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June 28, 2004

Via Hand Delivery

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JUN 28 2004

Filings Intake Section  
Texas Department of Insurance

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JUN 29 2004

LIFE GROUP ADMIN

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

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. We understand that you are allowing OPIC until July 16, 2004 to file supplemental information to this rate recommendation.

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

Respectfully submitted,

*Erin C. Martens*

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 June 28, 2004



1 A. Yes. I have received various professional designations from the Insurance Institute of  
2 America. Those are :

3  
4 Associate in Reinsurance

5  
6 Associate in Claims

7  
8 Associate in Premium Auditing

9  
10 Associate in Underwriting

11  
12 Associate in Insurance Accounting and Finance

13  
14 Associate in Risk Management

15  
16 Q. Have you received any awards in connection with your professional work?

17  
18 A: Yes.

19  
20 I received a Research Excellence Award from Farmers Insurance Group in connection  
21 with the paper I wrote entitled, "Actuarial Issues to be Addressed in Pricing Excess of  
22 Loss Reinsurance".

23  
24 I received the Reinsurance Association of America Award for Academic  
25 Excellence in connection with my Associate in Reinsurance designation.

26  
27 I received the National Association of Mutual Insurance Companies Award for  
28 Academic Excellence in connection with my Associate in Insurance Accounting  
29 and Finance designation.

30  
31 Q: Have you met the requirements for continuing education of the actuarial profession?

32  
33 A: Yes I have.

34  
35 Among the continuing professional education I have taken is a course on Statutory  
36 Accounting given by the National Association of Insurance Commissioners, for which I  
37 received credit for passing the final examination.

38  
39 I have also taken a Casualty Actuarial Society Course on Interest Rate Models, for which  
40 I received credit for passing the final examination.

41  
42 Q. In the course of your professional work have you dealt with issues of insurance  
43 accounting and finance?

44  
45 A. Yes I have.

- 1 Q. Would you please describe some of your additional professional activities?  
2  
3 A. I have written several papers dealing with various aspects of actuarial work. These have  
4 included topics on ratemaking, reserving, and reinsurance. I have also presented lectures  
5 and taught classes on these subjects. In addition, I was editor of Fresh Air Magazine, a  
6 newsletter published by Actuaries in Regulation. This is a special interest group of the  
7 Casualty Actuarial Society composed of actuaries who work for State Insurance  
8 Departments.  
9  
10 Q. Have you previously testified in regulatory proceedings regarding insurance rates?  
11  
12 A. Yes. I have testified in property / liability insurance rate proceedings in Arkansas,  
13 California, District of Columbia, Florida, Georgia, Maine, Massachusetts, Nevada, New  
14 Jersey, North Carolina, Oklahoma, Rhode Island, South Carolina, Texas and Virginia.  
15  
16 Q. Do you have a resume setting forth your professional background?  
17  
18 A. Yes. It is attached as Appendix AIS-A.  
19  
20

21 II - SUMMARY  
22  
23

- 24 Q. What is the purpose of your testimony in this proceeding?  
25  
26 A. I have been asked by the Texas Office of Public Insurance Counsel (OPIC) to calculate  
27 presumptive premium rates for credit life insurance and credit accident and health<sup>1</sup>  
28 insurance for Texas.  
29  
30 Q. What procedures did you follow in deriving an actuarial rate level indication?  
31  
32 A. We used accepted actuarial ratemaking methodologies taking into account previous  
33 decisions by the Commissioner of Insurance, the applicable statutory provisions<sup>2</sup> and the  
34 applicable regulations.  
35

---

<sup>1</sup> 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.

<sup>2</sup> Texas Insurance Code § 1153.105, *Rate Within Certain Percentages of Presumptive Rate*, allows credit insurance companies to charge up to 30% higher than the presumptive rate without the approval of the Commissioner of Insurance. This should be considered in determining the presumptive rate that the Commissioner of Insurance adopts. It would be appropriate to set the presumptive rate at the low end of the range of reasonable values that complies with the statutory provisions, since credit insurance companies can charge up to 30% more than that rate without regulatory approval.

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

2  
3 A. I used data provided by the Texas Department of Insurance (TDI) as well as other  
4 generally accepted sources of information (e.g., A.M. Best ).

5  
6 Q. Based upon your analysis, what values did you derive for the indicated change in the  
7 presumptive premium rates?

8  
9  
10 A. The overall indications<sup>3</sup> based upon our actuarial analysis are a decrease in the  
11 presumptive premium rates for credit life insurance of -40.68%<sup>4</sup>, and a decrease in the  
12 presumptive premium rates for credit accident & health insurance of -32.48%.<sup>5</sup>

13  
14 The derivation of these values is set forth in Schedule AIS-1 for credit life and Schedule  
15 AIS-2 for credit accident and health.

16  
17  
18 III - OVERALL RATEMAKING METHODOLOGY

19  
20 Q. Could you explain the calculation of the indicated change in presumptive premium rates  
21 in more detail?

22  
23 A. The ratemaking technique used for this analysis is the component rating method.

24  
25 Q. Could you explain in more detail how you used the component rating method?

26  
27 A. We derived a formula for the indicated rate level change as follows :

28  
29 Let :

30  
31 PPL = Proposed Premium Level

32  
33 CPL = Current Premium Level

34  
35 RLC = Rate Level Change

36  
37 Loss = Projected Losses

<sup>3</sup> 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.

<sup>4</sup> The initial overall indicated rate change is -40.64%. [Schedule AIS-1, Column (11)] When the rate change was distributed to class the overall weighted rate change became -40.68%.

<sup>5</sup> The initial overall indicated rate change is -32.70%. [Schedule AIS-2, Column (11)] When the rate change was distributed to class the overall weighted rate change became -32.48%.

1		
2	OE =	Projected Overhead Expenses (i.e., Administrative and Loss Settlement Expenses)
3		
4		
5	Comm =	Projected Commission Expense (i.e., Acquisition Costs)
6		
7	Tax =	Projected Premium + Miscellaneous Taxes
8		
9	UP =	Underwriting Profit
10		
11	LR =	Projected Ratio of Losses to Current Premium
12		
13	OER =	Projected Overhead Expenses to Current Premium
14		
15	CR =	Projected Commission Expense to Current Premium
16		
17	TR =	Projected Premium + Miscellaneous Taxes to Current Premium
18		
19	UPR =	Underwriting Profit to Current Premium

20  
21 The basic equation used to solve for the rate level change is as follows :

$$22 \quad \text{PPL} = \text{Loss} + \text{OE} + \text{Comm} + \text{Tax} + \text{UP}$$

23  
24 Each of the values on the right hand side of the equation can be calculated as the ratio  
25 value multiplied by the premium. For the fixed rate level components (i.e., Loss + OE)  
26 the premium used is the current value, whereas for the variable rate level components  
27 (i.e., Comm, Tax + UP) the premium used is the projected value. Making these  
28 substitutions we then obtain :

$$29 \quad \text{PPL} = [\text{LR} + \text{OER}] \times \text{CPL} + [\text{CR} + \text{TR} + \text{UPR}] \times \text{PPL}$$

30  
31 Dividing both sides of this equation by the current premium level (i.e., CPL) the  
32 following formula results :

$$33 \quad \text{PPL} / \text{CPL} = [\text{LR} + \text{OER}] \times \text{CPL} / \text{CPL} + [\text{CR} + \text{TR} + \text{UPR}] \times \text{PPL} / \text{CPL}$$

34  
35 However, PPL / CPL is the change in premium from the current to the proposed level,  
36 which is simply the rate level change (i.e., RLC). Making that substitution and  
37 simplifying the result is :

$$38 \quad \text{RLC} = [\text{LR} + \text{OER}] + [\text{CR} + \text{TR} + \text{UPR}] \times \text{RLC}$$

39  
40 This can be adjusted algebraically as follows :

$$41 \quad \text{RLC} \times (1 - [\text{CR} + \text{TR} + \text{UPR}]) = [\text{LR} + \text{OER}]$$

1  
2 or

3  
4 
$$RLC = \frac{LR + OER}{1 - [CR + TR + UPR]}$$
  
5  
6

7  
8 This last equation<sup>6</sup> can be used to calculate the indicated rate level change once the  
9 component values for LR, OER, CR, TR and UPR are all calculated.

10  
11 Q. What factors are considered in the underwriting profit factor?

12  
13 A. The underwriting profit factor (i.e., UPR) takes into consideration factors for a : (i)  
14 reasonable and adequate profit, (ii) investment income, (iii) reserves [which is dependent  
15 upon the duration of various credit transactions] and (iv) federal income taxes. This is  
16 shown by the following formulas.

17 Let :

18  
19  
20 TR = Total Return for a Reasonable and Adequate Profit

21  
22 II = Total Investment Income (i.e., investment income on reserves and surplus)

23  
24 I = Investment Return

25  
26 S = Surplus

27  
28 P = Premium

29  
30 R = Reserves

31  
32 ps = Premium to Surplus Ratio

33  
34 rp = Reserve to Premium Ratio

35  
36 BTROR = Before Tax Rate of Return

37  
38 ATROR = After Tax Rate of Return

39  
40 TF = Federal Income Tax Factor

41  
42 Starting with the first equation which simply states that the total return is equal to the  
43 underwriting profit plus investment income, and then performing various algebraic

<sup>6</sup> This equation is equivalent to the one used by the Commissioner of Insurance in the 1999 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 transformations, we arrive at a formula for the calculation of the underwriting profit  
2 which is dependent upon various components.

3  
4  $TR = UP + II$

5  
6  $TR = UP + I \times R + I \times S$

7  
8  $TR/S = [UP/P] \times [P/S] + I \times [R/P] \times [P/S] + I$

9  
10  $BTROR = UPR \times ps + I \times rp \times ps + I$

11  
12  $ATROR/TF = UPR \times ps + I \times rp \times ps + I$

13  
14  $ATROR/TF - I = UPR \times ps + I \times rp \times ps$

15  
16  $UPR = [ATROR/TF - I]/ps + I \times rp$

17  
18 This last equation used to calculate the underwriting profit factor shows how a reasonable  
19 profit, federal income taxes and reserves are reflected.

20  
21 Q. Does the ratemaking methodology and formula you used take into account all the  
22 statutory factors?

23  
24 A. Yes it does. The applicable statute § 1153.103 states in part :

- 25  
26 (d) In determining the presumptive premium rate, the commissioner shall  
27 consider any relevant data, including reasonable acquisition costs, loss  
28 ratios, administrative expenses, reserves, loss settlement expenses, the  
29 type or class of business, the duration of various credit transactions, and  
30 reasonable and adequate profits to the insurers.  
31 (e) In determining the presumptive premium rate, the commissioner may not  
32 set or limit the amount of compensation actually paid by a company to an  
33 agent but may request from an insurer or agent any relevant data relating  
34 to the presumptive premium rate, including information relating to  
35 compensation paid for the sale of credit insurance, expenses, losses, and  
36 profits. An insurer or agent shall provide the requested information to the  
37 commissioner in a timely manner.  
38 (f) The commissioner may not adopt a presumptive premium rate that is  
39 unjust, unreasonable, inadequate, confiscatory, or excessive to the  
40 insureds, the insurers, or the agents.

41  
42 Each one of these statutory items is considered in the formula we are using to calculate  
43 the rate level change. A comparison of the statutory items and where they are included in  
44 our formula is set forth below.  
45  
46

1	Statutory Item	Where Reflected in Formula
2		
3	Reasonable acquisition costs	CR
4		
5	Loss ratios	LR
6		
7	Administrative expenses	OE
8		
9	Reserves	UPR
10		
11	Settlement expenses	OE
12		
13	Type or class of business	By Applying Formula by
14		Type or Class of Business
15		
16	Duration of various credit transactions	UPR
17		
18	Reasonable and adequate profits to the insurers	UPR

20 Q. Are there other relevant data the Commissioner may want to consider?

21  
 22 A. The Commissioner may want to consider whether the expected benefits returned to  
 23 insureds in the form of losses bears a reasonable relationship to the premium charged.  
 24 For example, the Commissioner may decide that for credit life an expected loss ratio in  
 25 the range of 50% to 60% as a minimum is appropriate for insureds to receive reasonable  
 26 value from the credit life insurance purchase. For credit disability the Commissioner may  
 27 decide that a minimum loss ratio in the range 60% to 70% is appropriate for insureds to  
 28 receive reasonable value from the credit disability insurance purchase.  
 29  
 30 The use of a minimum loss ratio as a benchmark for evaluating the reasonableness of the  
 31 rate is appropriate from an actuarial perspective and is also a reasonable regulatory  
 32 implementation of the statute.  
 33

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

36  
 37 A. The following table summarizes the key component rating factors used in our analysis for  
 38 both credit life and credit disability insurance.  
 39

40	41 Statutory Item	42 Value Selected for Credit	
		43 Life	44 Disability
43	Reasonable acquisition costs	20.00%	20.00%
44			
45	Loss ratios	41.91%	48.08%
46			

1	Administrative expenses	13.00%	14.00%
2			
3	Reserves	Included in Profit	
4			
5	Settlement expenses	Incl in Administrative Exp	
6			
7	Type or class of business	By Applying Formula by Type or Class of Business	
8			
9			
10	Duration of various credit transactions	Included in Profit	
11			
12	Reasonable and adequate profits to the insurers		
13	Cost of Capital / Target Total Return	9.7%	9.7%
14	Underwriting Profit Factor	-15.3%	-15.0%

15  
16 Applying the RLC formula gives the following results:

17 Credit Life

18  
19  
20 RLC = 
$$\frac{41.91\% + 13.00\%}{1 - 20.00\% - 2.75\% - (-15.3\%)} - 1.0 = -40.64\%$$

21  
22  
23 Credit Accident and Health

24  
25  
26 RLC = 
$$\frac{48.08\% + 14.00\%}{1 - 20.00\% - 2.75\% - (-15.0\%)} = -32.70\%$$

27  
28  
29  
30  
31 The remainder of this testimony deals with the basis used to calculate the various  
32 component rating factors.

