75	40
Cincinnati Financial	0.80	2	85	50
Everest Re	1.10	3	65	30
HCC Insurance	1.00	3	35	60
Markel Corp	0.75	2	95	5
Mercury General Corp	1.05	3	70	65
Ohio Casualty	0.75	3	75	5
Old Republic Int'l	0.95	3	75	65
PMI Group	0.95	3	70	95
Partnerre Ltd	1.00	3	80	10
Progressive Corp (Ohio)	1.20	3	55	20
RLI Corp	0.70	3	95	30
SAFECO Corp	1.05	3	65	40
St. Paul Companies	1.05	3	75	15
Selective Insurance Group	0.70	3	85	55
Transatlantic Holdings	0.70	2	100	40
21th Century Ins.	0.75	3	90	10
XL Capital Ltd	0.90	3	70	10
Average	0.95	2.7	75	33

Source: Value Line dated March 29, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Diversified Insurance

Insurance Industry Risk Ratios

<u>Company</u>	<u>Beta</u>	<u>Safety</u>	<u>Price Stability</u>	<u>Earnings Predictability</u>
Ambac Financial Group	1.10	2	75	65
American Int'l Group	1.25	2	80	100
Aon Corp	0.95	3	60	70
Citigroup	1.55	3	65	NMF
Crawford & Co. 'B'	0.85	3	60	70
A.J. Gallagher & Co.	0.75	1	85	90
Hartford Financial Servi	1.20	3	65	10
Loews Corp	0.90	3	85	35
MBIA Inc.	1.05	2	80	95
MGIC Investment	1.10	3	55	100
Marsh & McLennan	1.25	2	75	95
Unitrin, Inc	0.80	2	95	75
Average	1.06	2.4	73	73

Source: Value Line dated March 1, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Life Insurance

Insurance Industry Risk Ratios

<u>Company</u>	<u>Beta</u>	<u>Safety</u>	<u>Price Stability</u>	<u>Earnings Predictability</u>
AEGON	1.00	3	70	65
AFLAC Inc	1.05	3	70	95
Conseco Inc	1.50	4	20	15
Delphi Financial Group	1.15	3	60	10
Jefferson-Pilot Corp	0.90	1	95	95
John Hancock	NMF	3	NMF	NMF
Lincoln National Corp	1.05	2	80	80
MetLife	NMF	3	NMF	NMF
Nationwide Financial	1.30	3	50	NMF
Protective Life Corp	0.90	3	75	90
Prudential Financial	NMF	3	NMF	NMF
Reinsurance Group	0.95	3	60	50
Torchmark Corp	1.10	3	80	95
UNUMProvident	1.15	3	40	75
Average	1.10	2.9	64	67

Source: Value Line dated January 25, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Property/Casualty Insurance

Annual Rates of Change - Past 10 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
ACE Limited	-----	-----	-----	-----	-----
Allmerica Financial	-----	-----	-----	-----	-----
Allstate Corp	-----	-----	-----	-----	-----
American Financial Grp.	-----	-----	-----	-----	-----
Berkley	12.5%	11.0%	-9.0%	11.5%	8.0%
Berkshire Hathaway	-----	-----	19.0%	-----	25.5%
CNA Financial	4.5%	4.5%	2.5%	-----	9.0%
Chubb Corp	7.0%	3.5%	5.0%	8.0%	9.0%
Cincinnati Financial	8.0%	10.0%	5.0%	12.5%	19.5%
Everest Re	-----	-----	-----	-----	-----
HCC Insurance	-----	-----	-----	-----	-----
Markel Corp	33.5%	31.5%	8.0%	-----	23.0%
Mercury General Corp	10.0%	9.0%	14.5%	21.5%	18.0%
Ohio Casualty	3.5%	2.0%	-9.5%	4.5%	8.0%
Old Republic Int'l	4.0%	1.5%	12.0%	13.0%	11.0%
PMI Group	-----	-----	-----	-----	-----
Partnerre Ltd	-----	-----	-----	-----	-----
Progressive Corp (Ohio)	17.0%	9.5%	13.0%	6.0%	21.0%
RLI Corp	8.5%	9.5%	11.5%	8.5%	14.5%
SAFECO Corp	10.5%	9.0%	-1.0%	9.5%	10.0%
St. Paul Companies	6.0%	7.0%	6.0%	6.5%	10.0%
Selective Insurance Group	5.5%	5.0%	1.5%	3.0%	9.5%
Transatlantic Holdings	12.0%	9.0%	14.0%	13.0%	15.5%
21th Century Ins.	-3.5%	-9.0%	-12.5%	4.0%	0.5%
XL Capital Ltd	-----	-----	-----	-----	-----
Average	9.3%	7.5%	5.0%	9.3%	13.3%

Source: Value Line dated March 29, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Diversified Insurance

Annual Rates of Change - Past 10 Years

Company	Revenues/ Premium Income	Invest Income	Earnings	Dividends	Book Value
Ambac Financial Group Inc	15.0%	8.0%	11.0%	-----	11.0%
American Int'l Group	5.0%	15.0%	13.0%	13.5%	13.5%
Aon Corp	-----	-----	-----	-----	-----
Citigroup	-----	-----	-----	-----	-----
Crawford & Co. 'B'	7.0%	5.0%	4.0%	11.5%	7.5%
A.J. Gallagher & Co.	8.5%	9.5%	10.0%	11.5%	7.5%
Hartford Financial Services	-----	-----	-----	-----	-----
Loews Corp	10.0%	9.5%	7.5%	7.0%	12.0%
MBIA Inc.	13.5%	12.0%	13.0%	16.0%	13.5%
MGIC Investment	17.0%	12.5%	22.0%	-----	18.0%
Marsh & McLennan	11.0%	11.0%	10.0%	7.5%	14.5%
Unitrin, Inc	9.0%	4.0%	3.5%	30.0%	3.5%
Average	10.7%	9.6%	10.4%	13.9%	11.2%

Source: Value Line dated March 1, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Life Insurance

Annual Rates of Change - Past 10 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
AEGON	11.0%	7.5%	18.0%	13.5%	12.5%
AFLAC Inc	14.5%	18.0%	19.5%	14.0%	21.0%
Conseco Inc	18.0%	6.5%	21.5%	45.5%	30.0%
Delphi Financial Group	-----	-----	-----	-----	-----
Jefferson-Pilot Corp	7.0%	16.5%	15.5%	12.5%	10.0%
John Hancock	-----	-----	-----	-----	-----
Lincoln National Corp	-8.5%	4.0%	10.5%	6.0%	6.5%
MetLife	-----	-----	-----	-----	-----
Nationwide Financial	-----	-----	-----	-----	-----
Protective Life Corp	10.5%	19.5%	19.0%	10.0%	14.5%
Prudential Financial Reinsurance Group	-----	-----	-----	-----	-----
Torchmark Corp	6.5%	6.0%	7.0%	0.5%	12.5%
UNUMProvident	11.5%	4.5%	10.0%	14.5%	9.5%
Average	8.8%	10.3%	15.1%	14.6%	14.6%

Source: Value Line dated January 25, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Property/Casualty Insurance

Annual Rates of Change - Past 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
ACE Limited	35.0%	18.5%	17.5%	28.0%	18.5%
Allmerica Financial	-4.0%	-5.5%	12.5%	-----	5.5%
Allstate Corp	7.0%	6.5%	20.0%	14.5%	13.0%
American Financial Grp.	2.5%	16.5%	-10.5%	2.0%	-4.5%
Berkley	18.5%	14.0%	-15.0%	11.5%	5.0%
Berkshire Hathaway	-----	-----	19.5%	-----	26.0%
CNA Financial	2.5%	2.0%	8.0%	-----	11.0%
Chubb Corp	9.0%	2.0%	6.0%	7.0%	7.0%
Cincinnati Financial	8.0%	8.5%	-----	12.5%	21.5%
Everest Re	9.5%	11.5%	223.0%	50.0%	9.5%
HCC Insurance	11.5%	14.0%	15.5%	-----	13.5%
Markel Corp	15.0%	23.0%	-----	-----	22.0%
Mercury General Corp	17.0%	12.0%	10.5%	19.0%	14.5%
Ohio Casualty	5.5%	1.0%	-18.0%	1.5%	8.5%
Old Republic Int'l	3.0%	1.5%	10.5%	18.0%	9.5%
PMI Group	15.0%	13.5%	13.5%	16.5%	11.5%
Partnerre Ltd	53.5%	40.0%	3.5%	28.0%	10.0%
Progressive Corp (Ohio)	20.5%	15.5%	2.5%	4.5%	19.0%
RLI Corp	7.0%	5.5%	36.5%	8.0%	15.5%
SAFECO Corp	15.5%	8.5%	-10.0%	8.5%	8.0%
St. Paul Companies	5.0%	11.0%	5.0%	7.0%	10.5%
Selective Insurance Group	4.5%	4.5%	2.0%	1.0%	11.5%
Transatlantic Holdings	13.0%	8.0%	15.0%	15.0%	15.0%
21th Century Ins.	-12.5%	-17.0%	-----	31.5%	15.5%
XL Capital Ltd	19.5%	15.5%	12.0%	23.0%	20.0%
Average	11.7%	9.6%	17.3%	15.4%	12.7%

Source: Value Line dated March 29, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Diversified Insurance

Annual Rates of Change - Past 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
Ambac Financial Group Inc	15.5%	10.0%	13.5%	11.0%	13.5%
American Int'l Group	6.5%	17.0%	14.5%	14.0%	12.0%
Aon Corp	-----	-----	-----	-----	-----
Citigroup	-----	-----	-----	-----	-----
Crawford & Co. 'B'	4.5%	1.5%	1.0%	10.0%	3.0%
A.J. Gallagher & Co.	7.5%	9.5%	10.5%	13.5%	13.0%
Hartford Financial Services	2.5%	6.5%	NMF	-----	7.0%
Loews Corp	9.5%	9.5%	6.5%	13.0%	12.5%
MBIA Inc.	10.5%	8.5%	9.5%	7.5%	12.0%
MGIC Investment	16.5%	17.0%	25.0%	5.0%	18.5%
Marsh & McLennan	16.0%	17.5%	16.0%	12.0%	19.0%
Unitrin, Inc	10.0%	5.0%	5.0%	12.0%	4.5%
Average	9.9%	10.2%	11.3%	10.9%	11.5%

Source: Value Line dated March 29, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Life Insurance

Annual Rates of Change - Past 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
AEGON	13.5%	5.0%	27.5%	14.0%	18.5%
AFLAC Inc	9.5%	12.5%	15.5%	14.5%	22.0%
Conseco Inc	-3.5%	1.5%	0.5%	44.0%	13.0%
Delphi Financial Group	5.0%	-3.0%	9.0%	-----	15.5%
Jefferson-Pilot Corp	10.0%	26.0%	15.5%	11.5%	11.0%
John Hancock	-----	-----	-----	-----	-----
Lincoln National Corp	-8.0%	5.0%	8.5%	6.0%	6.0%
MetLife	-----	-----	-----	-----	-----
Nationwide Financial	-----	-----	-----	-----	-----
Protective Life Corp	11.5%	7.5%	12.0%	11.0%	17.5%
Prudential Financial	-----	-----	-----	-----	-----
Reinsurance Group	13.0%	25.5%	10.0%	18.0%	11.5%
Torchmark Corp	8.0%	7.0%	6.0%	-5.0%	11.5%
UNUMProvident	9.0%	6.5%	5.5%	5.0%	8.0%
Average	6.8%	9.4%	11.0%	13.2%	13.5%

Source: Value Line dated March 1, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Property/Casualty Insurance