33  
34  
35 **IV - CREDIT LIFE INSURANCE**

36  
37 **IV-A : CREDIT LIFE INSURANCE LOSS RATIOS**

38  
39 Q. How did you derive the loss ratio for credit life insurance?

40  
41 A. There are various considerations that actuaries take into account in evaluating loss ratios.  
42 Those include : (i) the number of years of experience, (ii) reserves, (iii) trend, (iv)  
43 credibility and (v) prior rate changes.

44  
45 Q. What did you use for the number of years of experience?

46

1 A. We used data from the three year period covering 2000 to 2002, as requested in the  
2 Notice Relating to Presumptive Premium Rates dated June 1, 2004.

3  
4 Q. How did you consider reserves?

5  
6 A. With regard to reserves, we have accepted the values reported by insurance companies to  
7 the TDI in the annual credit data call and have not made any adjustments to those values.

8  
9 Q. What did you do with regard to trend?

10  
11 A. With regard to trend, we applied a 0% net trend factor. This assumes that the historical  
12 mortality and morbidity experience will be reflective of future experience.

13  
14 To the extent that future mortality and morbidity experience is better than historical  
15 values, this assumption would tend to overstate the appropriate presumptive premium  
16 rates.

17  
18 Q. How did you reflect credibility?

19  
20 A. We used a full credibility standard of \$20,000,000 of premium. For partial credibility we  
21 used the square root formula. The square root formula calculates credibility as follows:

22  
23 
$$\text{Credibility} = \text{Square Root} (\text{Actual Exposure Base} / \text{Full Credibility Exposure Base} )$$
  
24 Limited to a Maximum of 1.00

25  
26 In this proceeding we used a full credibility exposure base of \$20,000,000 in premium.

27  
28 This \$20,000,000 was derived as follows. Assume an average cost per claim of \$4,500.  
29 Use 2,000 as the number of claims for full credibility.<sup>7</sup> The historical loss ratio is about  
30 45%.

31  
32 Then  $\$4,500 \times 2,000 / .45 = \$20,000,000$  in premium.

33  
34 Q. How did you take into account prior rate changes?

35  
36 A. We adjusted historical premium to a current rate level basis.

37  
38 Q. Taking into account all these considerations, what loss ratios did you derive for credit life  
39 insurance by class of business.

---

<sup>7</sup> 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.

1

2 A. A summary of the credit life insurance loss ratio experience by class of business for 2000  
3 to 2002 combined is set forth in the following table.

4  
5 Texas Credit Life Insurance Loss Ratios From 2000 to 2002

Class of Business	Loss Ratio at Current Presumptive Rates	
	Before Credibility	After Credibility <sup>8</sup>
Commercial Banks, Savings & Loan Associations and Mortgage Companies	56.52%	56.52%
Finance Companies and Small Loan Companies	55.53%	55.53%
Credit Unions	56.84%	56.84%
Production Credit Associations (Agricultural & Horticultural)	7.47%	41.15%
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	32.71%	32.71%
Other	51.01%	43.32%
Combined	41.91%	41.91%

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30 The only two classes not fully credible using this procedure are Production Credit  
31 Associations (Agricultural & Horticultural) along with Other. These are by far the two  
32 smallest classes of business.

33  
34 This credit life insurance experience is set forth in Schedule AIS-1A by plan of benefits  
35 by year and in Schedule AIS-1B by class of business by plan of benefit.

36  
37 The overall loss ratio across all classes of business and all plans of benefits for credit life  
38 insurance has been fairly stable : 41.0% for 2000, 42.6% for 2001 and 42.1% for 2002.  
39 Based upon these data, it is reasonable to use the three year overall average loss ratio of  
40 41.91%<sup>9</sup> to derive an overall indicated rate level decrease of -40.64%.

<sup>8</sup> This is before rebalancing the loss ratios to have the before credibility and after credibility total loss ratios be equal.

<sup>9</sup> The 41.91% 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 12.6¢.

1  
2  
3 IV-B : CREDIT LIFE INSURANCE COMMISSIONS / ACQUISITION COSTS  
4

5 Q. How did you derive a provision for commissions?

6  
7 A. We examined the historical ratio of commissions to premium. This is set forth in  
8 Schedule AIS-3A, Sheet 1.

9  
10 For Production Credit Associations (Agricultural & Horticultural) along with Dealers  
11 (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.) the historical commission  
12 ratios are very high, ranging from 45% to 60% of premium.

13  
14 For Finance Companies and Small Loan Companies along with Others, the historical  
15 commission ratios are very low, ranging from 3% to 6% of premium.

16  
17 For Credit Unions along with Commercial Banks, Savings & Loan Associations and  
18 Mortgage Companies the historical commission ratios are in a reasonable range of about  
19 25% to 30%.

20  
21 Q. What are commission ratios for other lines of insurance?

22  
23 A. For ordinary life insurance commission ratios are about 15% and for group life insurance  
24 commissions ratios are about 5%.<sup>10</sup>

25  
26 Other personal lines of insurance (as opposed to business insurance) such as homeowners  
27 have a commission ratio of about 15% and private passenger automobile has a  
28 commission ratio of about 8%.<sup>11</sup>

29  
30 Furthermore, it should be noted that underwriting and claim adjustment for credit  
31 insurance is much simpler than for either homeowners or automobile insurance. Hence,  
32 expenses should be much lower for credit insurance.

33  
34 With respect to underwriting, for credit insurance there is essentially one product offered  
35 with a very simple rate structure. Very limited underwriting is done for credit insurance.  
36 In contrast, homeowners and automobile insurance have numerous coverages and various  
37 options. In addition, the rating structure for homeowners and automobile insurance takes  
38 many different factors into account. For these reasons, underwriting is much simpler, and  
39 correspondingly should be less expensive, for credit insurance.  
40

---

<sup>10</sup> Best's Aggregates and Averages, Life Health Edition, See Appendix C.

<sup>11</sup> Best's Aggregates and Averages, Property Casualty Edition, See Appendix C.

1 With respect to claims adjustment, three overall issues that arise in the context of claims  
2 settlement are coverage, liability and damages. For credit insurance these claim issues  
3 are much simpler than for either homeowners or automobile insurance and hence, once  
4 again, costs should be correspondingly lower for credit insurance.  
5

6 Q. How did you select a commission ratio?  
7

8 A. We considered : (i) the commission ratios by class and observed that the mid range  
9 commission ratio is about 20%, (ii) that the commission ratio for commercial banks,  
10 savings & loan associations and mortgage companies along with dealers (auto & truck  
11 dealers, other dealers, retail stores, etc.) are inflated by the impact of reverse competition,  
12 and (iii) that commission ratios for other lines of insurance range from 5% to 15%.  
13

14 Taking all this into account, we selected a commission ratio of 20% as being fair and  
15 reasonable for the purpose of setting rates.<sup>12</sup>  
16

17 Q. Can you briefly explain the issue of reverse competition?  
18

19 A. Reverse competition refers to a market structure where competition is not aimed at the  
20 ultimate purchaser of the product. Instead, competition is geared towards producers of  
21 the business. This results in excessive and inappropriate expenses, and hence reverse  
22 competition has the effect of driving up costs and prices.  
23

24 Q. What is the extent of reverse competition and its effect on the aggregate expense level of  
25 the industry?  
26

27 A. The ultimate consumer of credit insurance -- that being the debtor -- has extremely  
28 limited opportunity to shop for alternate coverage. Because of this the seller of the  
29 insurance -- that being the creditor -- essentially controls which insurance company will  
30 write the business. Because of this, insurance companies compete for the creditor  
31 business -- not for the debtor business. This in turn will have the impact of  
32 inappropriately driving up the reported costs and will inflate the reported expense ratios.  
33

34 The inflated reported costs that result from reverse competition have caused some  
35 to question the value of credit insurance, as is illustrated by the following  
36 excerpts.  
37

38 "Credit disability coverage provides disabled debtors with the funds necessary to  
39 meet loan obligations. The coverage is frequently sold in conjunction with  
40 mortgages, installment loans, and charge accounts, and, *if bought through the*  
41 *lender, may be relatively expensive.*" Personal Insurance : Life, Health, and  
42 Retirement, American Institute for CPCU, pages 25 - 26 (emphasis supplied)  
43

---

<sup>12</sup> 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 "Credit life insurance allows the beneficiary no flexibility and is *not necessarily*  
2 *the most cost effective way to buy decreasing term insurance. It is designed*  
3 *primarily to protect the lender.*" Personal Insurance : Life, Health, and  
4 Retirement, American Institute for CPCU, page 186 (emphasis supplied)  
5

6 Q. Is it commonly accepted that reverse competition exists for credit life and credit disability  
7 insurance?

8  
9 A. Yes it is.

10  
11 In connection with a previous rate hearing for credit insurance rates, the Commissioner of  
12 Insurance found that, "There is reverse competition in the credit insurance industry".<sup>13</sup>  
13

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

15  
16 A. A study by the witness for the credit insurance industry (i.e., Gary Fagg) presented at the  
17 prior credit insurance hearing showed reverse competition had an impact of about 6%.<sup>14</sup>  
18

19 During the course of the title hearing, various issues in the study performed by Mr. Fagg  
20 were discussed.<sup>15</sup> Adjusting for those issues gives values for the impact of reverse  
21 competition of up to 52%.<sup>16</sup>  
22

23 Q. How can the amount of additional expenses reported as a result of reverse competition be  
24 measured?

25  
26 A. The calculation is neither simple to perform or susceptible to precise measurement. One  
27 way to perform the analysis would be to perform a detailed in depth management and  
28 financial review of all credit insurance companies and producers operating in Texas.  
29 This has practical difficulties. Therefore, methods of measuring the impact of reverse  
30 competition on expenses that review data on a more aggregated level must be used.  
31

32 Q. Does the situation that exists that the analysis / calculation of the impact of reverse  
33 competition on expenses cannot be performed precisely mean that this factor should be  
34 ignored in the rate level calculation?

35  
36 A. No it does not. Since it cannot be reasonably disputed that reverse competition does  
37 result in inflated expenses, it is certain that if this factor is ignored then the resulting rates  
38 will be inaccurate and excessive. It is much better from both an actuarial and regulatory  
39 perspective to make an estimate of the impact of reverse competition than to ignore this

<sup>13</sup> See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 39

<sup>14</sup> See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 37

<sup>15</sup> Transcript for Docket No. 454-98-1807.G

<sup>16</sup> See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 38



1 issue. Furthermore, it should be remembered that all of the factors that enter into the  
2 ratemaking calculation are based upon estimates and projections. Hence, in concept, the  
3 issue of measuring the impact of reverse competition is not different than any other item,  
4 although the measurement process presents more challenges in practice.

5  
6 Q. If direct detailed evidence regarding the impact of reverse competition on credit  
7 insurance cannot be obtained, does that mean, as the credit insurance industry might  
8 contend, that no adjustment should be made for the impact of reverse competition on  
9 credit insurance?

10  
11 A. No.

12  
13 The issue of the evidence needed to reflect the impact of reverse competition depends to  
14 a certain extent upon the point of view taken. One point of view takes the position that all  
15 expenses should be included unless there is a specific reason for excluding those  
16 expenses. That places the burden of proof upon TDI, OPIC and other non credit  
17 insurance parties who tend to have less detailed information than do the credit insurance  
18 parties. The other point of view takes the position that no expenses should be included  
19 unless those expenses can be justified. This would place the burden of proof upon the  
20 credit insurance parties, who should have the detailed information needed to justify  
21 reasonable expenses.

22  
23 Q. Is the concept of starting with a base of zero and only adding in needed expenses an  
24 accepted method?

25  
26 A. Yes it is. One way this concept is referred to is as a "zero - base review", which has been  
27 described as follows<sup>17</sup> :

28  
29 As the term suggests, a *zero - base review* examines a certain program,  
30 function or responsibility center "from scratch". The reviewer judges  
31 what activities should be undertaken, and then estimates the proper level  
32 of those activities [footnote omitted]. This approach of starting from a  
33 zero base is in sharp contrast with that used in budgeting, in which the  
34 starting point usually is the current level of spending.

35  
36 In making such a zero - base review, basic questions are raised about the  
37 activity, such as:

- 38  
39 1. Should the activity be performed at all?  
40 2. What should the quality level be? Are we doing too much?  
41 3. Should it be performed in this way?  
42 4. How much should it cost?  
43

---

<sup>17</sup> Management Accounting Principles, Anthony and Reece, 1975, page 484

1 ~~Looked at from a zero - base review process, credit insurers would need to justify the use~~  
2 of activities and level of expenses for functions that could result from reverse  
3 competition.

4  
5 Q. Are you taking the position that the consideration of zero - base review should be the  
6 only method used to evaluate the impact of reverse competition?

7  
8 A. No. But then again, it is not appropriate to simply assume that all expenses are  
9 appropriate unless they are proved to be unreasonable. This would place the entire  
10 burden on non credit insurance industry parties and would give the credit insurance  
11 industry a free ride for not providing useful information.

12  
13 I believe that consideration should be given to both viewpoints in an effort to be fair to  
14 both sides, and at the same time take steps so that policyholders are not overcharged for  
15 wasteful and unnecessary spending on the part of the credit insurance industry.

16  
17 IV-C : CREDIT LIFE INSURANCE  
18 ADMINISTRATIVE EXPENSES PLUS LOSS ADJUSTMENT EXPENSES

19  
20 Q. How did you derive a provision for administrative expenses plus loss adjustment  
21 expenses?

22  
23 A. We distributed countrywide administrative expenses plus loss adjustment expenses to  
24 Texas on the basis of policies in force and policies incepting. (see Schedule AIS-3A,  
25 Sheets 2 to 4).

26  
27 The indicated expense ratios derived from these methods were 13.1% of premium and  
28 12.8% of premium. We used the average value of 13.0% in our analysis.<sup>18</sup>

29  
30 Q. Did you exclude any of the reported expenses in your analysis?

31  
32 A. No, I did not.

33  
34 Q. Is it a common and accepted regulatory practice to exclude certain expenses from the rate  
35 level calculation?

36  
37 A. Yes, it is.

38  
39 Q. What type of expenses are considered inappropriate to include in a rate level calculation?

40  
41 A. The types of expense that can be considered to be inappropriate to include in a rate level  
42 calculation include: (1) excessive administrative expenses, (2) lobbying expenses, (3)

<sup>18</sup> The 13.0% 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 3.9¢.

1 certain advertising expenses, (4) bad faith costs, (5) contributions to organizations  
2 engaged in legislative advocacy, (6) fees and penalties imposed on insurers for civil or  
3 criminal violations of the law, (7) contributions to social, religious political or fraternal  
4 organizations, (8) fees and assessments paid to advisory organizations and (9) any  
5 unreasonably incurred expenses as determined by the Commissioner.<sup>19</sup>

6  
7 Q. What types of activities might cause reported expenses to be excessive?

8  
9 A. Affiliate transactions between the insurer and agent can impact the reported costs.

10  
11 Q. Do affiliate transactions in fact occur related to the credit insurance business?

12  
13 A. Yes they do. Set forth below are examples indicating the existence of such affiliated  
14 transactions.

15  
16 Credit life and disability policies and other products designed for financial  
17 institutions are offered through a number of active accounts, principally  
18 financial institutions and credit retailers. Leading sources of credit  
19 business from banks included the Discover Card and FCC National Bank,  
20 from retailers, GE Capital and Hudson's Bay Company (Canada), from  
21 consumer finance companies, Norwest Financial and Commercial Credit,  
22 and from mortgage bankers and savings institutions, First National Bank.  
23 ABIG [American Bankers Insurance Group] also maintains special  
24 representatives throughout the country to solicit financial accounts and act  
25 as service representatives for the company with its financial agents.

26  
27 About 76% of all direct premiums are ceded through reinsurance treaties  
28 with over 100 active reinsurers. About half of the ceded reserves are to  
29 unauthorized reinsurance. *The reinsurance arises as a result of ceding*  
30 *business back to producer owned reinsurance companies. Generally,*  
31 *these companies' parent organizations are major financial institutions.*  
32 *... This significant use of reinsurance is primarily a function of the*  
33 *contractual compensation agreements with the distributors.* (emphasis  
34 added)

35 -----  
36 1997 Best's Insurance Reports - Life / Health, page 143

37  
38 Enterprise Life Insurance Company is owned by the Enterprise Financial  
39 Group, a Texas Corporation formed as a service company for many  
40 automobile dealerships. ...

41  
42 *... The company also provides finance and insurance services, vehicle*  
43 *service contracts, and other "after - market" products (window tinting,*  
44 *undercoating, alarms) through affiliated companies. Furthermore, the*  
45 *company is heavily involved in recruiting and training dealership*

<sup>19</sup> This list is based upon the provisions of V.A.T.S., Insurance Code, Art. 5.101(o)

1 ~~personnel that market its products, in addition to managing finance and~~  
2 ~~insurance personnel. ...~~

3 ...  
4 *Management of Enterprise Life Insurance Company is also involved in*  
5 *the formation of several offshore reinsurance companies. These*  
6 *reinsurance companies were established to enable the business*  
7 *producers (the car dealer client) to have the opportunity to participate in*  
8 *the underwriting profits of its block of business. Each reinsurance*  
9 *company formed by the company is managed internally by members of*  
10 *the Enterprise Group itself. (emphasis added)*

11 -----  
12 1997 Best's Insurance Reports - Life / Health, page 1105

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

17  
18 Servco Life Insurance Company is involved in the selling of credit life and  
19 credit accident and health insurance through automobile dealerships. ...

20  
21  
22 *The company also assists in the formation of numerous offshore*  
23 *reinsurance companies. Generally these offshore companies are*  
24 *organized for larger producing dealerships. (emphasis added)*

25 -----  
26 1997 Best's Insurance Reports - Life / Health, page 3008

27  
28 During the last few years, Service Life & Casualty has been ranked as the  
29 number one producer of credit life and credit accident and health  
30 coverages in both Texas and New Mexico. ...

31  
32 *The companies operate under the Service Group umbrella which also*  
33 *includes several other affiliates which assist in servicing its client base*  
34 *of over 1100 dealerships in 48 states. These affiliates include: Service*  
35 *Guard, an after market extended service contract company endorsed by*  
36 *both the Texas and New Mexico Automobile Dealers Association; Serv-*  
37 *Sell, a dealership training division providing classes for professional*  
38 *sales consultants, sales management, used vehicle management, lease*  
39 *dealing and management, finance and insurance management and in-*  
40 *dealership seminars and training. The company also provides*  
41 *administration service for Mitsubishi Triple - Diamond, the exclusive*  
42 *extended service contract company for Mitsubishi Corporation's factory*  
43 *extended service contracts for the nation. The life company receives*  
44 *management fees from these affiliates.*

45 ...

1 *The company, as many of its credit associates, reinsures a substantial*  
2 *portion of its direct business to several producer owned reinsurance*  
3 *companies. (PORC's) (emphasis added)*  
4 -----

5 1997 Best's Insurance Reports - Life / Health, page 3010  
6

7 Given the high degree of affiliate transactions; involving the producer, life insurance  
8 company and reinsurer; as well as between the life insurance company and related  
9 companies, the expenses reported by insurance companies as being attributable to credit  
10 insurance are likely to be distorted and excessive.

11  
12 Q. What impact do the excessive reported expenses have on the rate level indication.

13  
14 A. Because these reported expenses are not removed from the rate level calculation, the  
15 result is an indicated rate level that is too high. Affiliate transactions can have a large  
16 impact on the indicated rate level change.<sup>20</sup>  
17

18 IV-D : CREDIT LIFE INSURANCE PREMIUM AND MISCELLANEOUS TAXES  
19

20 Q. How did you determine a provision for premium and miscellaneous taxes?

21  
22 A. We used the statutory value of 1.75% for premium taxes.  
23  
24

25  
26 The combined premium and miscellaneous tax provision is therefore 2.75%.  
27

28 This is consistent with the provision for premium and miscellaneous taxes used by the  
29 Commissioner of Insurance in connection with the prior credit insurance rate case.<sup>21</sup>  
30

31 IV-E : CREDIT LIFE INSURANCE UNDERWRITING PROFIT PROVISION  
32

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

34  
35 A. We determined an underwriting profit factor based upon a calendar year accounting  
36 model (CYAM). This type of model is generally recognized as being reasonable in the

<sup>20</sup> 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.

<sup>21</sup> See Order No. 99-1481 for Docket No. 454-98-1807.G, Finding of Fact 68

1 ~~actuarial profession and for regulatory purposes. Furthermore, the Commissioner found~~  
2 ~~such a model to be reasonable in connection with numerous benchmark rate proceedings.~~

3  
4 Based upon that model, we derive an underwriting profit provision of -15.3%.

5  
6 Q. Can you briefly explain the mathematics involved in using a CYAM to derive an  
7 underwriting profit provision?

8  
9 A. Yes. A CYAM is based upon the concept that the total profit is equal to the underwriting  
10 profit plus investment profit.<sup>22</sup> In mathematical form this is as follows:

$$11 \qquad \qquad \qquad T = UP + IP$$

12  
13  
14 Where:

15  
16 T = Total Profit

17  
18 UP = Underwriting Profit

19  
20 IP = Investment Profit

21  
22 The prior equation can be transformed into the following equivalent form.

$$23 \qquad \qquad \qquad [T / N] = [UP / P] X [P / N] + [IR / P] X [P / N] + I$$

24  
25  
26 Where :

27  
28 N = Net Worth

29  
30 P = Premium

31  
32 T / N = Total return on net worth (or cost of capital)

33  
34 UP / P = Underwriting profit in relation to premium

35  
36 P / N = Premium to net worth ratio

37  
38 IR / P = Investment profit on reserves in relation to premium

39  
40 I = Investment rate of return.

41  
42 The quantity that is needed to calculate the rate level is U / P, which is the underwriting  
43 profit provision. The key to using a CYAM is to determine all the other values in the

---

<sup>22</sup> 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 ~~equation and then arithmetically solve for U / P. That is the procedure we followed. The~~  
2 calculation of the underwriting profit factor is given in Schedule AIS-4, Sheet 1.

3  
4 Q. What value did you use for T / N (total return on net worth or cost of capital)?

5  
6 A. We used an after tax value for T / N of 9.7%. When combined with a tax rate of 25%,  
7 this yields a before tax value for T / N of 12.9% ( = 9.7% / ( 1 - 25% ) ).

8  
9 Q. How did you determine the after tax value for T / N of 9.7%?

10  
11 A. We performed an analysis using both the CAPM (Capital Asset Pricing Model) and the  
12 DCF (Discounted Cash Flow) models.

13  
14 The indicated rate of return from CAPM was 8.8%. (See Schedule AIS-5, Sheet 2)

15  
16 The indicated rate of return from DCF was 12.3%. (See Schedule AIS-5, Sheet 3)

17  
18 The average indicated rate of return was 10.6%. (See Schedule AIS-5, Sheet 1)

19  
20 The cost of capital weighted by the cost of debt was 9.7%. (See Schedule AIS-5, Sheet 1)

21  
22 Taking these calculations into account as well as my professional experience, education  
23 and judgment<sup>23</sup>, a cost of capital of 9.7% is reasonable.

24  
25 Q. In your CAPM analysis what market risk premium did you use?

26  
27 A. I used a value of 6.0%.

28  
29 Q. Is a market risk premium of 6.0% for the CAPM supported by the financial community?

30  
31 A. Ivo Welch, Professor of Finance in the School of Management at Yale University has  
32 written:

33  
34 I would recommend that the State of Massachusetts neither adopt the  
35 somewhat extreme 9% view held by Ibbotson (and others), nor the  
36 somewhat extreme 2% view held by me (and others).

37  
38 Instead, I would recommend that Massachusetts adopt the consensus view  
39 of academic finance professors of 6% as a "fair" and "non-extreme"  
40 equity premium estimate.

41  

---

<sup>23</sup> 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 9.7% is reasonable.

1 This certainly provides academic support for the risk premium of 6.0% that I used in my  
2 CAPM analysis.

3  
4 Q. How did you determine a tax rate of 25.0%?

5  
6 A. The maximum tax rate is 35%. Insurance companies typically have a significantly lower  
7 tax rate because a substantial amount of income is sheltered from taxes. The effective  
8 federal income tax rate for life insurance companies from 1998 to 2002 was 25.0%.  
9 (Schedule AIS-6, Sheet 5)

10  
11 Based upon these considerations, we selected a tax rate of 25.0%.