Annual Rates of Change - Projected 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
ACE Limited	20.5%	11.0%	12.5%	13.0%	11.5%
Allmerica Financial	7.0%	4.5%	1.5%	3.5%	7.5%
Allstate Corp	6.0%	7.0%	2.0%	9.5%	5.0%
American Financial Grp.	2.5%	-10.5%	17.0%	-9.5%	2.5%
Berkley	6.5%	-1.0%	39.5%	1.5%	11.0%
Berkshire Hathaway	-----	-----	NMF	Nil	12.5%
CNA Financial	-5.5%	-2.0%	9.0%	Nil	1.0%
Chubb Corp	9.5%	4.5%	8.0%	5.0%	6.5%
Cincinnati Financial	9.0%	5.0%	13.5%	8.5%	3.0%
Everest Re	16.0%	7.0%	14.0%	7.0%	13.5%
HCC Insurance	20.5%	3.5%	11.5%	6.0%	13.0%
Markel Corp	16.0%	5.0%	24.5%	Nil	12.0%
Mercury General Corp	10.0%	8.5%	7.0%	10.0%	6.5%
Ohio Casualty	3.0%	7.0%	31.0%	27.0%	5.0%
Old Republic Int'l	5.0%	3.0%	7.5%	7.5%	9.0%
PMI Group	12.5%	10.5%	13.0%	8.0%	17.5%
Partnerre Ltd	19.5%	4.0%	20.0%	4.5%	8.0%
Progressive Corp (Ohio)	12.5%	8.0%	16.5%	3.0%	13.5%
RLI Corp	15.5%	9.0%	10.0%	6.0%	7.5%
SAFECO Corp	2.5%	2.0%	12.5%	0.5%	Nil
St. Paul Companies	12.5%	0.5%	11.5%	3.5%	3.5%
Selective Insurance Group	9.0%	4.0%	12.0%	3.0%	6.5%
Transatlantic Holdings	9.0%	9.5%	8.0%	11.0%	10.5%
21th Century Ins.	5.5%	6.5%	23.5%	5.0%	6.0%
XL Capital Ltd	22.0%	10.0%	9.5%	4.0%	9.0%
Average	9.9%	4.7%	14.0%	5.5%	8.1%

Source: Value Line dated March 29, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Diversified Insurance

Annual Rates of Change - Projected 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
Ambac Financial Group Inc	17.0%	11.0%	14.0%	11.0%	13.0%
American Int'l Group	7.0%	16.5%	15.5%	13.5%	12.0%
Aon Corp	6.5%	5.0%	9.5%	7.0%	8.5%
Citigroup	23.0%	15.0%	19.0%	17.0%	13.0%
Crawford & Co. 'B'	4.5%	8.0%	7.5%	6.5%	NMF
A.J. Gallagher & Co.	11.0%	14.5%	16.0%	11.5%	16.0%
Hartford Financial Services	14.0%	5.0%	8.5%	4.5%	10.0%
Loews Corp	6.0%	10.5%	12.0%	3.0%	7.5%
MBIA Inc.	9.5%	12.5%	12.5%	7.5%	11.5%
MGIC Investment	12.0%	11.5%	11.0%	6.0%	19.5%
Marsh & McLennan	10.5%	10.0%	10.5%	6.5%	14.0%
Unitrin, Inc	8.5%	8.5%	2.5%	4.5%	3.5%
Average	10.8%	10.7%	11.5%	8.2%	11.7%

Source: Value Line dated March 1, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Life Insurance

Annual Rates of Change - Projected 5 Years

<u>Company</u>	<u>Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
AEGON	10.0%	15.5%	12.0%	10.0%	8.5%
AFLAC Inc	NMF	6.0%	15.0%	15.5%	9.0%
Conseco Inc	1.0%	4.0%	-7.0%	NMF	3.5%
Delphi Financial Group	5.0%	1.5%	16.5%	NMF	9.5%
Jefferson-Pilot Corp	9.0%	6.5%	8.0%	11.5%	9.5%
John Hancock	12.0%	5.0%	17.0%	17.0%	16.0%
Lincoln National Corp	2.5%	2.5%	7.0%	5.0%	8.0%
MetLife	11.0%	9.0%	14.5%	14.5%	9.0%
Nationwide Financial	8.5%	8.0%	11.0%	14.0%	12.5%
Protective Life Corp	12.0%	10.0%	9.5%	9.5%	12.0%
Prudential Financial	-----	-----	-----	-----	-----
Reinsurance Group	10.5%	5.5%	13.5%	9.0%	9.0%
Torchmark Corp	9.0%	10.0%	10.0%	1.0%	10.0%
UNUMProvident	NMF	NMF	NMF	NMF	NMF
Average	7.5%	6.4%	9.8%	9.7%	9.0%

Source: Value Line dated January 25, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life and Credit Disability Insurance

Dividend Yield

Company	Dividend Yield
<i>Property/Casualty Insurance</i>	
ACE Limited	1.8%
Allmerica Financial	0.4%
Allstate Corp	1.8%
American Financial Grp.	1.0%
Berkley	0.5%
Berkshire Hathaway	Nil
CNA Financial	Nil
Chubb Corp	1.9%
Cincinnati Financial	2.2%
Everest Re	0.3%
HCC Insurance	0.7%
Markel Corp	Nil
Mercury General Corp	2.9%
Ohio Casualty	0.5%
Old Republic Int'l	2.0%
PMI Group	0.2%
Partnerre Ltd	0.9%
Progressive Corp (Ohio)	0.2%
RLI Corp	1.2%
SAFECO Corp	2.5%
St. Paul Companies	1.6%
Selective Insurance Group	2.0%
Transatlantic Holdings	0.6%
21th Century Ins.	2.2%
XL Capital Ltd	2.6%
<i>Diversified Insurance</i>	
Ambac Financial Group Inc	0.5%
American Int'l Group	0.3%
Aon Corp	2.4%
Citigroup	1.2%
Crawford & Co. 'B'	4.2%
A.J. Gallagher & Co.	1.9%
Hartford Financial Services	2.0%
Loews Corp	0.6%
MBIA Inc.	1.0%
MGIC Investment	0.1%
Marsh & McLennan	2.1%
Unitrin, Inc	4.5%
<i>Life Insurance</i>	
AEGON	2.0%
AFLAC Inc	0.7%
Conseco Inc	Nil
Delphi Financial Group	0.7%
Jefferson-Pilot Corp	2.4%
John Hancock	0.8%
Lincoln National Corp	2.5%
MetLife	1.0%
Nationwide Financial	1.2%
Protective Life Corp	1.9%
Prudential Financial	2.5%
Reinsurance Group	0.6%
Torchmark Corp	0.9%
UNUMProvident	1.3%
Combined Average	1.4%

Sources: Value Line dated March 29, 2002
Value Line dated March 1, 2002
Value Line dated January 25, 2002

OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Life Insurance

Historical Investment Income Ratios

<u>Year</u>	(1) <u>Premium Income</u>	(2) <u>Investment Income</u>	(3) <u>Investment Income Ratio</u>
1991	\$1,799,800	\$384,166	21.3%
1992	\$1,692,463	\$329,047	19.4%
1993	\$1,796,862	\$322,865	18.0%
1994	\$1,930,696	\$277,593	14.4%
1995	\$1,977,651	\$301,810	15.3%
1996	\$1,796,404	\$329,182	18.3%
1997	\$1,857,064	\$301,183	16.2%
1998	\$1,895,984	\$309,353	16.3%
1999	\$1,886,610	\$368,755	19.5%
2000	\$1,811,612	\$361,457	20.0%
Total / Average	\$18,445,146	\$3,285,411	17.8%

Notes :

(1) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 2)

(2) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 2)

(3) : (2) / (1)

SUMMARY OF OPERATIONS BY LINE (1991-2000)
(In Thousands)
TOTAL INDUSTRY

Line of Business	Year	Premium Income *	Net Invest. Income	Total Income (Incl. Oth. Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders.	Net Gain Before-Tax	FIT	Net Gain After-Tax
Ordinary Life	1991	63,109,815	32,198,453	103,952,801	34,201,591	24,229,180	10,031,865	29,886,744	5,613,554	2,261,138	3,352,416
	1992	67,636,716	32,932,480	108,691,094	36,320,702	26,217,191	9,995,860	31,102,834	6,430,649	2,884,793	3,545,857
	1993	73,797,715	33,089,475	112,562,640	36,320,702	30,576,060	10,177,991	28,969,691	6,518,640	2,750,700	3,767,939
	1994	77,723,997	34,540,608	119,276,342	38,940,361	29,444,245	10,250,737	33,742,218	6,898,780	3,867,387	3,031,393
	1995	80,238,687	38,834,673	126,679,519	41,885,488	33,294,513	10,991,013	31,634,864	8,873,606	4,219,496	4,654,110
	1996	84,219,244	40,382,139	130,017,516	47,484,748	28,328,206	10,728,307	33,906,518	9,569,736	4,192,053	5,377,684
	1997	86,859,689	42,486,146	137,556,790	49,109,344	27,727,611	12,028,998	39,035,311	9,655,526	3,879,301	5,776,225
	1998	99,285,925	45,235,063	154,982,765	54,133,077	24,902,745	14,136,059	54,013,770	7,797,075	3,263,265	4,533,809
	1999	92,955,496	46,372,035	148,420,030	59,503,249	22,980,436	13,590,453	42,627,973	9,717,920	3,293,235	6,424,684
	2000	102,375,792	48,366,046	191,846,837	56,503,317	32,763,911	15,523,004	77,340,393	9,716,212	3,012,071	6,704,142
Individual Annuities	1991	53,214,968	27,833,487	91,293,927	27,573,289	42,932,558	2,897,549	15,652,523	2,238,008	667,100	1,570,908
	1992	59,699,572	30,041,513	96,390,578	29,533,506	38,162,823	3,364,548	21,850,899	3,478,802	1,012,849	2,465,953
	1993	69,773,064	31,031,479	113,640,960	31,836,252	31,836,252	5,075,311	36,291,586	3,914,666	1,361,063	2,553,602
	1994	79,201,178	31,790,391	119,379,378	45,974,607	30,656,681	4,317,764	34,807,370	3,622,956	1,154,037	2,468,919
	1995	75,774,245	34,608,014	122,948,907	52,631,263	27,393,495	4,553,606	33,729,684	4,640,849	1,412,518	3,228,331
	1996	81,517,146	36,442,345	133,756,130	61,060,586	16,749,000	5,005,411	45,705,009	5,236,124	1,413,789	3,822,334
	1997	90,564,020	39,054,108	146,905,914	73,054,842	8,837,650	6,135,283	52,825,211	6,952,927	1,472,816	5,480,112
	1998	95,022,819	37,540,636	151,662,297	84,063,672	7,994,148	5,560,793	47,636,854	5,416,830	1,469,863	3,946,863
	1999	115,481,716	37,948,526	172,188,558	101,121,666	14,044,637	7,509,764	43,682,111	5,830,379	1,349,671	4,480,708
	2000	140,188,340	37,912,072	193,400,884	127,065,814	6,860,439	8,269,010	46,909,644	4,215,977	850,163	3,365,813
Suppl. Contracts	1991	1,168	996,948	4,590,795	3,304,223	1,021,219	4,274	63,870	197,209	72,191	125,018
	1992	-	1,000,182	4,946,981	3,797,982	594,396	4,817	309,602	240,184	79,993	160,191
	1993	-	6,008,533	5,501,795	4,002,859	1,016,529	4,933	263,335	214,139	59,657	154,483
	1994	-	6,069,385	6,247,269	4,778,318	1,123,134	4,236	93,328	248,254	55,830	192,423
	1995	-	6,176,621	6,996,379	5,462,746	1,165,106	4,564	77,251	286,712	75,505	211,207
Credit Life	1996	-	2,227,509	7,639,550	6,390,898	796,304	3,766	256,108	192,474	80,261	112,213
	1997	4	2,292,977	7,678,534	6,714,443	437,539	4,516	250,622	271,413	81,257	190,156
	1998	1	3,326,500	8,247,150	6,879,175	701,275	4,142	405,430	257,127	32,289	224,838
	1999	-	4,359,145	8,871,710	7,939,303	385,495	6,501	344,941	195,468	54,057	141,412
	2000	-	1,754,902	13,729,428	12,638,444	363,119	6,453	333,678	387,734	104,669	283,065
	1991	1,799,800	384,166	2,545,350	945,131	-120,775	852,926	483,571	384,497	124,893	259,604
	1992	1,692,463	329,047	2,423,621	865,101	-89,099	788,748	455,680	403,191	125,838	277,353
	1993	1,796,862	322,865	2,508,330	851,603	26,946	805,920	488,476	335,385	108,980	226,406
	1994	1,930,696	277,593	2,643,740	859,915	197,022	878,917	463,707	245,079	68,747	176,332
	1995	1,977,651	301,810	2,803,397	896,216	167,674	996,221	432,134	311,152	113,067	198,085
1996	1,796,404	329,182	2,806,295	870,499	-79,384	1,049,884	486,055	479,242	104,365	374,877	
1997	1,857,064	301,183	2,865,554	876,901	56,369	1,100,905	512,390	318,988	84,097	234,891	
1998	1,895,984	309,353	2,887,392	821,541	256,044	1,117,459	431,793	260,555	120,610	139,945	
1999	1,886,160	368,755	2,913,127	812,211	291,540	1,056,688	456,948	295,739	65,749	229,991	
2000	1,811,612	361,457	2,832,754	801,878	172,485	1,102,071	446,633	309,686	95,099	214,587	

*Premium Income Includes Premium and Annuity Considerations, Deposit-Type Funds and Special Premiums.

OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Accident and Health Insurance

Historical Investment Income Ratios

<u>Year</u>	(1) <u>Premium Income</u>	(2) <u>Investment Income</u>	(3) <u>Investment Income Ratio</u>
1991	\$1,604,699	\$378,201	23.6%
1992	\$1,630,798	\$367,082	22.5%
1993	\$1,659,521	\$327,782	19.8%
1994	\$1,929,768	\$292,534	15.2%
1995	\$1,886,642	\$306,394	16.2%
1996	\$1,614,287	\$299,084	18.5%
1997	\$1,815,537	\$298,315	16.4%
1998	\$1,725,025	\$300,491	17.4%
1999	\$1,676,622	\$308,025	18.4%
2000	\$1,616,654	\$295,001	18.2%
Total / Average	\$17,159,553	\$3,172,909	18.5%

Notes :

(1) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 4)

(2) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 4)

(3) : (2) / (1)

SUMMARY OF OPERATIONS BY LINE (1991-2000)
(In Thousands)
TOTAL INDUSTRY

Line of Business	Year	Premium Income *	Net Invest. Income	Total Income (Incl. Oth. Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders.	Net Gain Before-Tax	FIT	Net Gain After-Tax
Credit A&H	1991	1,604,699	378,204	2,412,354	1,069,644	-182,245	781,082	428,352	315,521	111,047	204,474
	1992	1,630,798	367,082	2,456,796	1,050,684	-172,044	770,279	462,135	345,741	106,546	239,195
	1993	1,659,521	327,782	2,459,406	945,086	-29,565	808,082	487,863	247,941	81,897	166,044
	1994	1,929,768	292,534	2,796,265	835,871	211,585	928,628	566,967	253,215	93,129	160,086
	1995	1,806,642	306,394	2,892,580	914,746	173,709	1,078,245	464,673	261,208	93,486	167,722
	1996	1,614,287	299,084	2,650,042	860,246	-116,810	1,072,274	474,075	360,257	106,682	253,575
Other A&H	1997	1,815,537	298,315	2,990,386	858,657	59,705	1,246,238	480,510	345,277	72,277	273,000
	1998	1,725,025	300,491	2,859,211	834,847	40,494	1,129,443	445,004	409,423	139,144	270,279
	1999	1,676,622	308,025	2,751,723	852,551	-22,531	1,060,955	463,961	396,787	129,795	266,993
	2000	1,616,654	295,001	2,726,390	842,784	-96,446	1,105,472	456,080	418,500	89,236	329,264
	1991	17,272,237	2,129,733	20,161,572	9,396,121	2,263,031	3,831,890	4,018,329	652,201	267,316	384,885
	1992	19,246,597	2,328,887	22,296,055	10,471,672	2,962,625	3,926,939	4,105,257	829,563	337,339	492,224
1993	20,920,274	2,595,228	24,248,356	10,971,335	3,694,761	3,984,018	4,410,678	1,187,565	551,911	635,654	
1994	22,440,388	2,829,113	26,305,210	11,915,194	4,506,128	4,175,826	4,684,032	1,024,030	528,051	495,979	
1995	24,352,894	3,315,910	28,583,658	12,943,968	5,796,522	4,455,155	4,543,677	844,337	457,771	386,566	
All Other	1996	23,899,712	3,644,171	28,221,294	13,285,046	4,962,501	4,339,633	4,624,299	1,009,815	538,279	471,536
	1997	24,291,513	4,111,857	29,011,252	13,914,421	5,074,701	4,202,953	4,625,247	1,193,930	597,793	596,137
	1998	25,063,330	4,044,798	30,129,169	14,635,019	4,419,931	4,436,774	5,592,501	1,044,945	508,911	536,034
	1999	26,593,596	4,406,426	32,547,095	15,995,116	5,350,397	4,970,238	5,302,477	928,867	424,597	504,270
	2000	29,277,679	4,487,020	37,069,108	17,358,491	4,955,652	6,090,460	8,589,722	74,784	313,965	-239,181
	1991	521,665	1,279,858	2,303,601	481,448	59,094	2,627	1,030,728	729,559	136,398	593,172
1992	993,430	963,672	2,571,556	1,035,920	-286,271	535	1,263,638	557,372	109,325	448,047	
1993	258,760	1,108,882	2,016,015	1,020,890	-299,892	592	403,480	890,499	-13,847	904,345	
1994	2,388,788	1,606,793	4,119,856	266,144	-47,777	1,456	2,542,016	1,358,015	203,277	1,154,739	
1995	3,757,667	1,906,948	5,766,822	131,059	-11,742	9,976	4,066,617	1,570,946	194,229	1,376,717	
Total	1996	4,168,805	2,278,276	6,779,248	481,129	5,479	11,388	4,417,620	1,863,630	276,041	1,587,589
	1997	5,267,742	2,505,879	8,179,071	1,063,400	40,320	23,440	5,198,407	1,853,507	177,148	1,676,358
	1998	9,338,314	2,493,659	12,514,218	1,891,638	46,341	89,721	8,751,478	1,735,038	192,414	1,542,625
	1999	9,801,400	2,825,034	13,301,737	3,361,366	-65,956	56,135	7,733,021	2,217,153	33,558	2,183,594
	2000	12,663,101	5,420,475	18,867,699	4,509,375	-10,020	35,468	9,281,270	5,051,607	167,097	4,884,510
	1991	277,189,257	107,153,544	414,036,137	221,658,040	73,536,535	23,403,580	79,405,744	16,032,237	5,208,325	10,823,912
1992	293,113,381	108,524,354	428,949,375	227,039,032	71,781,309	24,502,723	87,331,169	18,295,142	6,473,310	11,821,832	
1993	318,198,751	108,947,193	462,718,553	237,957,309	71,604,964	26,553,546	105,118,940	21,483,794	7,520,755	13,963,039	
1994	335,817,889	109,559,368	476,347,574	258,773,680	64,256,670	26,753,235	106,305,907	20,258,082	8,050,283	12,207,799	
1995	350,858,246	119,416,844	505,751,905	289,249,843	59,736,600	29,069,766	103,927,533	23,768,163	8,759,789	15,008,374	
Total	1996	377,299,890	122,658,226	537,605,645	311,249,395	46,315,697	30,303,567	124,096,772	25,640,215	8,893,682	16,746,533
	1997	405,595,579	126,466,742	576,398,131	343,058,214	33,257,137	31,931,721	139,961,381	28,189,679	8,272,946	19,916,733
	1998	454,429,804	129,496,485	634,298,722	369,879,890	41,921,949	36,993,115	162,493,986	23,009,782	7,411,060	15,598,722
	1999	494,259,765	131,447,233	683,396,435	430,347,122	43,746,839	38,503,332	143,447,689	27,351,452	8,192,597	19,158,855
	2000	548,208,025	137,260,043	773,012,303	455,242,384	56,035,345	42,369,133	189,491,249	29,874,193	7,073,707	22,800,486

*Premium Income Includes Premium and Annuity Considerations, Deposit-Type Funds and Special Premiums.

OFFICE OF PUBLIC INSURANCE COUNSEL

Life and Disability Insurance

Historical Federal Income Tax Ratio

<u>Year</u>	(1) <u>Before Tax Income</u>	(2) <u>Federal Income Taxes</u>	(3) <u>Tax Rate</u>
1996	\$25,640,215	\$8,893,682	34.7%
1997	\$28,189,679	\$8,272,946	29.3%
1998	\$23,009,782	\$7,411,060	32.2%
1999	\$27,351,452	\$8,192,597	30.0%
2000	\$29,874,193	\$7,073,707	23.7%
Total / Average	\$134,065,321	\$39,843,992	29.7%

Notes :

(1) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 6)

(2) : Best's Aggregates and Averages [Amounts in 000's],
(see Schedule AIS-6, Sheet 6)

(3) : (2) / (1)

SUMMARY OF OPERATIONS
(Excluding Unrealized Capital Gains and Losses)

TOTAL INDUSTRY
(000 omitted)