12  
13 Q. What value did you use for P / N (premium to net worth ratio)?

14  
15 A. We used a value for P / N of 2.0.

16  
17 Q. How did you determine the value for P / N of 2.0?

18  
19 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 7) as  
20 well as my professional experience, education and judgment.

21  
22 Historical experience indicates a premium leverage ratio of 1.77 to 2.05 for credit life  
23 insurance companies. We used a mid range value of 2.0.

24  
25 Q. What value did you use for I / P (investment profit on reserves in relation to net worth)?

26  
27 A. We used a value for I / P of 18.3%.

28  
29 Q. How did you determine the value for I / P of 18.3%?

30  
31 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 1).

32  
33 Q. What value did you use for I (investment return)?

34  
35 A. We used a value for I of 7.0%.

36  
37 Q. How did you determine the value for I of 7.0%?

38  
39 A. This is based upon a review of historical experience (see Schedule AIS-6, Sheet 9).

40  
41 Q. How are all these components combined to derive the underwriting profit provision?

42  
43 A. Substituting the values for T / N of 12.9%, P / N of 2.0, I / P of 18.3% and I = 7.0% into  
44 the equation  $[T / N] = [U / P] \times [P / N] + [I / P] \times [P / N] + I$ , we obtain,  $12.9\% = [$   
45  $U / P] \times 2.0 + 18.3 \times 2.0 + 7.0\%$ . This can then be solved to yield  $U / P = -15.3\%$ .

46



1  
2 IV-F : CREDIT LIFE INSURANCE RATE CHANGES BY CLASS OF BUSINESS

3  
4 Q. What presumptive premium rate level changes for credit life insurance did you derive by  
5 class of business?

6  
7 A. A summary of the initial indicated and selected presumptive premium rate level changes  
8 by class of business is set forth in the following table.

9  
10 Texas Credit Life Insurance Presumptive Premium Rate Level Changes

11

Class of Business	Presumptive Premium Rate Level Change	
	Initial Indicated	Proposed
12 Commercial Banks, Savings	-24.84%	-26%
13 & Loan Associations and		
14 Mortgage Companies		
15 Finance Companies and	-25.92%	-26%
16 Small Loan Companies		
17 Credit Unions	-24.50%	-26%
18 Production Credit Associations	-41.46%	-40%
19 (Agricultural & Horticultural)		
20 Dealers (Auto & Truck Dealers,		
21 Other Dealers, Retail Stores, Etc.)	-50.58%	-50%
22 Other	-39.12%	-40%
23 Total	-40.64%	-40.68%

24  
25  
26  
27  
28  
29  
30  
31  
32

33  
34 The proposed premium level changes were selected using judgment taking into account  
35 the : (i) initial indicated rate level changes by class, (ii) relative credibility of the data,  
36 (iii) grouping classes with similar experience and (iv) having the overall proposed change  
37 be comparable to the initial indicated value.

38  
39 Q. In the prior credit hearing there were concerns raised with regard to the use of different  
40 rate changes by class. How do you respond to that?

41  
42 A. One objection was that the use of class rating would be too confusing. That is simply not  
43 accurate. The widespread use of computers makes it just as simple to have multiple class  
44 rates as just one class rate. For some lines of insurance, such as private passenger  
45 automobile insurance, there are thousands of possible different class rates, and that has  
46 not presented any problems.

1  
2 Another objection was that it would be confusing to consumers if they found that credit  
3 disability rates varied among the different classes. This is much more a hypothetical  
4 concern than a reality. Consumers very rarely shop for credit insurance. It is sold at the  
5 same time as the product being bought by the consumer. Furthermore, the use of flex  
6 rating for credit insurance will mean that there will exist varying rates in the marketplace  
7 anyway for credit insurance.  
8

9 Furthermore, if the credit insurance rates are not set by class, but an overall rate across all  
10 classes is set, a likely possibility is that for the classes of business for whom that one  
11 uniform rate is too low will use higher rates, while at the same time the classes of  
12 business for whom that one uniform rate is too high will not use lower rates. This will  
13 tend to lead to an unbalanced situation where consumers are being charged overall a rate  
14 that is excessive and confiscatory.

15  
16 It is completely consistent with actuarial and regulatory principles to use credit insurance  
17 rates that vary by class.  
18

19  
20 V - CREDIT ACCIDENT AND HEALTH INSURANCE  
21

22 Q. How did you derive a rate level indication for credit accident and health insurance?  
23

24 A. I used the same procedures, methodologies and considerations as was used for credit life  
25 insurance. I will not repeat that testimony in this section, but my testimony regarding  
26 credit life insurance is equally applicable to credit accident and health insurance.  
27

28 The component rating factors used to derive the rate level indication for credit accident  
29 and health insurance, as well as the source of the values is set forth below.  
30

31 Reasonable acquisition costs	20.00% (Schedule AIS-3B, Sheet 1 and credit life testimony)
32	
33 Loss ratios	48.08% <sup>24</sup> (Schedule AIS-2)
34	
35 Administrative expenses	14.00% <sup>25</sup> (Schedule AIS-3, Sheets 2 and 3 and credit life testimony)
36	
37	
38	

<sup>24</sup> The 48.08% 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 \$1.34.

<sup>25</sup> The 14.00% 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 \$0.39.

1	Reserves	Included in Profit
2		
3	Settlement expenses	Incl in Administrative Exp
4		
5	Type or class of business	By Applying Formula by
6		Type or Class of Business
7		
8	Duration of various credit transactions	Included in Profit
9		
10	Reasonable and adequate profits to the insurers	
11	Cost of Capital / Target Total Return	9.7% (Schedule AIS-5 and
12	Underwriting Profit Factor	-15.0% credit life testimony)

13 Applying the RLC formula gives the following results:

14 Credit Accident and Health

15

16

17

18 
$$RLC = \frac{48.08\% + 14.00\%}{1 - 20.00\% - 2.75\% - (-15.0\%)} = -32.70\%$$

19

20

21

22 Q. Taking into account all these considerations, what loss ratios did you derive for credit

23 accident and health insurance by class of business.

24

25 A. A summary of the credit accident and health insurance loss ratio experience by class of

26 business for 2000 to 2002 combined is set forth in the following table.

27

28 Texas Credit Accident and Health Insurance Loss Ratios From 2000 to 2002

29

30 Class of Business	31 <u>Loss Ratio at Current Presumptive Rates</u>	
	32 <u>Before Credibility</u>	33 <u>After Credibility<sup>26</sup></u>
34 Commercial Banks, Savings	43.98%	43.98%
35 & Loan Associations and		
36 Mortgage Companies		
37 Finance Companies and	55.30%	55.30%
38 Small Loan Companies		
39 Credit Unions	65.98%	65.98%
40		
41 Production Credit Associations		
42 (Agricultural & Horticultural)	N/A	N/A
43		
44		

<sup>26</sup> This is before rebalancing the loss ratios to have the before credibility and after credibility total loss ratios be equal.

1	Dealers (Auto & Truck Dealers,	41.19%	41.19%
2	Other Dealers, Retail Stores, Etc.)		
3			
4	Other	3809.46%	247.19%
5			
6	Combined	48.08%	47.73%

7  
8 The loss ratio for the Other class of business is very high due to the fact that the only  
9 company reporting in class 17F is no longer writing that class of business in Texas.  
10 However, as the premium volume for this class is very low the overall effect is minimal.

11  
12 The overall loss ratio across all classes of business and all plans of benefits for credit  
13 accident and health insurance has been fairly stable : 47.7% for 2000, 47.4% for 2001  
14 and 49.1% for 2002. Based upon these data, it is reasonable to use the three year overall  
15 average loss ratio of 48.08% to derive an overall indicated rate level decrease of -32.70%.

16  
17 Q. What presumptive premium rate level changes for credit accident and health insurance  
18 did you derive by class of business?

19  
20 A. A summary of the initial indicated and selected presumptive premium rate level changes  
21 by class of business is set forth in the following table.

22  
23  
24 Texas Credit Accident and Health Insurance Presumptive Premium Rate Level Changes

25 26 27 Class of Business	28 Presumptive Premium Rate Level Change	
	29 Initial Indicated	30 Proposed
31 Commercial Banks, Savings 32 & Loan Associations and 33 Mortgage Companies	34 -36.80%	35 -38%
36 Finance Companies and 37 Small Loan Companies	38 -24.43%	39 -25%
40 Credit Unions	41 -12.78%	42 -15%
43 Production Credit Associations 44 (Agricultural & Horticultural)	45 N/A	46 N/A
47 Dealers (Auto & Truck Dealers, 48 Other Dealers, Retail Stores, Etc.)	49 -39.85%	50 -38%
51 Other	52 185.10%	53 50%
54 Total	55 -32.70%	56 -32.48%

1 The proposed premium level changes were selected using judgment taking into account  
 2 the : (i) initial indicated rate level changes by class, (ii) relative credibility of the data,  
 3 (iii) grouping classes with similar experience and (iv) having the overall proposed change  
 4 be comparable to the initial indicated value.  
 5

6  
 7  
 8 VII - CONCLUSION  
 9

10 Q. Please summarize your testimony?

11  
 12 A. We used accepted actuarial ratemaking methodologies; previous decisions by the  
 13 Commissioner of Insurance, the applicable statutory provisions and the applicable  
 14 regulations. Based upon our analysis, we are recommending the following presumptive  
 15 premium changes.  
 16  
 17  
 18  
 19  
 20

21 Summary of Recommended Presumptive Premium Rate Changes

22 Class of Business	Credit Life	Credit Disability
23 24 Commercial Banks, Savings 25 & Loan Associations and 26 Mortgage Companies	-26%	-38%
27 28 Finance Companies and 29 Small Loan Companies	-26%	-25%
30 31 Credit Unions	-26%	-15%
32 33 Production Credit Associations 34 (Agricultural & Horticultural)	-40%	NA
35 36 Dealers (Auto & Truck Dealers, 37 Other Dealers, Retail Stores, Etc.)	-50%	-38%
38 39 Other	-40%	50%
40 41 Total	-40.68%	-32.48%

42  
 43 The difference in the presumptive premium rate changes by class of business can be  
 44 accomplished by setting presumptive premium rates for a base class (i.e., dealers) and  
 45 deriving the presumptive premium rates for the other classes by the use of rate relativity

1 multipliers. Such rate relative factors are set forth in Schedule AIS-1 for credit life and  
2 in Schedule AIS-2 for credit disability.

3  
4 Q. Do you have an opinion regarding your overall recommended presumptive premium level  
5 changes for the coverages that are the subject of this proceeding?

6  
7 A. Yes. I do.

8  
9 Q. What is that opinion?

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

18  
19 Q. Does that complete your pre-filed testimony at this time?

20  
21 A. Yes. However, the Texas Department of Insurance has agreed to allow additional  
22 testimony on Texas Credit until July 16, 2004. As we review additional information we  
23 may submit further testimony.  
24

TEXAS CREDIT INSURANCE

Proposed Presumptive Life Insurance Rate Level Changes in Total and by Class of Business for 2004

(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, Lic. and Fees	(9) Underwriting Profit Ratio	(10) Initial Indicated	(11) Proposed	(12) Rate Level Change	(13) Rate Relativity to Dealers
Commercial Banks, Savings & Loan Associations and Mortgage Companies	\$99,367,335	56.52%	100.00%	56.52%	56.53%	20.00%	2.75%	-15.26%	-24.84%	-26%	1,480	
Finance Companies, Small Loan Companies	\$47,014,658	55.53%	100.00%	55.53%	55.53%	20.00%	2.75%	-15.26%	-25.92%	-26%	1,480	
Credit Unions	\$60,293,569	56.84%	100.00%	56.84%	56.85%	20.00%	2.75%	-15.26%	-24.50%	-26%	1,480	
Production Credit Associations (Agricultural & Horticultural P.C.A.s)	\$9,752	7.47%	2.21%	41.15%	41.16%	20.00%	2.75%	-15.26%	-41.46%	-40%	1,200	
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	\$325,463,897	32.71%	100.00%	32.71%	32.71%	20.00%	2.75%	-15.26%	-50.58%	-50%	1,000	
Other	\$475,841	51.01%	15.42%	43.32%	43.32%	20.00%	2.75%	-15.26%	-39.12%	-40%	1,200	
Total	\$532,625,052	41.91%	41.91%	41.91%	41.91%	20.00%	2.75%	-15.26%	-40.64%	-40.68%		

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 13.1% from Schedule AIS-3A, Sheet 2 and 12.8% from AIS-3A, Sheet 3
- (9) : See Text
- (10) : Schedule AIS-4, Sheet 1
- (11) : [(5) + (6)] / [ 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 2000 to 2002

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

(1) Year	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at Prior Presump. Rates	(5) Rate Change	(6) Earned Premium at Current Presump. Rates	(7) Loss Ratio at Current Presumptive Rates (3)/(6)	(8) Loss per \$100 Insurance In Force (3)/(2)*0.01	(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)
2000	10,976,645,999	31,751,794	87,139,780	1,000	87,139,780	0.3644	0.2893	37,913,804	0.3454	43.5%
2001	15,273,241,001	34,286,934	94,023,904	1,000	94,023,904	0.3647	0.2245	35,414,923	0.2319	37.7%
2002	15,168,150,052	34,131,028	93,532,532	1,000	93,532,532	0.3649	0.2250	36,415,569	0.2401	38.9%
Total	41,418,037,052	100,169,756	274,696,216	1,000	274,696,216	0.3647	0.2419	109,744,296	0.2650	40.0%

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

(12) Year	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at Prior Presump. Rates	(16) Rate Change	(17) Earned Premium at Current Presump. Rates	(18) Loss Ratio at Current Presumptive Rates (14)/(17)	(19) Loss per \$100 Insurance In Force (14)/(13)*0.01	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Prior Presumptive Rates (20)/(15)
2000	997,686,069	1,773,843	6,353,398	1,000	6,353,398	0.2792	0.1778	2,921,512	0.2928	46.0%
2001	1,035,718,942	1,818,401	6,673,130	1,000	6,673,130	0.2725	0.1756	2,005,618	0.1936	30.1%
2002	950,894,118	1,973,512	5,925,360	1,000	5,925,360	0.3331	0.2075	1,758,012	0.1849	29.7%
Total	2,984,299,129	5,565,756	18,951,888	1,000	18,951,888	0.2937	0.1865	6,685,142	0.2240	35.3%

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

(23) Year	(24) Mean Insurance In Force	(25) Incurred Claims	(26) Earned Premium at Prior Presump. Rates	(27) Rate Change	(28) Earned Premium at Current Presump. Rates	(29) Loss Ratio at Current Presumptive Rates (25)/(28)	(30) Loss per \$100 Insurance In Force (25)/(24)*0.01	(31) Commission and Service Fees Incurred	(32) Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	(33) Commission Ratio to Prior Presumptive Rates (31)/(26)
2000	2,019,943,986	9,660,271	15,763,931	1,000	15,763,931	0.6128	0.4782	3,684,159	0.1824	23.4%
2001	2,156,832,291	11,236,359	16,467,768	1,000	16,467,768	0.6823	0.5210	3,785,392	0.1755	23.0%
2002	2,350,783,970	10,971,635	16,945,943	1,000	16,945,943	0.6474	0.4667	4,054,289	0.1725	23.9%
Total	6,527,560,247	31,868,265	49,177,642	1,000	49,177,642	0.6480	0.4882	11,523,840	0.1765	23.4%

Source : Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002.



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

(1) Year	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at Prior Presump. Rates	(5) Rate Change	(6) Earned Premium at Current Presump. Rates	(7) Loss Ratio at Current Presumptive Rates (3)/(6)	(8) Loss per \$100 Insurance In Force (3)/(2)*0.01	(9) Commission and Service Fees Incurred	(10) Commission & Service Fees per \$100 Insurance in Force (9)/(2)*0.01	(11) Commission Ratio to Presumptive Rates (9)/(4)
2000	341,138,004	1,069,817	1,791,735	1,000	1,791,735	0.5971	0.3136	478,807	0.1404	26.7%
2001	297,125,064	1,344,932	1,980,026	1,000	1,980,026	0.6792	0.4526	502,083	0.1690	25.4%
2002	264,780,177	1,401,901	2,003,031	1,000	2,003,031	0.6999	0.5295	472,967	0.1786	23.6%
Total	903,043,245	3,816,650	5,774,792	1,000	5,774,792	0.6609	0.4226	1,453,857	0.1610	25.2%

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

(12) Year	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at Prior Presump. Rates	(16) Rate Change	(17) Earned Premium at Current Presump. Rates	(18) Loss Ratio at Current Presumptive Rates (14)/(17)	(19) Loss per \$100 Insurance In Force (14)/(13)*0.01	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Presumptive Rates (20)/(15)
2000	5,194,871,436	15,987,016	41,246,421	1,000	41,246,421	0.3876	0.3077	18,135,394	0.3491	44.0%
2001	5,445,409,554	20,055,464	47,525,863	1,000	47,525,863	0.4220	0.3683	17,670,516	0.3245	37.2%
2002	5,468,224,040	18,615,073	47,787,329	1,000	47,787,329	0.3895	0.3404	15,869,388	0.2902	33.2%
Total	16,108,505,030	54,657,553	136,559,613	1,000	136,559,613	0.4002	0.3393	51,675,298	0.3208	37.8%

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

(23) Year	(24) Mean Insurance In Force	(25) Incurred Claims	(26) Earned Premium at Prior Presumptive Rates	(27) Rate Change	(28) Earned Premium at Current Presump. Rates	(29) Loss Ratio at Current Presumptive Rates (25)/(28)	(30) Loss per \$100 Insurance In Force (25)/(24)*0.01	(31) Commission and Service Fees Incurred	(32) Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	(33) Commission Ratio to Presumptive Rates (31)/(26)
2000	233,071,689	571,142	2,062,637	1,000	2,062,637	0.2769	0.2450	1,140,214	0.4852	55.3%
2001	261,828,768	501,350	2,379,661	1,000	2,379,661	0.2107	0.1915	847,258	0.3236	35.6%
2002	263,252,863	671,742	2,214,407	1,000	2,214,407	0.3034	0.2552	648,307	0.2463	29.3%
Total	758,153,320	1,744,234	6,656,705	1,000	6,656,705	0.2620	0.2301	2,635,779	0.3477	39.6%

Source: Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life Insurance Experience 2000 to 2002

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

(1) Year	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at Prior Presump. Rates	(5) Rate Change	(6) Earned Premium at Current Presump. Rates	(7) Loss Ratio at Current Presumptive Rates (3)/(6)	(8) Loss per \$100 Insurance In Force (3)/(2)*0.01	(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)
2000	2,168,585,818	8,400,223	14,554,719	1,000	14,554,719	0.5771	0.3874	2,750,144	0.1268	18.9%
2001	1,392,053,161	8,090,573	12,616,864	1,000	12,616,864	0.6413	0.5812	2,541,103	0.1825	20.1%
2002	1,316,095,908	8,031,451	11,546,468	1,000	11,546,468	0.6956	0.6102	2,494,859	0.1896	21.6%
Total	4,876,734,887	24,522,247	38,718,051	1,000	38,718,051	0.6334	0.5028	7,786,106	0.1597	20.1%

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

(12) Year	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at Presumptive Rates	(16) Rate Change	(17) Earned Premium at Current Presump. Rates	(18) Loss Ratio at Current Presumptive Rates (14)/(17)	(19) Loss per \$100 Insurance In Force (14)/(13)*0.01	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Prior Presumptive Rates (20)/(15)
2000	75,582,901	246,685	582,479	1,000	582,479	0.4235	0.3264	85,550	0.1132	14.7%
2001	63,805,808	384,167	697,426	1,000	697,426	0.5508	0.6021	101,265	0.1587	14.5%
2002	50,812,373	269,430	810,240	1,000	810,240	0.3325	0.5302	92,231	0.1815	11.4%
Total	190,201,082	900,282	2,090,145	1,000	2,090,145	0.4307	0.4733	279,046	0.1467	13.4%

*All Life Credit Plans of Benefits*

(23) Year	(24) Mean Insurance In Force	(25) Incurred Claims	(26) Earned Premium at Presumptive Rates	(27) Rate Change	(28) Earned Premium at Current Presump. Rates	(29) Loss Ratio at Current Presumptive Rates (25)/(28)	(30) Loss per \$100 Insurance In Force (25)/(24)*0.01	(31) Commission and Service Fees Incurred	(32) Commission & Service Fees per \$100 Insurance in Force (31)/(24)*0.01	(33) Commission Ratio to Prior Presumptive Rates (31)/(26)
2000	22,007,525,902	69,450,791	169,495,100	1,000	169,495,100	0.4098	0.3156	67,109,584	0.3049	39.6%
2001	25,926,014,589	77,718,180	182,364,642	1,000	182,364,642	0.4262	0.2998	62,868,158	0.2425	34.5%
2002	25,832,993,501	76,065,772	180,765,310	1,000	180,765,310	0.4208	0.2945	61,805,622	0.2383	34.2%
Total	73,766,533,992	223,244,743	532,625,052	1,000	532,625,052	0.4191	0.3026	191,783,364	0.2600	36.0%

Source: Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life Insurance Experience 2000 to 2002

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

(1) Plan of Benefits	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at Prior		(5) Rate Change	(6) Earned Premium at Current		(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)
			Presump. Rates	Prior		Presump. Rates	Current					
1	7,791,749,714	21,108,109	48,294,553	48,294,553	1,000	48,294,553	0.4371	0.2709	15,598,465	0.2002	32.3%	
2	842,731,356	2,206,420	5,420,452	5,420,452	1,000	5,420,452	0.4071	0.2618	1,871,261	0.2220	34.5%	
3	1,136,071,202	12,061,979	14,926,548	14,926,548	1,000	14,926,548	0.8081	1.0617	3,971,112	0.3495	26.6%	
4	128,106,598	698,246	1,642,247	1,642,247	1,000	1,642,247	0.4252	0.5451	203,811	0.1591	12.4%	
5	2,346,667,133	11,553,179	20,161,596	20,161,596	1,000	20,161,596	0.5730	0.4923	5,630,252	0.2399	27.9%	
6	120,167,664	453,720	984,193	984,193	1,000	984,193	0.4610	0.3776	315,855	0.2628	32.1%	
7	1,938,231,989	7,812,724	6,781,400	6,781,400	1,000	6,781,400	1.1521	0.4031	2,600,402	0.1342	38.3%	
8	60,965,267	269,829	1,156,346	1,156,346	1,000	1,156,346	0.2333	0.4426	143,798	0.2359	12.4%	
Total	14,364,690,923	56,164,206	99,367,335	99,367,335	1,000	99,367,335	0.5652	0.3910	30,334,957	0.2112	30.5%	

B. Finance Companies and Small Loan Companies

(12) Plan of Benefits	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at Prior		(16) Rate Change	(17) Earned Premium at Current		(18) Loss Ratio at Current Presump. Rates	(19) Loss per \$100 Insurance In Force	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Prior Presumptive Rates (20)/(15)
			Presump. Rates	Prior		Presump. Rates	Current					
1	3,463,130,573	11,986,731	24,214,277	24,214,277	1,000	24,214,277	0.4950	0.3461	716,761	0.0207	3.0%	
2	1,580,021	11,777	9,243	9,243	1,000	9,243	1.2742	0.7454	3,940	0.2494	42.6%	
3	101,841,647	960,590	706,567	706,567	1,000	706,567	1.3595	0.9432	104,668	0.1028	14.8%	
4	24,370,305	130,511	185,165	185,165	1,000	185,165	0.7048	0.5355	0	0.0000	0.0%	
5	2,150,082,554	12,045,667	19,844,272	19,844,272	1,000	19,844,272	0.6070	0.5602	597,789	0.0278	3.0%	
6	0	0	0	0	1,000	0	ERR	ERR	0	ERR	ERR	
7	189,516,665	630,946	1,643,116	1,643,116	1,000	1,643,116	0.3840	0.3329	47,310	0.0250	2.9%	
8	37,282,744	339,171	412,018	412,018	1,000	412,018	0.8232	0.9097	0	0.0000	0.0%	
Total	5,967,804,509	26,105,393	47,014,658	47,014,658	1,000	47,014,658	0.5553	0.4374	1,470,468	0.0246	3.1%	

Source : Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002

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C. Credit Unions

(1) Plan of Benefits	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at		(5) Rate Change	(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)
			Presump. Rates	Prior		Current	Presump. Rates				
1	753,966,381	2,835,817	6,452,411	6,452,411	1.000	0.4395	0.3761	2,047,442	0.2716	31.7%	
2	17,590,940	47,085	120,955	120,955	1.000	0.3893	0.2677	45,527	0.2588	37.6%	
3	4,988,897,434	18,650,765	31,465,609	31,465,609	1.000	0.5927	0.3738	7,186,102	0.1440	22.8%	
4	653,565,608	2,922,877	3,725,767	3,725,767	1.000	0.7845	0.4472	1,236,749	0.1892	33.2%	
5	211,963,838	635,327	2,200,706	2,200,706	1.000	0.2887	0.2997	680,943	0.3213	30.9%	
6	3,385,578	3,593	22,025	22,025	1.000	0.1631	0.1061	11,994	0.3543	54.5%	
7	1,774,020,288	8,938,546	15,953,236	15,953,236	1.000	0.5603	0.5039	3,895,195	0.2196	24.4%	
8	46,236,312	238,015	352,860	352,860	1.000	0.6745	0.5148	125,596	0.2716	35.6%	
Total	8,449,626,279	34,272,025	60,293,569	60,293,569	1.000	0.5684	0.4056	15,229,548	0.1802	25.3%	