	2000	1999	1998	1997	1996
1 Premiums & annuity considerations*	301,804,682	272,160,043	269,266,253	255,825,458	245,368,503
1A Deposit-type funds	246,403,343	222,099,721	185,163,551	149,975,106	131,993,879
2 Considerations for suppl. contr. with life contingencies	792,093	735,665	818,685	821,259	849,490
3 Consideration for suppl. contr. w/o life conting. & div. accum.	14,252,002	13,414,172	12,763,991	11,301,367	10,717,138
3A Coupons left to accumulate at interest	1,993	2,080	4,344	4,386	3,583
4 Net investment income	137,260,043	131,447,233	129,496,485	128,466,742	122,658,226
4A Amortization of interest maint. reserve	1,634,445	1,922,148	1,769,495	1,339,686	1,178,567
4B Net Gain from oper from separate accounts statement	106,206	362,984	162,017	384,091	268,245
5 Commissions & expense allowances on reinsurance ceded	12,234,039	10,551,767	10,412,495	9,604,217	8,869,149
5A Reserve adjustments on reinsurance ceded	31,619,305	8,472,853	6,202,746	7,259,560	4,567,500
6.1 Fees Assoc. with Separate Accounts	13,234,704	10,819,515	8,413,410	-	-
6.2 Aggregate write-ins for miscellaneous income	13,869,447	11,408,272	9,825,250	11,616,258	11,131,385
7 TOTAL INCOME (Items 1 to 6)	773,012,303	683,396,435	634,298,722	576,398,131	537,605,845
8 Death benefits	44,006,737	41,284,300	39,983,494	37,281,768	35,972,248
9 Matured endowments	628,678	556,547	604,233	593,722	770,511
10 Annuity benefits	68,818,750	62,461,876	60,286,858	55,015,349	50,883,485
11 Disability benefits & A&H benefits	73,800,515	70,387,989	66,283,681	63,874,628	64,007,646
11A Coupons, guar. annual pure endowments & similar benefits	27,151	23,846	26,260	25,615	26,249
12 Surrender benefits & other fund withdrawals	245,816,599	234,673,991	182,919,939	165,828,444	140,420,232
13 Group conversions	2,498	12,934	12,302	5,516	6,667
14 Interest on policy or contract funds	5,547,847	5,391,173	5,457,770	7,062,824	6,747,178
15 Payments on supplementary contracts with life contingencies	1,790,357	1,599,625	1,580,139	1,539,597	1,475,499
16 Payments on suppl. contr without life cont. & div. accumulation	14,993,181	13,946,184	12,713,789	11,820,530	10,928,156
16A Accumulated coupon payments	8,074	8,453	9,426	10,220	11,545
17 Incr. in aggregate reserves for life and A&H policies & contracts	45,539,266	41,234,061	38,476,174	39,142,727	52,737,687
17A Incr. in liability for premiums & other deposit funds	9,563,530	1,297,789	3,887,285	-7,061,503	-7,928,393
18 Incr. in res. for suppl. contr. w/o life cont. & for div. & coup. accum.	932,548	1,214,989	1,558,491	1,175,912	1,506,403
19 TOTAL (Items 8 to 18)	511,277,728	474,093,961	411,801,839	376,315,350	357,565,092
20 Commissions on premiums & annuity considerations	32,414,432	29,371,270	26,400,486	24,047,492	22,983,113
21 Commissions & expense allow. on reinsurance assumed	9,954,701	9,132,083	10,592,626	7,884,229	7,320,454
22 General insurance expenses	44,188,787	43,331,250	41,644,870	36,723,900	35,974,134
23 Insurance taxes, licenses & fees excl. FIT	6,167,526	5,854,465	5,917,587	5,816,234	5,694,257
24 Increase in loading & cost of collection	12,031	86,134	-13,264	-217,353	-33,383
24A Net transfers to variable/separate accounts	69,783,019	53,518,484	67,147,874	56,244,651	46,473,956
25 Aggregate write-ins for deductions	48,958,327	21,074,158	26,454,437	20,898,465	15,360,988
26 TOTAL (Items 19 to 25)	722,736,550	636,441,785	591,946,439	529,710,968	493,338,610
27 Net gain from operations before div. & FIT (Item 7 minus item 26)	50,275,753	46,954,649	42,352,284	46,687,182	44,267,035
28 Dividends to policyholders	20,401,580	19,603,197	19,342,502	18,497,484	18,626,820
29 Net gain from operations after div. & before FIT (Item 27 minus item 28)	29,874,193	27,351,452	23,009,782	28,189,697	25,640,215
30 Federal income taxes incurred	7,073,707	8,192,597	7,411,060	6,272,946	8,893,682
31 Net gain after dividends & taxes, before realized capital gain/loss (Item 29 minus item 30)	22,800,486	19,158,855	15,598,722	19,916,753	16,746,533
32 Net realized capital gain/loss less capital gains tax	1,361,946	2,176,779	2,843,466	2,219,581	1,821,461
33 NET INCOME (Item 31 plus Item 32)	24,162,433	21,335,634	18,442,207	22,136,334	18,567,993

*Premiums & annuity considerations include special premiums. Thus, these figures do not correspond with net premium and annuity considerations appearing elsewhere in this publication.

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Life Insurance

Fifty Largest Writers of Credit Life
(Amounts in 000's)

Company	(1) Credit Life Net Premium Written	(2) Total Net Premium Written	(3) Capital & Surplus	(4) Premium to Surplus Ratio
CUNA Mutual Group	240,931	2,045,922	793,514	2.58
Citigroup	233,321	9,606,648	6,368,473	1.51
Household Ins. Gr	220,600	700,731	328,788	2.13
American General	181,971	13,451,891	5,976,038	2.25
Fortis, Inc	155,177	3,941,716	1,704,797	2.31
Protective Life	55,434	1,629,646	723,382	2.25
Minnesota Mutual	54,356	2,552,599	1,305,965	1.95
Conseco	42,204	6,257,671	1,881,770	3.33
Allstate Finl Group	40,619	12,331,530	2,736,160	4.51
Central States H & L	39,239	135,384	75,774	1.79
Aegon USA Inc	38,314	23,044,178	4,918,753	4.68
BankAmerica Group	35,417	68,000	231,454	0.29
Zurich Ins Grp US	34,407	3,334,926	2,116,261	1.58
Metropolitan L&Affil	31,684	30,571,775	7,985,542	3.83
Employers Re Group	31,511	960,100	2,462,723	0.39
Amer Internatl Group	31,226	23,497,214	8,933,250	2.63
Centurion Life	30,169	67,688	678,051	0.10
JMIC Life	26,658	61,419	52,751	1.16
Amer National Ins	25,041	1,081,594	1,832,113	0.59
Life of the South Gr	24,635	41,533	18,099	2.29
American United L Gr	24,500	1,783,976	497,000	3.59
CBD Holding Ltd	21,016	66,004	57,896	1.14
AMERCO Group	17,870	209,827	50,322	4.17
Aon Corporation	16,765	1,270,088	453,991	2.80
Service Life & Cas	14,099	27,784	23,145	1.20
Individual Assur	13,956	34,257	18,337	1.87
Munich Amer Reas	11,801	242,257	346,995	0.70
Souther Pioneer	10,173	12,515	10,895	1.15
Guardian	9,781	7,163,385	1,656,141	4.33
Cooperative de Seg V	9,645	120,356	20,412	5.90
LDS Group	9,630	15,597	24,551	0.64
ING Group	9,062	23,999,344	3,958,970	6.06
Universal Life Ins	8,931	12,666	1,355	9.35
American Modern Ins	8,894	16,413	10,960	1.50
National Life Ins PR	8,748	40,638	13,676	2.97
Pekin Ins Grp	8,225	176,011	85,969	2.05
Guarantee Trust Grp	6,336	149,016	49,052	3.04
Independence Holding	5,687	102,379	62,351	1.64
Gulf Guaranty Life	5,511	7,817	15,987	0.49
Plateau Group Inc	5,136	5,629	5,968	0.94
Old United Group	4,865	8,948	25,417	0.35
Enterprise Life Ins	4,552	11,948	9,652	1.24
USAA Life Group	4,493	659,345	528,830	1.25
Commonwealth Dirs Lf	4,216	7,631	9,238	0.83
J.C. Penney	4,148	843,591	232,865	3.62
Wichita National Lf	4,031	8,158	6,651	1.23
United Life Ins Co	4,016	191,800	66,217	2.90
American Road Ins Gr	3,980	6,521	26,329	0.25
State Farm Group	3,682	3,001,516	3,229,462	0.93
Magna Insurance Co	3,654	5,950	19,516	0.30
Total	1,820,317	175,583,532	62,641,808	
(4) Average : Unweighted				2.21
(5) Average : Weighted by Total Premium				2.80
(6) Selected Premiums to Capital and Surplus Ratio				2.50

Source: Best's Aggregates & Averages, Life-Health, United States, 2001, p. 353

OFFICE OF PUBLIC INSURANCE COUNSEL
Credit Accident and Health Insurance

Fifty Largest Writers of Credit Accident and Health
(Amounts in 000's)

Company	(1) Credit A&H Net Premium Written	(2) Total Net Premium Written	(3) Capital & Surplus	(4) Premium to Surplus Ratio
CUNA Mutual Group	385,934	2,045,922	793,514	2.58
Citigroup	217,063	9,606,648	6,368,473	1.51
Household Ins. Gr	174,634	700,731	328,788	2.13
American General	138,696	13,451,891	5,976,038	2.25
Fortis, Inc	136,955	3,941,716	1,704,797	2.31
Minnesota Mutual	69,017	2,552,599	1,305,965	1.95
Aegon USA Inc	56,422	23,044,178	4,918,753	4.68
Allstate Finl Group	48,575	12,331,530	2,736,160	4.51
Centurion Life	37,519	67,688	678,051	0.10
JMIC Life	34,761	61,419	52,751	1.16
CBD Holding Ltd	33,343	66,004	57,896	1.14
Guardian	32,746	7,163,385	1,656,141	4.33
Central States H & L	27,412	135,384	75,774	1.79
Amer National Ins	22,478	1,081,594	1,832,113	0.59
American United L Gr	18,639	1,783,976	497,000	3.59
AMERCO Group	18,625	209,827	50,322	4.17
Zurich Ins Grp US	16,853	3,334,926	2,116,261	1.58
Aon Corporation	16,072	1,270,088	453,991	2.80
Service Life & Cas	13,665	27,784	23,145	1.20
Conseco	10,937	6,257,671	1,881,770	3.33
Pekin Ins Grp	10,621	176,011	85,969	2.05
Metropolitan L&Affil	10,022	30,571,775	7,985,542	3.83
ING Group	9,121	23,999,344	3,958,970	6.06
Individual Assur	9,001	34,257	18,337	1.87
Life of the South Gr	8,919	41,533	18,099	2.29
BankAmerica Group	8,411	68,000	231,454	0.29
American Modern Ins	7,519	16,413	10,960	1.50
Balboa Life Ins Co	7,424	(5,007)	147,691	-0.03
Enterprise Life Ins	7,395	11,948	9,652	1.24
Independence Holding	6,838	102,379	62,351	1.64
Guarantee Trust Grp	6,716	149,016	49,052	3.04
J.C. Penney	6,407	843,591	232,865	3.62
LDS Group	5,967	15,597	24,551	0.64
Southern Finl Life	5,240	6,911	4,685	1.48
Alabama Reassurance	4,856	100,636	115,198	0.87
Old United Group	4,056	8,948	25,417	0.35
United Life Ins Co	3,947	191,800	66,217	2.90
Swiss Reinsurance	3,942	5,748,115	861,530	6.67
Munich Amer Reas	3,840	242,257	346,995	0.70
Commonwealth Dlrs Lf	3,415	7,631	9,238	0.83
Servco Life Ins	2,637	4,397	7,852	0.56
American Road Ins Gr	2,541	6,521	26,329	0.25
UICI Group	2,532	633,766	279,660	2.27
Southern Pioneer	2,094	12,515	10,895	1.15
Trans City Life Ins	1,801	5,148	7,943	0.65
Dennis Life Ins Co	1,782	4,612	12,961	0.36
Gulf Guaranty Life	1,716	7,817	15,987	0.49
Employers Life Ins	1,632	3,210	2,448	1.31
First Virginia Life	1,592	3,418	4,925	0.69
American Federated Life	1,518	3,649	12,262	0.30
Total	1,663,848	152,151,169	48,153,738	
(4) Average : Unweighted				1.95
(5) Average : Weighted by Total Premium				3.16
(6) Selected Premiums to Capital and Surplus Ratio				2.50

Source: Best's Aggregates & Averages, Life-Health, United States, 2001, p. 370

INVESTMENT YIELDS*
(Percents)

TOTAL INDUSTRY

Year	Bonds	Total Stocks	Preferred Stocks	Common Stocks	Mortgages	*Real Estate	Policy Loans	*Net Yield	Total Return
1991	9.54	5.03	8.18	4.19	9.58	3.94	6.45	8.91	9.21
1992	9.02	5.28	8.50	4.45	9.26	3.53	6.68	8.48	8.44
1993	8.31	5.47	7.76	4.91	9.07	3.56	6.74	7.96	8.06
1994	7.86	2.72**	8.04	1.48**	8.78	3.99	7.26	7.54	7.37
1995	7.91	5.00	7.62	4.47	8.88	4.66	7.62	7.80	8.13
1996	7.69	5.06	7.18	4.67	8.77	4.71	7.56	7.63	8.07
1997	7.60	7.15	7.53	7.08	8.72	5.31	7.19	7.66	8.22
1998	7.51	5.89	7.33	5.59	8.42	5.86	7.12	7.40	7.68
1999	7.43	5.93	7.09	5.64	8.18	5.90	6.83	7.27	7.38
2000	7.46	5.61	6.91	5.25	7.98	6.29	6.92	7.35	7.11