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

(12) Plan of Benefits	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at		(16) Rate Change	(18) Loss Ratio at Current Presump. Rates		(19) Loss per \$100 Insurance In Force	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Prior Presumptive Rates (20)/(15)
			Presump. Rates	Prior		Current	Presump. Rates				
1	1,109,934	676	8,489	8,489	1.000	0.0796	0.0609	5,250	0.4730	61.8%	
2	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
3	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
4	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
5	136,081	52	1,263	1,263	1.000	0.0412	0.0382	581	0.4270	46.0%	
6	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
7	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
8	0	0	0	0	1.000	ERR	ERR	0	ERR	ERR	
Total	1,246,015	728	9,752	9,752	1.000	0.0747	0.0584	5,831	0.4680	59.8%	

Source: Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002

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Credit Life Insurance Experience 2000 to 2002

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

(1) Plan of Benefits	(2) Mean Insurance In Force	(3) Incurred Claims	(4) Earned Premium at		(5) Rate Change	(6) Earned Premium at		(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)
			Presump. Rates	Prior		Presump. Rates	Current					
1	29,402,436,998	64,225,572	195,687,709	13,401,238	1.000	195,687,709	0.3282	0.2184	91,373,876	0.3108	46.7%	
2	2,122,396,912	3,300,474	13,401,238	2,078,875	1.000	13,401,238	0.2463	0.1555	4,764,414	0.2245	35.6%	
3	300,747,889	194,792	2,078,875	0	1.000	2,078,875	0.0937	0.0648	261,958	0.0871	12.6%	
4	11,394,833,571	30,352,878	94,305,289	5,650,487	1.000	94,305,289	0.3219	0.2664	44,762,266	0.3928	47.5%	
5	634,600,078	1,286,921	5,650,487	14,340,299	1.000	5,650,487	0.2278	0.2028	2,307,929	0.3637	40.8%	
6	974,965,945	7,099,012	14,340,299	0	1.000	14,340,299	0.4950	0.7281	1,243,199	0.1275	8.7%	
7	0	0	0	0	1.000	0	ERR	ERR	0	ERR	ERR	
8	0	0	0	0	1.000	0	ERR	ERR	0	ERR	ERR	
Total	44,829,981,393	106,459,649	325,463,897	325,463,897	1.000	325,463,897	0.3271	0.2375	144,713,662	0.3228	44.5%	

F: Other Than A Through E

(12) Plan of Benefits	(13) Mean Insurance In Force	(14) Incurred Claims	(15) Earned Premium at		(16) Rate Change	(17) Earned Premium at		(18) Loss Ratio at Current Presump. Rates	(19) Loss per \$100 Insurance In Force	(20) Commission and Service Fees Incurred	(21) Commission & Service Fees per \$100 Insurance in Force (20)/(13)*0.01	(22) Commission Ratio to Prior Presumptive Rates (20)/(15)
			Presump. Rates	Prior		Presump. Rates	Current					
1	5,643,452	12,851	38,777	0	1.000	38,777	0.3314	0.2277	2,502	0.0443	6.5%	
2	0	0	0	43	1.000	0	ERR	ERR	0	ERR	ERR	
3	2,075	139	43	221,613	1.000	43	3.2326	6.6988	0	0.0000	0.0%	
4	97,000,734	65,016	221,613	46,487	1.000	221,613	0.2934	0.0670	13,297	0.0137	6.0%	
5	4,821,853	70,450	46,487	0	1.000	46,487	1.5155	1.4611	3,447	0.0715	7.4%	
6	0	0	0	0	1.000	0	ERR	ERR	0	ERR	ERR	
7	0	41,019	0	168,921	1.000	0	ERR	ERR	0	ERR	ERR	
8	45,716,759	53,267	168,921	475,841	1.000	168,921	0.3153	0.1165	9,652	0.0211	5.7%	
Total	153,184,873	242,742	475,841	475,841	1.000	475,841	0.5101	0.1585	28,698	0.0189	6.1%	

Source: Texas Department of Insurance, Credit Life Experience Report, years 2000 to 2002.

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life Insurance Experience 2000 to 2002

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	41,418,037,052	100,169,756	274,696,216	1.000	274,696,216	0.3647	0.2419	109,744,296	0.2650	40.0%
2	2,984,299,129	5,565,756	18,951,888	1.000	18,951,888	0.2937	0.1865	6,885,142	0.2240	35.3%
3	6,527,560,247	31,868,265	49,177,642	1.000	49,177,642	0.6480	0.4882	11,523,840	0.1765	23.4%
4	903,043,245	3,816,650	5,774,792	1.000	5,774,792	0.6609	0.4226	1,453,857	0.1610	25.2%
5	16,108,505,030	54,657,553	136,559,613	1.000	136,559,613	0.4002	0.3393	51,675,298	0.3208	37.8%
6	758,153,320	1,744,234	6,656,705	1.000	6,656,705	0.2620	0.2301	2,635,779	0.3477	39.6%
7	4,876,734,887	24,522,247	38,718,051	1.000	38,718,051	0.6334	0.5028	7,786,106	0.1597	20.1%
8	190,201,082	900,282	2,090,145	1.000	2,090,145	0.4307	0.4733	279,046	0.1467	13.4%
Total	73,766,533,992	223,244,743	532,625,052	1.000	532,625,052	0.4191	0.3026	191,783,364	0.2600	36.0%

**TEXAS CREDIT INSURANCE**

**Proposed Presumptive Accident and Health Insurance Rate Level Changes in Total and by Class of Business for 2004**

(1) Class of Business	(2) Earned Premium at Current Presumptive Rates	(3) Loss Ratio	(4) Credibility	(5) Credibility Weighted Loss Ratio $\frac{\text{Initial}}{\text{Balanced}}$	(6) Commission Ratio	(7) Administrative Expense Ratio	(8) Premiums Taxes, Lics. and Fees	(9) Underwriting Profit Ratio	(10) Rate Level Initial Indicated	(11) Rate Level Change Proposed	(12) Rate Relativity to Dealers
Commercial Banks, Savings & Loan Associations and Mortgage Companies	\$116,614,435	43.98%	100.00%	43.98%	44.31%	20.00%	2.75%	-15.00%	-36.80%	-38%	1.000
Finance Companies, Small Loan Companies	\$52,953,295	55.30%	100.00%	55.30%	55.71%	20.00%	2.75%	-15.00%	-24.43%	-25%	1.210
Credit Unions	\$106,421,213	65.98%	100.00%	65.98%	66.46%	20.00%	2.75%	-15.00%	-12.78%	-15%	1.371
Production Credit Associations (Agricultural & Horticultural P.C.A.s)	\$293,050,711	41.19%	100.00%	41.19%	41.49%	20.00%	2.75%	-15.00%	-39.85%	-38%	1.000
Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)	\$56,041	*****	5.29%	247.19%	249.00%	20.00%	2.75%	-15.00%	165.10%	50%	2.419
Other	\$569,095,695	48.08%	47.73%	48.08%	20.00%	2.75%	-15.00%	-32.70%	-32.48%		
<b>Total</b>											

**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 14.7% from Schedule AIS-3B, Sheet 2 and 13.0% 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 Disability Insurance Experience 2000 to 2002

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

(1) Year	(2) Incurred Claims	(3) Earned Premium at 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)
2000	(12,921)	2,790	1,000	2,790	-463.1%	(1) 72,317	-0.0%
2001	110,603	192,430	1,000	192,430	57.5%	81,667	37.6%
2002	103,365	248,099	1,000	248,099	41.7%		32.9%
Total	201,047	443,319	1,000	443,319	45.4%	153,983	34.7%

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

(9) Year	(10) Incurred Claims	(11) Earned Premium at 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)
2000	53,900,192	117,727,638	1,000	117,727,638	45.8%	45,257,393	38.4%
2001	59,056,659	127,350,304	1,000	127,350,304	46.4%	47,621,908	37.4%
2002	61,316,706	127,865,507	1,000	127,865,507	48.0%	43,331,628	33.9%
Total	174,273,557	372,943,449	1,000	372,943,449	46.7%	136,210,929	36.5%

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

(17) Year	(18) Incurred Claims	(19) Earned Premium at 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)
2000	986,848	1,504,279	1,000	1,504,279	65.6%	791,385	52.6%
2001	1,308,745	1,573,581	1,000	1,573,581	83.2%	571,354	36.3%
2002	819,594	1,499,027	1,000	1,499,027	54.7%	479,516	32.0%
Total	3,115,187	4,576,887	1,000	4,576,887	68.1%	1,842,255	40.3%

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



**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

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

(1) Year	(2) Incurred Claims	(3) Earned Premium at Presump. Rates	(4) Presumptive Rate Change	(5) Earned Premium at Current 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)
2000	634,916	739,537	1,000	739,537	85.9%	261,101	35.3%
2001	501,066	601,386	1,000	601,386	83.3%	215,715	35.9%
2002	322,420	546,665	1,000	546,665	59.0%	200,835	36.7%
<b>Total</b>	<b>1,458,402</b>	<b>1,887,588</b>	<b>1,000</b>	<b>1,887,588</b>	<b>77.3%</b>	<b>677,651</b>	<b>35.9%</b>

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

(9) Year	(10) Incurred Claims	(11) Earned Premium at Presump. Rates	(12) Presumptive Rate Change	(13) Earned Premium at Current 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)
2000	816,446	713,484	1,000	713,484	114.4%	278,042	39.0%
2001	872,192	732,091	1,000	732,091	119.1%	274,073	37.4%
2002	411,961	492,026	1,000	492,026	83.7%	54,671	11.1%
<b>Total</b>	<b>2,100,599</b>	<b>1,937,601</b>	<b>1,000</b>	<b>1,937,601</b>	<b>108.4%</b>	<b>606,786</b>	<b>31.3%</b>

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

(17) Year	(18) Incurred Claims	(19) Earned Premium at Presump. Rates	(20) Presumptive Rate Change	(21) Earned Premium at Current 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)
2000	2,641	26,845	1,000	26,845	9.8%	9,612	35.8% ERR
2001	0	0	1,000	0	ERR	0	ERR
2002	0	0	1,000	0	ERR	0	ERR
<b>Total</b>	<b>2,641</b>	<b>26,845</b>	<b>1,000</b>	<b>26,845</b>	<b>9.8%</b>	<b>9,612</b>	<b>35.8%</b>

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*Plan of Benefits (15) Outstanding Balance Revolving Account - 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)
2000	0	0	1,000	0	ERR	0	ERR
2001	0	0	1,000	0	ERR	0	ERR
2002	(119,036)	36,097	1,000	36,097	-329.8%	0	0.0%
Total	(119,036)	36,097	1,000	36,097	-329.8%	0	0.0%

*Plan of Benefits (16) Outstanding Balance Revolving Account - 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)
2000	8,569,726	14,885,882	1,000	14,885,882	57.6%	3,320,295	22.3%
2001	5,193,053	12,712,400	1,000	12,712,400	40.9%	2,987,806	23.5%
2002	7,830,463	14,165,832	1,000	14,165,832	55.3%	(4,240,655)	-29.9%
Total	21,593,242	41,764,114	1,000	41,764,114	51.7%	2,067,446	5.0%

*Plan of Benefits (17) Outstanding Balance Revolving Account - 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)
2000	7,845,990	20,560,488	1,000	20,560,488	38.2%	4,684,815	22.8%
2001	8,052,358	21,007,223	1,000	21,007,223	38.3%	5,261,007	25.0%
2002	7,545,898	19,095,798	1,000	19,095,798	39.5%	4,569,856	23.9%
Total	23,444,246	60,663,509	1,000	60,663,509	38.6%	14,515,678	23.9%

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

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Disability Insurance Experience 2000 to 2002

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

(1) Year	(2) Incurred Claims	(3) Earned Premium at 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)
2000	2,511,497	5,927,056	1,000	5,927,056	42.4%	1,089,603	18.4%
2001	3,458,335	5,714,723	1,000	5,714,723	60.5%	936,351	16.4%
2002	4,183,933	5,653,357	1,000	5,653,357	74.0%	935,695	16.5%
Total	10,153,765	17,295,136	1,000	17,295,136	58.7%	2,961,649	17.1%

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

(9) Year	(10) Incurred Claims	(11) Earned Premium at 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)
2000	10,318,924	17,783,041	1,000	17,783,041	58.0%	3,775,951	21.2%
2001	9,950,233	17,325,074	1,000	17,325,074	57.4%	3,599,831	20.8%
2002	8,482,080	17,554,084	1,000	17,554,084	48.3%	3,452,341	19.7%
Total	28,751,237	52,662,199	1,000	52,662,199	54.6%	10,828,123	20.6%