STOCK ORGANIZATIONS

Year	Bonds	Total Stocks	Preferred Stocks	Common Stocks	Mortgages	*Real Estate	Policy Loans	*Net Yield	Total Return
1991	9.45	5.23	8.17	4.42	9.46	3.96	6.38	8.91	9.17
1992	8.98	5.37	8.48	4.53	9.26	3.53	6.81	8.51	8.57
1993	8.24	5.50	7.72	4.91	8.97	3.53	6.90	7.99	8.04
1994	7.82	5.09	7.70	4.41	8.78	4.06	7.76	7.66	7.43
1995	7.85	5.81	7.70	5.38	8.83	4.33	8.11	7.86	8.05
1996	7.65	5.56	7.30	5.19	8.77	4.55	8.06	7.71	8.10
1997	7.60	8.91	7.75	9.16	8.75	5.12	7.47	7.81	8.22
1998	7.53	6.04	7.34	5.70	8.38	5.98	7.38	7.48	7.66
1999	7.42	5.74	6.95	5.32	8.20	6.11	6.58	7.31	7.20
2000	7.49	5.42	6.94	4.84	7.98	6.59	6.91	7.41	7.12

MUTUAL ORGANIZATIONS

Year	Bonds	Total Stocks	Preferred Stocks	Common Stocks	Mortgages	*Real Estate	Policy Loans	*Net Yield	Total Return
1991	9.78	4.65	8.19	3.76	9.82	3.88	6.53	8.91	9.32
1992	9.11	5.11	8.56	4.31	9.24	3.51	6.52	8.41	8.14
1993	8.50	5.41	7.84	4.90	9.30	3.83	6.53	7.90	8.11
1994	7.97	-1.40**	8.83	-3.29**	8.76	3.78	6.49	7.23	7.21
1995	8.06	3.59	7.43	3.01	8.99	5.58	6.76	7.66	8.33
1996	7.78	4.26	6.92	3.89	8.77	5.09	6.65	7.43	8.00
1997	7.60	4.52	7.08	4.16	8.68	5.79	6.70	7.28	8.20
1998	7.46	5.68	7.29	5.45	8.49	5.59	6.67	7.20	7.72
1999	7.45	6.20	7.48	6.02	8.12	5.46	6.72	7.17	7.82
2000	7.39	5.90	6.79	5.77	7.98	5.70	6.93	7.20	7.08

*Total Investment Yield represents the average net yield for all invested assets and is after the deduction of investment expenses. Real Estate Investment Yield is net yield after expenses, taxes and depreciation. All other yields are on a gross basis.
 **In 1994, a major mutual life-health insurance group recorded a negative charge of \$1.011 billion to investment income and hence reduced the aggregate net investment income of the industry. This single entry has resulted in a distortion to aggregate life-health industry data in all places where income statement data flows. It has also distorted the 1994 industry ratios that are derived using these statement items.

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Cooper Union, B.S., Physics, 1975

PROFESSIONAL AFFILIATIONS

Casualty Actuarial Society, Fellow - 1981, Associate - 1979

Society of Actuaries, Associate - 1983

American Academy of Actuaries, Member - 1979

Conference of Consulting Actuaries, Fellow - 1989, Member - 1983

Associate in Reinsurance - June 1998
(Received Reinsurance Association of America Award for Academic Excellence)

Associate in Claims - September 1998

Associate in Premium Auditing - May 1999

Associate in Underwriting - June 1999

Casualty Actuarial Society Course on Interest Rate Models - March 2002

Association for Studies in Non-Life Insurance

International Actuarial Association

Casualty Actuarial Society Examination Committee : 1983-1984

Casualty Actuarial Society - Committee on Management Data and Information : 1988

Conference of Actuaries in Public Practice - Committee on Surveys : 1985

Self-Insurance / Statistics Committee - International Association for Industrial Accident Boards and Commissions (IAIABC) : 1985

Property/Casualty Actuarial Task Force of the National Association of Insurance Commissioners (NAIC) : 1987 - 1989

Statistical Task Force of the NAIC : 1988 - 1989

Life / Accident / Health Actuarial Task Force of the NAIC : 1987

Middle Atlantic Actuarial Club : 1987

Casualty Actuaries of the Southeast : 1987

Editor - Fresh Air Newsletter (Published by Actuaries in Regulation) : 1987 - 1988

PUBLICATIONS

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"Actuarial Implications of Claims-Made Policies" : The Journal of the Independent Reinsurance Underwriters Association, Volume I, Number 1, October 1985

"Considerations in the Regulatory Analysis of Workers' Compensation Rate Filings" : Best's Review, Property / Casualty Insurance Edition, 8/88

"Delays in Payment of Private Passenger Auto Premium Receipts / Commissions : Impact on Calculation of Investment Income", Journal on Insurance Regulation, Volume 7, No. 3, March 1989

"Various Studies Related to Workers' Compensation", State of California - Workers' Compensation Rate Study Commission, Volume V, March 1992

LECTURES PRESENTED

"Reserving Losses for Self-Insureds" & "Actuarial Sufficiency of Self-Insurance Programs" : Eleventh Workers' Compensation College of the IAIABC - 4/84

"Problems, Trends, and History of Self-Insurance" : 1984 IAIABC Central States Association Conference - 6/84

"Actuarial Issues to be Addressed in Pricing Excess of Loss Reinsurance" : Los Angeles CPCU Technical Conference - 6/84

"Types of Security Available for the Self-Insured Employer" : 1984 Mid-Year Meeting of the National Council of Self-Insurers - 9/84

"Actuarial Implications of Claims-Made Policies" : Fall 1985 Meeting of the Independent Reinsurance Underwriters Association - 10/85

"North Carolina Medical Malpractice Closed Claim Study" : Duke University - Conference on Developing Information Bases for Medical Malpractice Claim Studies - 5/87

"A Regulator's Perspective on Rate Filings" : Casualty Actuarial Society Seminar on Ratemaking - 3/88

"Understanding the Insurance Industry and Regulation" : Public Citizen's Taming the Insurance Giant Conference - 2/90

"Analyzing Insurance Company Rate Filings" : National Association of Attorneys General Insurance Committee Meeting - 4/90

"Where Does All The Money Go - Insurance Profitability" : Workers Compensation in New York - 5/95

WORK EXPERIENCE

AIS RISK CONSULTANTS, INC.

President - 11/84 to Present

Responsibilities include performing actuarial analyses for all lines of property/casualty insurance. Loss reserve and rate level studies for insurance companies, reinsurance companies, state insurance funds, self-insurers, captive insurers, brokerage firms and attorneys. Work also involves projection of payment patterns, excess insurance studies, production of management information systems and development of individual risk rating plans.

Has been qualified as an expert in property/casualty insurance in numerous jurisdictions. Has provided testimony in regulatory and legislative hearings.

NEW JERSEY DEPARTMENT OF INSURANCE

Assistant Commissioner - 5/88 to 1/90

Supervised a staff of 20+ which regulated rates, rules and policy forms in New Jersey for property/casualty insurance to determine compliance with the applicable statutes and regulations. Also responsible for the statistical section for property/casualty insurance. This section gathers and analyzes data related to property/casualty insurance. Provided advice to the Insurance Commissioner and other senior staff members of the Insurance Department regarding the impact of proposed legislation, regulations and overall policy directives.

Provided recommendations in regard to the financial analysis and condition of insurers, including excess profits reports.

NORTH CAROLINA DEPARTMENT OF INSURANCE

Chief Actuary - 6/86 to 4/88

Responsible for all actuarial studies performed in the Department of Insurance covering property / casualty / life / health / accident insurance.

Work included the analysis of filings made by insurance companies to see that they are in compliance with the insurance laws and regulations of the State of North Carolina. Also interacted with the legal staff of the Insurance Department in drafting proposed insurance laws and regulations.

Responsible for the analysis of the loss and loss adjustment expense reserves established by insurance companies to meet the liabilities they have incurred in the past, but which will not be payable until some time in the future.

Involved in various special projects relating to the financial analysis of insurance operations. These included the review of reinsurance contracts, the financial analysis of the North Carolina State Property Fire Insurance Fund and a study of medical malpractice closed claims.

Was in charge of a staff of six, including four professional and two clerical people. Other duties involved the writing of computer programs, providing expert testimony at rate hearings and assisting the Insurance Commissioner prepare for legislative committees.

WOODWARD & FONDILLER

Senior Actuary - 8/77 to 11/84

Consulting property/casualty actuarial studies (see description under AIS Risk Consultants, Inc.)

NATIONAL COUNCIL ON COMPENSATION INSURANCE

Actuarial Trainee - 3/76 to 8/77

Performed ratemaking analyses and prepared rate filings for workers' compensation insurance. Regularly evaluated the impact of changes in workers' compensation benefits. Also assisted the Director of Research with special studies related to data collection, ratemaking procedures and benefit evaluations.

Insurer Financial Results: 1998

Table 5

**Components of Surplus Change
Property/Casualty Insurance Industry, 1989-1998**
(\$ Billions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Net Income after Taxes	\$ 12.2	\$ 10.8	\$ 14.2	\$ 5.8	\$ 19.3	\$ 10.9	\$ 20.6	\$ 24.4	\$ 36.8	\$ 30.9
Dividends to Stockholders	(5.5)	(5.7)	(5.8)	(6.5)	(7.3)	(6.3)	(8.2)	(9.0)	(11.3)	(13.3)
New Funds	2.4	3.4	2.0	5.5	7.4	6.8	7.1	4.5	3.9	5.1
Unrealized Capital Gains (Losses)	8.0	(5.1)	13.4	(0.1)	1.0	(1.8)	21.7	13.3	29.0	10.1
Miscellaneous Surplus Changes	(1.3)	0.9	(3.6)	(0.4)	(1.3)	1.5	(4.5)	(7.7)	(5.5)	(7.7)
Change in Surplus*	\$ 15.8	\$ 4.4	\$ 20.3	\$ 4.4	\$ 19.2	\$ 11.1	\$ 36.7	\$ 25.5	\$ 53.0	\$ 25.0
Surplus	\$134.0	\$138.4	\$158.7	\$163.1	\$182.3	\$193.3	\$230.0	\$255.5	\$308.5	\$333.5
Return on Average Net Worth (GAAP)**	10.5%	8.8%	9.6%	4.5%	11.0%	5.6%	8.7%	9.3%	11.6%	8.4%

NOTE: Figures may not balance because of rounding.

*Change in surplus represents the difference in industrywide surplus from one year to the next and may be different from the sum of reported changes in surplus because company mix varies from year to year.

**Based on GAAP-adjusted net income and average net worth.

Change in Surplus

The industry's statutory surplus grew \$25.0 billion to \$333.5 billion at year-end 1998. (See Table 5.) This increase resulted from \$30.9 billion in net income after taxes, \$10.1 billion in unrealized capital gains, and \$5.1 billion in new funds, less \$13.3 billion in stockholder dividends and \$7.7 billion in miscellaneous charges against surplus.

The \$25.0-billion increase in surplus in 1998 was less than half of the record \$53.0-billion increase in surplus in 1997. But the increase in surplus in 1998 was not much less than the \$25.5-billion increase in surplus in 1996 and was more than twice the \$11.1-billion increase in surplus in 1994.

Return on Net Worth

The property/casualty insurance industry's estimated GAAP return on average net worth¹³ (RONW) was 8.4% last year, 3.2 percentage points lower than its 11.6% RONW in 1997 and the industry's lowest RONW since 1994. So far in the 1990s, the industry's GAAP rate of return has averaged 8.6%, compared with returns averaging 10.6% in the 1980s. Since the start of the 1990s, the industry's rate of return has risen above 10.0% only twice. In the 1980s, the industry's rate of return exceeded 10.0% in six out of ten years.

Growth in surplus slowed in 1998, despite an increase in the amount of new funds paid into the industry. The slowing in the growth of surplus last year reflected declines in net income after taxes and unrealized capital gains and increases in dividends to stockholders and miscellaneous charges against surplus.

Despite the decline in unrealized capital gains in 1998, total capital gains contributed substantially to the growth in surplus for the fourth year in a row. For further information about how capital gains have contributed to the growth in surplus, see the discussion on page 23.

13. Generally Accepted Accounting Principles, or GAAP, is the accounting term used by firms in most industries. Average net worth for a year is the average of year-end net worth and the previous year's year-end net worth.

SUMMARY OF OPERATIONS BY LINE (1991-2000)
(In Thousands)

TOTAL INDUSTRY

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (Incl. Oth. Inc.)	Benefits	Change In Reserves	Commissions	All Other Expenses & Div. to Policyholders.	Net Gain Before-Tax	FT	Net Gain After-Tax	
Ordinary Life	1991	63,109,815	32,198,453	103,962,801	34,201,591	24,229,100	10,031,805	29,886,744	5,613,554	2,261,138	3,352,416	
	1992	67,636,716	32,932,480	108,691,094	34,944,921	26,217,191	9,995,860	31,107,834	6,430,649	2,684,793	3,545,857	
	1993	73,797,715	33,089,475	112,562,640	36,320,702	30,576,060	10,177,991	28,969,691	6,518,640	2,750,700	3,767,939	
	1994	77,723,997	34,540,608	119,276,342	38,940,361	29,444,245	10,250,737	33,742,218	6,898,780	3,867,387	3,031,393	
	1995	80,238,697	38,834,673	126,679,519	41,885,408	33,294,513	10,991,013	31,634,864	8,873,806	4,219,496	4,654,110	
	1996	84,219,244	40,382,139	130,017,516	47,484,748	28,328,206	10,728,307	33,906,518	9,589,736	4,192,053	5,377,684	
	1997	86,859,689	42,486,146	137,556,790	49,109,344	27,727,611	12,028,998	39,035,311	9,655,526	3,879,301	5,776,229	
	1998	99,285,925	45,235,063	154,982,765	54,133,077	24,902,745	14,136,069	54,013,770	7,797,075	3,263,265	4,533,809	
	1999	92,955,496	46,372,035	148,420,030	59,503,249	22,980,436	13,590,453	42,627,973	9,717,920	3,293,235	6,424,684	
	2000	102,375,792	48,366,046	191,846,837	56,503,317	32,763,911	15,523,004	77,340,390	9,716,212	3,012,071	6,704,142	
	Individual Annuities	1991	53,214,988	27,833,487	91,283,927	27,573,289	42,932,558	2,897,549	15,652,523	2,238,008	667,100	1,570,908
		1992	59,699,572	30,041,513	96,390,578	29,533,506	38,162,823	3,364,548	21,850,899	3,478,802	1,912,849	2,465,953
		1993	69,773,064	31,031,479	113,640,960	36,523,146	31,836,252	5,075,311	36,291,586	3,914,666	1,361,063	2,553,602
		1994	79,201,178	31,790,391	119,379,378	45,974,607	30,656,681	4,317,764	34,807,370	3,622,956	1,154,037	2,468,919
		1995	75,774,245	34,608,014	122,948,907	52,631,263	27,393,495	4,553,606	33,729,694	4,640,849	1,412,518	3,228,331
1996		81,517,146	36,442,345	133,756,130	61,060,596	16,749,000	5,005,411	45,705,009	5,236,124	1,413,789	3,822,334	
1997		90,564,020	39,054,108	146,805,914	73,054,842	8,637,650	5,135,283	52,825,211	6,962,927	1,472,816	5,480,112	
1998		95,022,819	37,540,636	151,662,297	84,063,672	7,994,148	6,560,793	47,636,854	5,416,830	1,469,967	3,946,863	
1999		115,481,716	37,948,526	172,188,558	101,121,666	14,044,637	7,509,764	43,682,111	5,830,379	1,349,671	4,480,708	
2000		140,188,340	37,912,072	193,400,884	127,065,814	6,860,439	8,269,010	46,989,644	4,215,977	850,163	3,365,813	
Suppl. Contracts		1991	1,168	996,948	4,590,795	3,304,223	1,021,219	4,274	63,870	197,209	72,191	125,018
		1992	-	1,000,192	4,946,981	3,797,902	594,396	4,817	308,602	240,184	79,993	160,191
		1993	-	1,008,533	5,501,795	4,002,859	1,016,529	4,933	263,335	214,139	59,657	154,483
		1994	-	1,069,305	6,247,269	4,778,318	1,123,134	4,236	93,328	248,254	55,830	192,423
		1995	-	1,178,621	6,996,379	5,462,746	1,165,106	4,564	77,251	286,712	75,505	211,207
	1996	-	1,227,509	7,639,550	6,390,898	796,304	3,766	256,108	192,474	80,261	112,213	
	1997	4	1,292,977	7,678,534	6,714,443	437,539	4,516	230,622	271,413	81,257	190,156	
	1998	1	1,326,500	8,247,150	6,879,175	701,275	4,142	405,430	257,127	32,289	224,838	
	1999	-	1,359,145	8,871,710	7,939,303	385,495	6,501	344,941	195,468	54,057	141,412	
	2000	-	1,754,902	13,729,428	12,638,444	363,119	6,453	333,678	367,734	104,669	263,065	
	Credit Life	1991	1,799,800	384,166	2,545,350	945,131	-120,775	852,926	483,571	384,497	124,893	259,604
		1992	1,692,463	329,047	2,423,621	865,101	-89,099	788,748	455,680	403,191	125,838	277,353
		1993	1,796,862	322,865	2,508,330	851,603	26,946	805,920	488,476	315,385	108,980	226,406
		1994	1,930,696	277,593	2,643,740	859,015	197,022	878,917	463,707	245,079	68,747	176,332
		1995	1,977,651	301,810	2,803,397	896,216	167,674	996,221	432,134	311,152	113,067	198,085
1996		1,796,404	329,182	2,806,295	870,499	-79,384	1,049,884	486,055	479,242	104,365	374,877	
1997		1,857,064	301,183	2,865,554	876,901	56,369	1,100,905	512,350	318,988	64,097	234,891	
1998		1,895,984	309,353	2,897,392	821,541	256,044	1,117,459	431,793	260,555	120,610	139,945	
1999		1,886,160	368,755	2,913,127	812,211	291,540	1,056,688	456,948	295,739	65,749	229,991	
2000		1,811,612	361,457	2,832,754	801,878	172,465	1,102,071	446,633	309,686	95,099	214,587	

*Premium Income includes Premium and Annuity Considerations, Deposit-Type Funds and Special Premiums

Appendix C, Sheet 1

SUMMARY OF OPERATIONS BY LINE (1991-2000)
(In Thousands)

TOTAL INDUSTRY

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (Incl. Dth. Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Dth. to Policyholders	Net Gain Before-Tax	FT	Net Gain After-Tax
Group Life	1991	14,424,799	2,608,232	18,543,310	13,138,691	342,545	594,067	3,016,565	1,451,442	440,504	1,010,938
	1992	16,161,130	2,631,023	20,643,005	14,263,687	1,737,524	694,561	2,360,307	1,596,927	656,656	940,270
	1993	17,336,902	2,602,950	22,243,974	14,766,710	2,338,156	697,767	1,595,264	1,016,111	579,153	1,016,111
	1994	18,699,238	2,610,831	24,770,123	16,812,692	2,920,547	741,059	2,876,695	1,419,130	644,018	775,112
	1995	19,545,021	3,087,137	26,444,126	17,642,879	2,921,513	920,385	3,380,887	1,578,462	656,485	921,977
Group Annuities	1996	20,447,098	3,963,996	28,056,058	18,736,745	2,115,916	894,199	4,407,383	1,841,816	639,415	1,202,401
	1997	25,043,654	3,542,783	33,600,833	18,972,493	2,226,942	950,800	9,079,230	2,363,368	905,993	1,457,375
	1998	24,445,576	3,637,537	33,470,944	20,338,176	3,721,331	1,074,209	6,582,931	1,754,297	688,533	1,065,764
	1999	24,967,136	3,717,781	34,478,198	22,505,780	1,174,761	1,217,113	7,095,479	2,485,065	893,112	1,591,952
	2000	27,067,644	3,599,790	32,957,791	19,060,340	2,342,188	1,294,666	8,047,075	2,213,501	843,469	1,370,032
Industrial Life	1991	72,489,136	35,932,100	110,142,832	91,591,652	1,896,323	611,119	14,272,395	1,771,342	307,244	1,464,097
	1992	71,047,512	34,297,358	107,046,188	89,611,515	1,199,157	703,076	14,169,425	1,363,015	253,802	1,109,213
	1993	74,796,880	33,068,926	113,531,797	90,489,463	373,714	759,863	19,174,726	2,734,031	713,148	2,020,884
	1994	73,787,559	30,946,686	106,932,726	93,666,272	-5,819,646	986,314	15,946,955	2,172,831	148,753	2,024,078
	1995	82,618,355	31,414,081	114,472,014	108,164,461	-12,780,424	1,235,144	15,006,098	2,646,735	746,726	2,100,009
Group A&H	1996	96,801,433	30,578,684	127,390,308	111,982,245	-7,948,894	1,978,926	17,596,377	3,781,655	1,101,101	2,740,554
	1997	107,302,594	30,575,876	138,756,194	129,277,222	-12,899,699	2,059,746	15,978,040	4,340,895	863,616	3,477,269
	1998	134,449,257	29,975,565	167,453,634	135,355,863	-993,389	2,692,991	25,990,210	4,437,960	804,198	3,633,762
	1999	154,599,570	29,829,036	193,715,062	164,595,206	-1,825,395	2,950,309	22,914,096	5,080,846	1,484,964	3,595,882
	2000	163,634,253	30,503,002	201,284,914	160,682,194	7,660,533	3,235,061	25,208,982	4,498,144	716,661	3,781,463
Group A&H	1991	510,510	1,104,968	1,732,554	757,401	-207,757	63,106	582,330	537,474	129,889	407,585
	1992	481,947	1,054,955	1,560,932	720,864	-161,292	61,344	482,721	457,275	97,334	359,941
	1993	455,567	927,070	1,381,159	711,526	-180,683	49,611	455,611	355,094	47,220	307,874
	1994	427,683	800,753	1,278,295	685,158	-129,627	46,149	388,312	288,304	239,241	49,063
	1995	402,151	937,790	1,294,593	651,319	-156,023	40,218	416,861	342,218	141,109	201,109
Group A&H	1996	382,542	970,468	1,351,807	636,646	-178,230	33,559	461,912	397,920	142,289	255,631
	1997	393,257	892,121	1,385,842	628,719	-142,165	30,572	458,142	410,574	66,665	343,709
	1998	373,814	1,008,388	1,347,141	646,118	-148,772	30,572	615,021	212,663	84,520	128,143
	1999	343,510	1,014,922	1,399,090	656,105	-201,566	19,802	407,531	517,217	161,538	355,679
	2000	278,075	916,099	1,708,084	684,429	-399,956	20,926	1,021,372	382,314	176,004	206,309
Group A&H	1991	52,240,460	2,309,395	56,347,041	39,198,849	1,303,362	3,733,075	9,970,336	2,141,420	690,605	1,450,815
	1992	54,523,216	2,457,545	59,922,569	40,753,160	1,616,299	4,192,016	10,768,671	2,592,423	808,935	1,783,598
	1993	57,402,206	2,854,003	62,614,121	41,353,989	2,252,686	4,189,459	11,327,417	3,490,570	1,280,873	2,209,697
	1994	57,288,584	2,794,681	62,598,370	44,040,048	1,194,378	4,442,149	10,194,307	2,727,488	1,047,813	1,679,675
	1995	60,304,923	3,425,466	66,869,910	47,925,698	1,772,257	4,785,239	10,174,777	2,211,938	648,397	1,562,541
Group A&H	1996	62,453,219	3,142,372	68,937,397	49,400,607	1,681,809	5,186,220	11,761,416	907,546	359,407	548,139
	1997	61,600,505	3,305,497	67,567,761	48,587,772	1,838,164	5,140,270	11,510,271	483,284	71,783	411,501
	1998	62,829,759	3,624,495	68,744,801	50,280,764	991,801	5,729,373	12,058,994	-316,131	107,209	-823,340
	1999	65,954,559	3,297,548	72,810,105	53,004,549	1,635,021	6,065,374	12,419,151	-313,989	302,321	-616,310
	2000	69,294,875	3,644,179	76,567,414	55,095,318	1,423,440	5,686,522	11,776,400	2,605,734	705,273	1,900,462