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

(17) Year	(18) Incurred Claims	(19) Earned Premium at 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)
2000	7	1,544	1,000	1,544	0.5%	436	28.2%
2001	5,824	1,573	1,000	1,573	370.2%	636	40.4%
2002	(44)	1,198	1,000	1,198	-3.7%	489	40.8%
Total	5,787	4,315	1,000	4,315	134.1%	1,561	36.2%

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

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Disability Insurance Experience 2000 to 2002

*Plan of Benefits (21) Outstanding Balance Other Than Revolving Account - 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)
2000	0	0	1,000	0	ERR	0	ERR
2001	0	0	1,000	0	ERR	0	ERR
2002	0	0	1,000	0	ERR	0	ERR
Total	0	0	1,000	0	ERR	0	ERR

*Plan of Benefits (22) Outstanding Balance Other Than Revolving Account - 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)
2000	852,443	1,492,749	1,000	1,492,749	57.1%	388,283	26.0%
2001	1,834,485	2,987,003	1,000	2,987,003	61.4%	888,098	29.7%
2002	2,035,828	2,973,192	1,000	2,973,192	68.5%	722,295	24.3%
Total	4,722,756	7,452,944	1,000	7,452,944	63.4%	1,998,676	26.8%

*Plan of Benefits (23) Outstanding Balance Other Than Revolving Account - 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)
2000	144,973	299,515	1,000	299,515	48.4%	36,752	12.3%
2001	38,619	402,423	1,000	402,423	9.6%	49,309	12.3%
2002	188,243	424,449	1,000	424,449	44.3%	39,915	9.4%
Total	371,835	1,126,387	1,000	1,126,387	33.0%	125,976	11.2%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*Plan of Benefits (24) Outstanding Balance Other Than Revolving Account - 14 Day Non 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)
2000	614,353	1,068,063	1,000	1,068,063	57.5%	152,307	14.3%
2001	805,514	1,924,536	1,000	1,924,536	41.9%	392,157	20.4%
2002	1,162,802	1,700,831	1,000	1,700,831	68.4%	364,421	21.4%
Total	2,582,669	4,693,430	1,000	4,693,430	55.0%	908,885	19.4%

*Plan of Benefits (25) Outstanding Balance Other Than Revolving Account - 30 Day Non 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)
2000	111,546	272,578	1,000	272,578	40.9%	106,933	39.2%
2001	543,962	834,663	1,000	834,663	65.2%	215,377	25.8%
2002	303,754	476,159	1,000	476,159	63.8%	146,599	30.8%
Total	959,262	1,583,400	1,000	1,583,400	60.6%	468,909	29.6%

*Plan of Benefits (26) Outstanding Balance Other Than Revolving Account - 90 Day Non 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)
2000	0	0	1,000	0	ERR	0	ERR
2001	0	0	1,000	0	ERR	0	ERR
2002	0	0	1,000	0	ERR	0	ERR
Total	0	0	1,000	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 2000 to 2002

*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)
2000	87,297,581	183,005,489	1,000	183,005,489	47.7%	60,152,907	32.9%
2001	91,731,648	193,359,410	1,000	193,359,410	47.4%	63,085,939	32.6%
2002	94,587,967	192,732,321	1,000	192,732,321	49.1%	50,139,273	26.0%
Total	273,617,196	569,097,220	1,000	569,097,220	48.1%	173,378,119	30.5%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*A.: 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	1,422	0	1.000	0	ERR	(1)	ERR
10	33,240,477	55,430,151	1.000	55,430,151	60.0%	15,517,006	28.0%
11	105,016	113,123	1.000	113,123	92.8%	31,840	28.1%
12	259,643	281,145	1.000	281,145	92.4%	74,505	26.5%
13	32,859	47,644	1.000	47,644	69.0%	9,056	19.0%
14	0	0	1.000	0	ERR	0	ERR
15	0	0	1.000	0	ERR	0	ERR
16	0	181,687	1.000	181,687	0.0%	56,326	31.0%
17	9,642,382	31,476,035	1.000	31,476,035	30.6%	9,295,630	29.5%
18	0	0	1.000	0	ERR	0	ERR
19	7,786,741	28,340,069	1.000	28,340,069	27.5%	5,690,839	20.1%
20	5,787	4,315	1.000	4,315	134.1%	1,561	36.2%
21	0	0	1.000	0	ERR	0	ERR
22	(374)	0	1.000	0	ERR	0	ERR
23	215,124	740,266	1.000	740,266	29.1%	85,157	11.5%
24	0	0	1.000	0	ERR	0	ERR
25	0	0	1.000	0	ERR	0	ERR
26	0	0	1.000	0	ERR	0	ERR
Total	51,289,077	116,614,435	1.000	116,614,435	44.0%	30,761,919	26.4%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*B. 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	491	4,472	1.000	4,472	11.0%	0	0.0%
10	26,747,472	44,888,526	1.000	44,888,526	59.6%	845,020	1.9%
11	(601)	42,543	1.000	42,543	-1.4%	19,390	45.6%
12	36	584	1.000	584	6.2%	807	138.2%
13	(2,030)	13,471	1.000	13,471	-15.1%	(618)	-4.6%
14	0	0	1.000	0	ERR	0	ERR
15	(119,036)	36,097	1.000	36,097	-329.8%	0	0.0%
16	1,376,638	3,997,226	1.000	3,997,226	34.4%	(6,886,529)	-172.3%
17	962,977	3,170,215	1.000	3,170,215	30.4%	179,349	5.7%
18	0	0	1.000	0	ERR	0	ERR
19	14,797	58,764	1.000	58,764	25.2%	21,326	36.3%
20	0	0	1.000	0	ERR	0	ERR
21	0	0	1.000	0	ERR	0	ERR
22	151,986	478,670	1.000	478,670	31.8%	(2,558)	-0.5%
23	73,139	102,499	1.000	102,499	71.4%	0	0.0%
24	0	0	1.000	0	ERR	0	ERR
25	79,675	160,228	1.000	160,228	49.7%	0	0.0%
26	0	0	1.000	0	ERR	0	ERR
Total	29,285,544	52,953,295	1.000	52,953,295	55.3%	(5,823,813)	-11.0%

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



**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

C.: 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 (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	204,616	436,179	1.000	436,179	46.9%	153,984	35.3%
10	4,948,346	7,041,200	1.000	7,041,200	70.3%	2,158,593	30.7%
11	213,420	234,609	1.000	234,609	91.0%	44,609	19.0%
12	717,368	863,435	1.000	863,435	83.1%	138,809	16.1%
13	1,273,397	602,377	1.000	602,377	211.4%	67,501	11.2%
14	2,641	26,845	1.000	26,845	9.8%	9,612	35.8%
15	0	0	1.000	0	ERR	0	ERR
16	20,159,309	37,458,906	1.000	37,458,906	53.8%	8,862,777	23.7%
17	3,630,861	4,932,396	1.000	4,932,396	73.6%	1,011,050	20.5%
18	10,153,765	17,295,136	1.000	17,295,136	58.7%	2,961,649	17.1%
19	20,949,126	24,262,247	1.000	24,262,247	86.3%	5,115,578	21.1%
20	0	0	1.000	0	ERR	0	ERR
21	0	0	1.000	0	ERR	0	ERR
22	4,571,144	6,974,274	1.000	6,974,274	65.5%	2,001,234	28.7%
23	83,572	283,622	1.000	283,622	29.5%	40,819	14.4%
24	2,582,669	4,693,430	1.000	4,693,430	55.0%	908,885	19.4%
25	723,844	1,316,557	1.000	1,316,557	55.0%	458,695	34.8%
26	0	0	1.000	0	ERR	0	ERR
Total	70,214,078	106,421,213	1.000	106,421,213	66.0%	23,933,795	22.5%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*D.: 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 (2)/(5)	(7) Commission and Service Fees Incurred	(8) Commission & Service Fee Ratio at Presumptive Rates (7)/(3)
9	0	0	1,000	0	ERR	0	ERR
10	0	0	1,000	0	ERR	0	ERR
11	0	0	1,000	0	ERR	0	ERR
12	0	0	1,000	0	ERR	0	ERR
13	0	1,525	1,000	1,525	0.0%	985	64.6%
14	0	0	1,000	0	ERR	0	ERR
15	0	0	1,000	0	ERR	0	ERR
16	0	0	1,000	0	ERR	0	ERR
17	0	0	1,000	0	ERR	0	ERR
18	0	0	1,000	0	ERR	0	ERR
19	0	0	1,000	0	ERR	0	ERR
20	0	0	1,000	0	ERR	0	ERR
21	0	0	1,000	0	ERR	0	ERR
22	0	0	1,000	0	ERR	0	ERR
23	0	0	1,000	0	ERR	0	ERR
24	0	0	1,000	0	ERR	0	ERR
25	0	0	1,000	0	ERR	0	ERR
26	0	0	1,000	0	ERR	0	ERR
Total	0	1,525	1,000	1,525	0.0%	985	64.6%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*E.: 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	(5,482)	2,668	1,000	2,668	-205.5%	0	0.0%
10	109,257,524	265,520,588	1,000	265,520,588	41.1%	117,686,940	44.3%
11	2,797,352	4,186,612	1,000	4,186,612	66.8%	1,746,416	41.7%
12	481,355	742,424	1,000	742,424	64.8%	463,530	62.4%
13	796,342	1,386,142	1,000	1,386,142	57.5%	529,862	38.2%
14	0	0	1,000	0	ERR	0	ERR
15	0	0	1,000	0	ERR	0	ERR
16	57,295	126,295	1,000	126,295	45.4%	34,872	27.6%
17	7,308,295	21,084,863	1,000	21,084,863	34.7%	4,029,649	19.1%
18	0	0	1,000	0	ERR	0	ERR
19	955	1,119	1,000	1,119	85.3%	380	34.0%
20	0	0	1,000	0	ERR	0	ERR
21	0	0	1,000	0	ERR	0	ERR
22	0	0	1,000	0	ERR	0	ERR
23	0	0	1,000	0	ERR	0	ERR
24	0	0	1,000	0	ERR	0	ERR
25	0	0	1,000	0	ERR	0	ERR
26	0	0	1,000	0	ERR	0	ERR
Total	120,693,636	293,050,711	1,000	293,050,711	41.2%	124,491,649	42.5%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

F. Other Than A Through E

(1) Plan of Benefit	(2) Incurred Claims	(3) Earned Premium at 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	0	0	1,000	0	ERR	0	ERR
10	79,738	62,984	1,000	62,984	126.6%	3,370	5.4%
11	0	0	1,000	0	ERR	0	ERR
12	0	0	1,000	0	ERR	0	ERR
13	31	(113,558)	1,000	(113,558)	-0.0%	0	-0.0%
14	0	0	1,000	0	ERR	0	ERR
15	0	0	1,000	0	ERR	0	ERR
16	0	0	1,000	0	ERR	0	ERR
17	1,899,731	0	1,000	0	ERR	0	ERR
18	0	0	1,000	0	ERR	0	ERR
19	(382)	0	1,000	0	ERR	0	ERR
20	0	0	1,000	0	ERR	0	ERR
21	0	0	1,000	0	ERR	0	ERR
22	0	0	1,000	0	ERR	0	ERR
23	0	0	1,000	0	ERR	0	ERR
24	0	0	1,000	0	ERR	0	ERR
25	155,743	106,615	1,000	106,615	146.1%	10,214	9.6%
26	0	0	1,000	0	ERR	0	ERR
Total	2,134,861	56,041	1,000	56,041	3809.5%	13,584	24.2%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*Summary All Benefit Plans Combined*

(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	201,047	443,319	1.000	443,319	45.4%	153,983	34.7%
10	174,273,557	372,943,449	1.000	372,943,449	46.7%	136,210,929	36.5%
11	3,115,187	4,576,887	1.000	4,576,887	68.1%	1,842,255	40.3%
12	1,458,402	1,887,588	1.000	1,887,588	77.3%	677,651	35.9%
13	2,100,599	1,937,601	1.000	1,937,601	108.4%	606,786	31.3%
14	2,641	26,845	1.000	26,845	9.8%	9,612	35.8%
15	(119,036)	36,097	1.000	36,097	-329.8%	0	0.0%
16	21,593,242	41,764,114	1.000	41,764,114	51.7%	2,067,446	5.0%
17	23,444,246	60,663,509	1.000	60,663,509	38.6%	14,515,678	23.9%
18	10,153,765	17,295,136	1.000	17,295,136	58.7%	2,961,649	17.1%
19	28,751,237	52,662,199	1.000	52,662,199	54.6%	10,828,123	20.6%
20	5,787	4,315	1.000	4,315	134.1%	1,561	36.2%
21	0	0	1.000	0	ERR	0	ERR
22	4,722,756	7,452,944	1.000	7,452,944	63.4%	1,998,676	26.8%
23	371,835	1,126,387	1.000	1,126,387	33.0%	125,976	11.2%
24	2,582,669	4,693,430	1.000	4,693,430	55.0%	908,885	19.4%
25	959,262	1,583,400	1.000	1,583,400	60.6%	468,909	29.6%
26	0	0	1.000	0	ERR	0	ERR
<b>Total</b>	<b>273,617,196</b>	<b>569,097,220</b>	<b>1.000</b>	<b>569,097,220</b>	<b>48.1%</b>	<b>173,378,119</b>	<b>30.5%</b>