*Premium Income includes Premium and Annuity Considerations, Deposit-Type Funds and Special Premiums

CUMULATIVE BY LINE DIRECT BUSINESS WRITTEN - INDUSTRY

KINDS OF INSURANCE	Year	*Direct Premiums Written	*Direct Premiums Earned	Ratios To Direct Premiums Earned			Ratios To Direct Premiums Written			Dividends to Policyholders	Combined Ratio After Div
				Losses Incurred	Loss Adj Expenses Incurred	Losses & Adj Expenses Incurred	Comms & Brokerage Incurred	Other Underwriting Expenses Incurred	Total Underwriting Expenses Incurred		
FIRE	1996	5,542,309	5,555,500	50.9	5.1	55.0	13.8	16.8	30.7	0.2	86.9
	1997	5,470,582	5,439,084	48.8	4.3	53.1	15.3	17.1	32.4	0.3	85.8
	1998	5,228,897	5,239,444	61.1	5.1	66.2	14.3	17.6	31.9	0.3	98.5
	1999	4,941,531	4,880,440	59.8	5.8	65.6	14.5	19.3	33.8	0.2	99.6
	2000	5,649,544	5,021,270	58.8	6.0	64.7	13.3	13.9	27.2	0.2	92.1
TOTALS		26,832,843	26,135,748	55.7	5.2	60.9	14.2	16.9	31.1	0.2	92.3
ALLIED LINES	1996	5,227,685	5,092,523	87.2	6.4	93.6	14.0	16.7	30.7	0.1	124.4
	1997	5,782,491	5,731,528	63.1	5.2	68.3	14.3	9.6	23.9	0.3	92.4
	1998	5,957,646	5,894,906	99.8	5.8	105.7	13.9	9.7	23.7	0.3	129.6
	1999	6,639,532	6,594,937	86.9	5.0	92.0	12.5	9.8	22.4	0.2	114.5
	2000	6,989,193	7,142,103	72.4	4.5	76.9	12.3	10.3	22.7	0.1	99.6
TOTALS		30,598,547	30,455,997	81.6	5.3	86.9	13.3	11.1	24.4	0.2	111.5
EARTHQUAKE	1996	1,431,802	1,400,936	4.4	4.4	8.8	11.4	23.2	34.6	0.4	43.8
	1997	943,398	1,210,938	36.9	5.2	42.1	12.0	16.4	28.5	0.9	71.5
	1998	812,119	842,447	11.5	11.6	23.1	12.7	17.2	29.8	1.0	53.9
	1999	881,439	858,275	12.5	6.6	19.3	12.9	18.3	31.2	0.4	50.8
	2000	946,171	923,892	23.9	7.2	31.1	12.6	16.9	29.5	0.2	60.8
TOTALS		5,015,029	5,236,466	17.8	6.6	24.5	12.2	16.9	31.1	0.6	56.1
FARMOWNERS MULTIPLE PERIL	1996	1,376,355	1,338,070	83.7	9.4	93.1	15.4	13.7	29.2	0.4	122.7
	1997	1,441,732	1,403,893	65.2	8.9	74.1	15.5	14.5	30.0	0.5	104.6
	1998	1,539,687	1,502,627	77.8	9.8	87.7	15.7	15.1	30.8	1.4	119.8
	1999	1,596,471	1,568,149	68.2	9.3	77.5	15.6	16.0	31.6	0.5	109.6
	2000	1,652,328	1,626,366	67.3	7.9	75.2	15.4	14.1	29.5	0.4	105.1
TOTALS		7,606,573	7,439,107	72.1	9.1	81.2	15.5	14.7	30.2	0.6	112.1
HOMEOWNERS MULTIPLE PERIL	1996	27,373,559	26,833,249	76.2	12.0	88.1	14.3	13.9	28.2	0.4	116.7
	1997	29,125,795	28,122,634	55.1	10.9	66.1	14.1	15.1	29.2	0.7	96.0
	1998	30,899,467	29,915,473	63.7	11.7	75.4	14.1	15.7	29.8	0.7	106.0
	1999	32,492,812	31,877,274	63.7	10.9	74.6	14.1	15.8	30.0	0.5	105.1
	2000	34,837,795	33,824,921	66.4	10.6	77.0	14.2	16.2	30.3	0.4	107.7
TOTALS		154,529,428	150,173,551	64.9	11.2	76.1	14.2	15.4	29.6	0.5	106.2
COMMERCIAL MULTIPLE PERIL	1996	21,208,597	21,050,046	62.2	16.9	79.1	16.8	16.5	33.2	0.1	112.4
	1997	21,116,312	20,992,194	58.5	15.0	73.5	17.0	16.7	33.7	0.1	107.3
	1998	21,459,473	21,192,533	69.0	15.9	84.9	17.2	16.8	34.0	0.1	119.0
	1999	21,542,266	21,513,079	68.8	14.7	83.5	17.6	17.2	34.8	0.1	116.4
	2000	22,614,610	22,064,828	64.9	14.1	79.0	17.4	15.7	33.0	0.1	112.1
TOTALS		107,941,258	106,812,680	64.7	15.3	80.0	17.2	16.5	33.7	0.1	113.8
OCEAN MARINE	1996	2,162,267	2,166,752	60.7	4.6	65.2	16.7	12.6	29.4	0.1	94.7
	1997	2,130,745	2,134,874	61.5	8.4	69.9	17.3	11.9	29.4	0.2	99.5
	1998	2,048,602	2,034,221	69.3	8.2	77.8	17.1	13.1	30.2	0.2	108.0
	1999	2,012,515	1,972,892	65.7	8.1	73.7	17.9	14.7	32.5	0.2	106.4
	2000	2,088,894	2,064,488	66.1	7.7	73.9	17.1	12.5	29.8	0.1	103.6
TOTALS		10,443,023	10,373,227	64.8	7.4	71.9	17.2	13.0	30.2	0.2	102.3
INLAND MARINE	1996	7,292,915	7,137,072	46.1	5.3	51.4	16.5	15.1	31.6	0.1	83.1
	1997	7,309,962	7,220,951	46.2	5.3	51.4	16.3	15.3	31.5	0.3	83.2
	1998	7,306,432	7,152,782	62.8	4.7	57.5	16.3	15.8	32.0	0.4	89.9
	1999	8,057,407	7,438,847	57.9	5.2	63.1	15.5	13.1	30.7	0.1	93.9
	2000	8,356,101	7,972,708	45.8	5.4	51.2	16.1	14.2	30.3	0.1	81.6
TOTALS		38,322,837	36,920,340	49.7	5.2	54.9	16.1	15.1	31.2	0.2	86.3
GROUP ACCIDENT AND HEALTH	1996	5,485,355	5,332,585	75.4	3.8	79.2	11.4	11.0	22.5	0.0	101.7
	1997	5,887,847	5,864,400	77.3	4.1	81.4	11.9	12.8	24.5	0.0	105.9
	1998	6,816,280	6,758,139	76.6	4.7	81.3	11.1	11.2	22.4	0.0	103.7
	1999	7,098,958	7,028,943	79.4	3.8	83.3	10.8	11.3	22.1	0.0	105.3
	2000	8,103,856	7,732,871	82.1	3.4	85.5	9.8	9.9	19.7	0.0	105.2
TOTALS		33,392,296	32,714,938	78.4	4.0	82.4	10.9	11.1	22.1	0.0	104.4

* In thousands

† Ratio to direct premiums earned.

CUMULATIVE BY LINE DIRECT BUSINESS WRITTEN - INDUSTRY

KINDS OF INSURANCE	Year	*Direct Premiums Written	*Direct Premiums Earned	Ratios To Direct Premiums Earned			Ratios To Direct Premiums Written			Dividends to Policyholders	Com- bined Ratio After Div
				Losses Incurred	Loss Adj Expenses Incurred	Losses & Adj Expenses Incurred	Comms & Brokerage Incurred	Other Underwriting Expenses Incurred	Total Underwriting Expenses Incurred		
OTHER ACCIDENT AND HEALTH (includes Credit Accident & Health)	1996	3,610,756	3,638,741	46.7	3.6	50.3	22.3	11.4	33.7	0.0	84.0
	1997	3,790,009	3,583,187	45.1	3.2	48.3	22.7	11.9	34.6	0.0	82.9
	1998	3,943,671	3,741,729	48.8	3.9	52.7	23.4	11.7	35.1	0.0	87.9
	1999	4,452,358	4,443,660	52.3	4.6	56.9	21.0	12.1	33.0	0.0	89.5
	2000	5,490,259	5,592,415	57.4	2.6	59.9	17.1	11.2	26.3	0.0	86.2
TOTALS		21,287,351	20,997,732	50.8	3.5	54.3	21.0	11.6	32.6	0.0	86.9
WORKERS' COMPENSATION	1996	27,007,375	28,873,218	61.6	13.4	75.0	6.8	16.5	23.3	4.6	102.3
	1997	26,217,063	26,150,348	59.9	12.5	72.3	7.5	17.3	24.8	4.8	101.9
	1998	26,582,579	26,334,944	67.0	15.5	82.5	8.0	17.8	25.8	4.7	112.9
	1999	26,958,333	26,579,777	72.4	15.0	87.3	8.6	17.5	26.1	4.9	116.3
	2000	29,262,808	27,533,888	76.9	13.8	90.7	8.5	18.2	26.8	4.0	121.4
TOTALS		136,028,158	133,472,175	67.6	14.0	81.6	7.9	17.5	25.4	4.6	111.6
OTHER LIABILITY 1	1996	24,998,540	24,157,382	69.3	24.5	93.9	13.4	13.0	26.4	0.3	120.5
	1997	25,259,620	24,278,459	62.2	22.9	85.1	13.3	13.4	26.7	0.2	112.0
	1998	26,161,786	25,352,537	69.7	21.7	91.4	13.1	13.4	26.5	0.2	118.1
	1999	26,113,876	24,843,004	70.6	23.9	94.8	13.3	13.7	27.0	0.6	122.5
	2000	27,647,195	26,179,829	73.0	20.1	93.1	13.7	13.5	27.2	0.2	120.5
TOTALS		130,180,997	124,811,211	69.1	22.6	91.7	13.4	13.4	26.8	0.3	118.5
MEDICAL MALPRACTICE	1996	5,692,820	5,815,213	59.8	27.8	87.6	5.5	11.7	17.2	2.7	107.5
	1997	5,739,225	5,752,095	52.7	28.6	81.2	5.8	12.7	16.4	3.4	103.0
	1998	6,058,554	6,051,739	66.7	31.9	98.6	6.2	13.8	19.8	3.3	121.7
	1999	6,003,177	5,987,900	74.8	32.1	106.9	6.0	14.1	20.1	3.4	130.3
	2000	6,299,002	6,254,398	80.9	32.2	111.1	6.4	13.0	19.4	3.2	135.7
TOTALS		29,992,778	29,861,345	67.2	30.6	97.8	6.0	13.0	19.0	3.2	120.0
AIRCRAFT	1996	1,493,742	1,513,665	68.6	7.7	76.3	16.5	7.9	24.4	0.0	100.6
	1997	1,459,181	1,420,625	59.5	10.4	69.9	16.8	7.4	24.0	0.0	93.9
	1998	1,410,472	1,441,214	90.7	6.6	89.3	12.9	6.5	20.9	0.0	120.2
	1999	1,334,322	1,298,763	53.3	10.5	63.8	15.3	9.8	25.1	0.0	89.0
	2000	1,432,766	1,388,302	70.8	9.9	80.8	12.2	8.1	20.3	0.0	101.1
TOTALS		7,130,503	7,042,569	68.9	9.4	78.3	14.6	8.3	22.9	0.0	101.2
PRIVATE PASSENGER AUTO LIABILITY	1996	69,905,242	69,094,439	64.8	12.5	77.2	9.1	12.6	21.7	0.9	99.5
	1997	72,126,871	71,284,370	62.1	12.9	75.0	9.4	13.2	22.6	2.0	99.7
	1998	71,523,322	71,358,574	82.7	14.3	77.0	9.5	13.9	23.4	2.0	102.5
	1999	70,461,275	70,297,375	67.5	14.3	81.8	9.5	14.7	24.2	0.7	106.7
	2000	70,512,643	70,585,332	74.0	14.4	88.5	9.5	17.1	26.6	1.3	116.4
TOTALS		344,531,353	352,630,090	66.2	13.7	79.9	9.4	14.3	23.7	1.4	105.0
COMMERCIAL AUTO LIABILITY	1996	13,632,658	13,505,741	66.6	13.8	82.3	13.7	14.8	28.5	0.3	111.2
	1997	13,717,716	13,568,533	66.8	13.0	81.6	14.2	15.0	29.2	0.3	111.3
	1998	13,585,116	13,821,037	76.3	12.6	88.9	14.5	15.5	30.0	0.4	119.3
	1999	13,971,426	13,922,979	77.2	14.3	91.5	14.1	15.7	29.8	0.2	121.5
	2000	15,001,848	14,489,854	80.8	13.5	94.3	14.2	14.8	29.0	0.3	123.5
TOTALS		69,908,760	69,128,144	74.6	13.4	87.9	14.1	15.1	29.3	0.3	117.5
PRIVATE PASSENGER AUTO PHYSICAL DAMAGE	1996	40,534,766	39,516,440	69.5	9.5	79.0	9.1	12.6	21.6	0.9	101.5
	1997	43,752,468	42,557,217	63.8	9.9	73.7	9.3	13.2	22.5	2.1	98.3
	1998	47,234,946	45,943,119	83.4	10.0	73.4	9.2	13.7	22.9	2.1	98.4
	1999	49,892,453	48,671,157	63.3	9.8	73.1	9.1	14.6	23.8	1.1	98.0
	2000	51,528,283	51,010,985	67.1	9.9	77.1	9.1	15.4	24.6	1.4	103.0
TOTALS		232,742,894	227,698,916	65.4	9.8	75.2	9.2	14.0	23.2	1.5	99.9
COMMERCIAL AUTO PHYSICAL DAMAGE	1996	5,017,037	4,906,804	65.1	8.2	73.3	14.2	15.0	29.2	0.2	102.6
	1997	5,127,672	5,078,472	65.8	8.3	74.1	13.7	15.4	29.1	0.3	103.5
	1998	5,249,713	5,189,058	69.1	7.9	77.0	14.0	15.3	29.3	0.4	106.7
	1999	5,502,508	5,362,886	69.6	9.1	78.7	14.2	16.1	30.4	0.2	109.2
	2000	5,989,342	5,796,961	70.0	7.6	77.6	14.3	15.4	29.7	0.4	107.7
TOTALS		26,886,270	26,336,301	68.0	8.2	76.3	14.1	15.4	29.6	0.3	106.1

* In thousands

† Ratio to direct premiums earned.

‡ Includes Products Liability

Appendix C, Sheet 4

TEXAS OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Life and Credit Health Insurance Presumptive Premium Rates

Views of Financial Economists on the Equity
Premium and on Professional Controversies

By Ivo Welch

Appendix D

36 Pages

Ivo Welch

University of California, Los Angeles, and Yale University

Views of Financial Economists on the Equity Premium and on Professional Controversies*

The equity premium is perhaps the single most important number in financial economics: the rate by which risky stocks are expected to outperform safe fixed-income investments, such as bonds or bills. It is the main input both in asset allocation decisions—how much of one's portfolio an investor should put into stocks versus bonds—and in the capital asset pricing model (CAPM)—the model used by most practitioners in computing an appropriate hurdle rate for accepting investment projects.

The academic finance profession has been teaching asset allocation and CAPM budgeting for many years. But oddly, it has been relatively quiet in recommending an appropriate "standard" for the equity premium, the key input to these models. This is unfortunate, in that without a good estimate of the equity premium, the mainstream theories are really quite useless from a practical perspective. The main reason for the scarcity of good justifications and recommendations for a "good practical estimate" is, of course, that neither do financial economists know what the correct equity premium is nor is there

The consensus of 226 academic financial economists forecasts an arithmetic equity premium of 7% per year over 10- and 30-year horizons and of 6%–7% over 1- and 5-year horizons. Pessimistic and optimistic 30-year scenario forecasts average 2% and 13%, respectively. Respondents claim to revise their forecast downward when the stock market rises. They perceive the profession's consensus to be higher than it really is and are influenced by this perception. There is agreement that markets are efficient and lack arbitrage opportunities and that government intervention in financial markets is detrimental.

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a consensus on how it should be estimated. Existing estimates are discussed in more detail in Section I.

This article intends to supplement existing equity premium estimates with a "common practice estimate," the consensus in the academic profession. Although this consensus is itself likely to be a weighted estimate obtained by other methods, the distribution of estimated values among academics is itself interesting. The consensus estimate can be a number of some relevance in classroom, courtroom, and boardroom discussions, even if it may not be the best estimate of the equity premium itself. Then again, if there was agreement on how to calculate the best estimate, there would be no need for a survey of financial economists to begin with. Still, surveys in general and this survey in particular have shortcomings, and these are discussed in Section II, which describes the design of the survey.

Section III discusses the principal survey results, that is, the consensus view about the equity premium among the 226 responding financial economists. The most important findings, in brief, follow. The arithmetic 30-year equity premium consensus forecast is about 7%. It is between 0.5% and 1.5% lower on the 1-year horizon, depending on the central statistic. The consensus perception of a pessimistic outcome (at one in 20 probability assessments) over 30 years is 2%–3%; the optimistic equivalent is 12%–13%. There is evidence for a "false-consensus effect," in that economists seem to anchor their forecast to what they perceive the consensus to be—and this perceived consensus is about 0.5%–1% above the actual consensus. Finally, economists claim that increases in the stock market would, on the margin, cause them to reduce their forecast of the equity premium. Section IV briefly discusses the answers to a set of issues of interest to both financial academics and financial practitioners. The strongest consensus obtains that markets are efficient and lack arbitrage opportunities and that government intervention in financial markets is detrimental. Section V concludes with a summary of the findings.

I. Existing Estimates of the Equity Premium

Cochrane (1997) and Siegel and Thaler (1997) provide comprehensive surveys of the macroeconomics and finance literature about the equity premium puzzle—the question as to why stocks have historically performed so well relative to bonds. This section briefly discusses existing methods to estimate the equity premium.

A. *Equity Premium Measurement Issues*

Unfortunately, there is neither a uniformly accepted precise definition nor agreement on how the equity premium should be computed and applied.

First, the geometric average is earned by a buy-and-hold investment strategy that is long on stocks and short on interest-bearing securities, while the arithmetic average is earned by a strategy that rebalances investment to a fixed amount each year. Mathematically, the geometric mean is always lower than the arithmetic mean. For example, a 50% decrease followed by a 100% increase leaves an investor with a 0% geometric return, although the arithmetic average would suggest a positive 25% return. Historically, the 30-year geometric mean equity premium has been about 2% lower than the arithmetic mean (see app. A for more detail). It is not clear whether the arithmetic or the geometric average should be used in capital budgeting applications using the CAPM (Indro and Lee 1997).

Second, stocks are long-term investments, and the most common method to compute the equity premium—subtracting a short-term bond return from a long-term equity return—is neither parsimonious nor necessarily a fair investment holding-period comparison.¹ Subtracting off the return to long-term bonds instead of the return to short-term bonds for a 30-year equity premium computation decreases the long-term equity premium by between 1% and 2%. Shiller (1989) subtracts a bond index that splices corporate bonds with treasuries. This, too, results in a lower equity premium.

Lacking formal agreement on how the equity premium should be computed and used, even identical views on the implied equity premium can easily lead different individuals to respond with and themselves use different estimates for the same task. This article describes arithmetic equity premia relative to short-term bills, unless otherwise indicated.

B. Historical Average Equity Premia

Perhaps the most popular method to obtain an estimate of the equity risk premium is an extrapolation of historically realized equity premia into the future. Table 1 shows that practitioners can advocate a whole range of estimates as "their" equity premium choice. The use of Ibbotson equity premia estimates seems to be particularly widespread. For example, the most popular finance textbook, Brealey and Myers (1996, p. 146), recommended 8.2%–8.5% in 1996, as sourced from the *Ibbotson 1995 Yearbook*. Table 1 shows that as of December 1998, the equivalent 1926–98 Ibbotson historical arithmetic equity premium average has risen to 9.4%. Shiller (1989, ch. 26) has assembled a longer data set, which can justify as low an equity premium average as 4.3%, using geometric averages over the entire 129-year history.

1. Abel (1999) decomposes the equity premium into a risk and a term premium. Not surprisingly, the term premium accounts for about 25% of the observed equity premium.

TABLE 1 Historical Stock Market and Equity Premium Performance

Source and Time Frame	Number of Years	Geometric Mean (%)	Arithmetic					SE (%)
			Mean (%)	SD (%)	Minimum (%)	Maximum (%)		
Stock market return historical averages:								
Shiller 1870-1998	129	9.3	10.8	17.8	-42.9	54.9	1.6	
Shiller 1899-1998	100	10.2	11.9	18.6	-42.9	54.9	1.9	
Ibbotson 1926-98	73	11.2	13.2	20.3	NA	NA	2.4	
Shiller 1926-98	73	11.0	12.8	19.3	-42.9	55	2.3	
Shiller 1949-98	50	13.3	14.3	15.1	-21	46	2.1	
Shiller 1974-98	25	14.8	15.9	15.5	-20.8	38.6	3.1	
Shiller 1994-98	5	23.8	24.5	13.4	.0	35.1	7.4	
Equity premiums historical averages:								
Shiller 1870-1998	129	4.3	6.0	18.5	-45.4	53.4	1.6	
Shiller 1899-1998	100	5.3	7.1	19.1	-45.4	53.4	1.9	
Ibbotson 1926-98	73	7.1	9.4	NA	NA	NA	NA	
Shiller 1926-98	73	6.1	8.0	19.8	-45.4	53.4	2.3	
Shiller 1949-98	50	6.9	8.2	16.1	-31.8	44.1	2.3	
Shiller 1974-98	25	6.5	7.9	16.3	-31.8	31.3	3.3	
Shiller 1994-98	5	18.4	19.0	12.7	-0	28.6	5.7	

NOTE.—Ibbotson estimates are published in the Year-End Summary Report (1998). They are based on the Standard and Poor's 500 Stock Index (S&P500) return with dividends ("large company stocks") and 30-day-to-maturity Treasury bills. Shiller indices are published in Shiller (1989, ch. 26) and updated on <http://www.econ.yale.edu/~shiller/chap26.html>. They are based on the dividend-adjusted S&P500 (formerly called the Standard and Poor's Composite Index) and a short interest rate spliced from corporates and treasuries, and are computed from January-to-January index averages (of the following year), not December-to-December closing prices. Thus, the last price used in the computations is an average January 1999 index price. The indices differ primarily because of the use of different interest rates. Geometric means are computed as $\ln \left(\prod_{t=1}^T (1 + r_t) \right) / T$, where r_t is the market return and rf_t is the risk-free rate in year t . Arithmetic statistics are computed from a T -year series of $r_{t+1} - rf_t$ in a standard fashion. Unreported: averages computed using the value-weighted stock market index obtained from Center for Research in Security Prices have means of about 0.3% more and standard deviations of about 2% more than equivalent S&P returns. Unreported: inflation from 1926 to 1997 was about 3.1%. NA = not available.