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Life Insurance Experience 2000 to 2002**

*Summary of Commission Ratios By Class*

(1) (2)

Plan of Benefits	Class						All
	A	B	C	D	E	F	
1	32.3%	3.0%	31.7%	61.8%	46.7%	6.5%	40.0%
2	34.5%	42.6%	37.6%	ERR	35.6%	ERR	35.3%
3	26.6%	14.8%	22.8%	ERR	12.6%	0.0%	23.4%
4	12.4%	0.0%	33.2%	ERR	ERR	6.0%	25.2%
5	27.9%	3.0%	30.9%	46.0%	47.5%	7.4%	37.8%
6	32.1%	ERR	54.5%	ERR	40.8%	ERR	39.6%
7	38.3%	2.9%	24.4%	ERR	8.7%	ERR	20.1%
8	12.4%	0.0%	35.6%	ERR	ERR	5.7%	13.4%
Total.	30.5%	3.1%	25.3%	59.8%	44.5%	6.1%	36.0%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Life Insurance Experience 2000 to 2002**

Expenses - Allocation to Texas

Number of Policies (in 1,000's)

	Year			Total
	<u>2000</u>	<u>2001</u>	<u>2002</u>	
<b><u>Texas</u></b>				
(1) Single Premium, (BOY)	2,009	2,651	2,961	
(2) Single Premium, (EOY)	1,970	2,542	2,259	
(3) Average	1,989	2,597	2,610	7,196
(4) Monthly Premium (BOY)	1,372	855	1,214	
(5) Monthly Premium (EOY)	431	963	690	
(6) Average	902	909	952	2,763
(7) Grand Total	2,891	3,506	3,562	9,959
<b><u>Countrywide</u></b>				
(8) Single Premium, (BOY)	16,926	19,410	21,077	
(9) Single Premium, (EOY)	15,938	17,334	18,439	
(10) Average	16,432	18,372	19,758	54,562
(11) Monthly Premium (BOY)	11,185	12,154	12,886	
(12) Monthly Premium (EOY)	9,470	12,057	9,390	
(13) Average	10,328	12,106	11,138	33,571
(14) Grand Total	26,760	30,478	30,897	88,134
(15) Texas percent of countrywide	10.8%	11.5%	11.5%	11.3%
(16) Credit Life Expenses	193,610,053	219,189,227	206,435,616	619,234,896
(17) Estimated Texas Expenses	20,917,572	25,212,615	23,798,081	69,928,268
(18) Premium at Presumptive Rates	169,495,100	182,364,642	180,765,310	532,625,052
(19) Expense Ratio	12.3%	13.8%	13.2%	13.1%

**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 2000 to 2002**

*Expenses - Allocation to Texas*

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

	Year			Total
	2000	2001	2002	
<b>Texas</b>				
(1) Single Premium, Incepting	1,178	1,063	917	3,158
(2) Monthly Premium, Incepting	115	296	265	675
(3) Total	1,294	1,359	1,181	3,834
<b>Countrywide</b>				
(4) Single Premium, Incepting	9,024	7,485	8,237	24,745
(5) Monthly Premium, Incepting	2,026	4,295	3,685	10,005
(6) Total	11,049	11,779	11,922	34,750
(7) Texas percent of countrywide	11.7%	11.5%	9.9%	11.0%
(8) Credit Life Expenses	193,610,053	219,189,227	206,435,616	619,234,896
(9) Estimated Texas Expenses	22,670,045	25,284,224	20,455,771	68,410,040
(10) Premium at Presumptive Rates	169,495,100	182,364,642	180,765,310	532,625,052
(11) Expense Ratio	13.4%	13.9%	11.3%	12.8%

**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 2000 to 2002

Credit Life Insurance Expenses - Annual Expense Call

Expense Item	Year			Total
	2000	2001	2002	
RENT	7,682,671	8,214,029	8,871,557	24,768,257
SALARIES_WAGES	79,323,546	80,002,291	78,492,030	237,817,867
CONTRI_EMPL	8,651,224	12,682,428	11,255,474	32,589,126
CONTRI_AGENTS	121,441	352,246	372,341	846,028
PAY_EMPL	78,541	100,627	106,760	285,928
PAY_AGENT	294,215	0	215	294,430
OTHER_EMPL_WELFARE	2,272,419	1,917,998	2,142,896	6,333,313
OTHER_AGENTS_WELFARE	69,316	180,715	6,665	256,696
LEGAL_FEES_EXP	3,999,226	2,846,418	3,798,889	10,644,533
MED_EXAM_FEES	1,611,394	907,446	1,559,927	4,078,767
INSPECT_RPT_FEES	390,194	515,969	530,372	1,436,535
FEES_PA_CA	2,854,145	1,986,452	2,148,341	6,988,938
EXP_INV_CLAIMS	2,171,512	3,179,323	1,423,227	6,774,062
TRAVEL_EXP	6,637,558	6,850,783	5,457,346	18,945,687
ADVERTISING	2,102,563	2,082,728	1,982,195	6,167,486
POST_PHONE	9,879,098	8,303,735	8,495,598	26,678,431
PRINT_STAT	5,869,936	5,357,270	5,087,206	16,314,412
DEPR_EQUIP	5,986,441	6,342,908	7,979,364	20,308,713
EQUIP_RENT	3,901,688	2,973,943	1,329,240	8,204,871
BOOKS	244,580	383,725	206,176	834,481
BUREAU ASSO_FEES	1,224,681	1,063,014	177,590	2,465,285
INSUR_EXC_REAL	713,660	1,290,296	1,753,835	3,757,791
MISC_LOSS	1,456,215	348,305	(895,356)	909,164
COLL_BANK_SERV	466,354	706,587	966,938	2,139,879
SUNDRY_EXP	7,560,007	3,508,857	3,900,640	14,969,504
GRP_SERV_FEES	11,501,954	41,957,313	41,700,388	95,159,655
REIMB_UNINSUR	(73,321)	(46,391)	149,554	29,842
AGENCY_EXP_ALLOW	3,024,040	4,031,449	3,301,541	10,357,030
NET_AGENTS_CHRG	935,637	211,314	1,213,056	2,360,007
AGENCY_CONF	755,711	927,201	1,028,147	2,711,059
REAL_EST_EXP	1,083,890	1,107,034	798,766	2,989,690
INVEST_EXP	556,268	336,790	406,429	1,299,487
AGG_WRITEIN	20,263,249	18,566,424	10,688,269	49,517,942
Total	193,610,053	219,189,227	206,435,616	619,234,896

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

*Summary of Commission Ratios By Class*

(1) (2)

Plan of Benefits	Class						All
	A	B	C	D	E	F	
9	ERR	0.0%	35.3%	ERR	0.0%	ERR	34.7%
10	28.0%	1.9%	30.7%	ERR	44.3%	5.4%	36.5%
11	28.1%	45.6%	19.0%	ERR	41.7%	ERR	40.3%
12	26.5%	138.2%	16.1%	ERR	62.4%	ERR	35.9%
13	19.0%	-4.6%	11.2%	64.6%	38.2%	-0.0%	31.3%
14	ERR	ERR	35.8%	ERR	ERR	ERR	35.8%
15	ERR	0.0%	ERR	ERR	ERR	ERR	0.0%
16	31.0%	-172.3%	23.7%	ERR	27.6%	ERR	5.0%
17	29.5%	5.7%	20.5%	ERR	19.1%	ERR	23.9%
18	ERR	ERR	17.1%	ERR	ERR	ERR	17.1%
19	20.1%	36.3%	21.1%	ERR	34.0%	ERR	20.6%
20	36.2%	ERR	ERR	ERR	ERR	ERR	36.2%
21	ERR	ERR	ERR	ERR	ERR	ERR	ERR
22	ERR	-0.5%	28.7%	ERR	ERR	ERR	26.8%
23	11.5%	0.0%	14.4%	ERR	ERR	ERR	11.2%
24	ERR	ERR	19.4%	ERR	ERR	ERR	19.4%
25	ERR	0.0%	34.8%	ERR	ERR	9.6%	29.6%
26	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Total	26.4%	-11.0%	22.5%	64.6%	42.5%	24.2%	30.5%

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

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Accident and Health Insurance Experience 2000 to 2002**

Expenses - Allocation to Texas

Number of Policies (in 1,000's)

	Year			Total
	2000	2001	2002	
<b><u>Texas</u></b>				
(1) Single Premium, (BOY)	912	951	977	
(2) Single Premium, (EOY)	957	967	935	
(3) Average	934	959	956	2,849
(4) Monthly Premium (BOY)	379	557	552	
(5) Monthly Premium (EOY)	347	521	525	
(6) Average	363	539	539	1,441
(7) Grand Total	1,297	1,498	1,495	4,290
<b><u>Countrywide</u></b>				
(8) Single Premium, (BOY)	7,570	7,784	7,493	
(9) Single Premium, (EOY)	7,615	7,187	6,988	
(10) Average	7,593	7,486	7,240	22,319
(11) Monthly Premium (BOY)	4,420	6,656	5,927	
(12) Monthly Premium (EOY)	3,800	5,911	5,592	
(13) Average	4,110	6,284	5,759	16,153
(14) Grand Total	11,703	13,769	13,000	38,472
(15) Texas percent of countrywide	11.1%	10.9%	11.5%	11.2%
(16) Credit Accident and Health Expenses	188,659,534	291,732,568	269,136,035	749,528,137
(17) Estimated Texas Expenses	20,906,935	31,744,337	30,950,960	83,602,232
(18) Premium at Presumptive Rates	183,005,489	193,359,410	192,732,321	569,097,220
(19) Expense Ratio	11.4%	16.4%	16.1%	14.7%

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 2000 to 2002**

Expenses - Allocation to Texas

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

	Year			Total
	2000	2001	2002	
<b><u>Texas</u></b>				
(1) Single Premium, Incepting	500	458	427	1,385
(2) Monthly Premium, Incepting	38	128	154	321
(3) Total	538	586	581	1,705
<b><u>Countrywide</u></b>				
(4) Single Premium, Incepting	4,098	4,650	3,925	12,673
(5) Monthly Premium, Incepting	722	2,234	1,606	4,562
(6) Total	4,820	6,884	5,531	17,235
(7) Texas percent of countrywide	11.2%	8.5%	10.5%	9.9%
(8) Credit Accident and Health Expenses	188,659,534	291,732,568	269,136,035	749,528,137
(9) Estimated Texas Expenses	21,073,940	24,822,912	28,289,267	74,186,119
(10) Premium at Presumptive Rates	183,005,489	193,359,410	192,732,321	569,097,220
(11) Expense Ratio	11.5%	12.8%	14.7%	13.0%

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 2000 to 2002**

*Credit Accident and Health Insurance Expenses - Annual Expense Call*

<u>Expense Item</u>	<u>Year</u>			<u>Total</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	
RENT	7,585,411	8,169,500	9,253,695	25,008,606
SALARIES_WAGES	73,014,306	94,831,077	89,169,784	257,015,167
CONTRI_EMPL	12,141,070	18,894,363	17,325,019	48,360,452
CONTRI_AGENTS	1,538,812	1,734,360	2,190,529	5,463,701
PAY_EMPL	80,012	110,822	155,300	346,134
PAY_AGENT	0	0	1,088	1,088
OTHER_EMPL_WELFARE	2,528,161	2,055,002	2,418,715	7,001,878
OTHER_AGENTS_WELFARE	132,188	171,433	8,030	311,651
LEGAL_FEES_EXP	3,376,534	2,504,037	3,648,204	9,528,775
MED_EXAM_FEES	847,737	345,866	692,710	1,886,313
INSPECT_RPT_FEES	340,429	473,145	637,886	1,451,460
FEES_PA_CA	2,708,334	2,618,742	2,400,699	7,727,775
EXP_INV_CLAIMS	88,304	3,528,422	2,470,974	6,087,700
TRAVEL_EXP	11,091,157	9,431,634	6,665,969	27,188,760
ADVERTISING	3,251,227	3,744,390	2,434,453	9,430,070
POST_PHONE	8,114,476	8,431,023	9,100,651	25,646,150
PRINT_STAT	5,658,951	5,740,041	5,479,624	16,878,616
DEPR_EQUIP	5,213,363	5,817,546	9,614,726	20,645,635
EQUIP_RENT	3,422,156	3,789,915	1,552,394	8,764,465
BOOKS	228,137	468,942	271,165	968,244
BUREAU ASSO_FEES	1,039,687	914,747	661,045	2,615,479
INSUR_EXC_REAL	496,123	2,088,468	3,187,351	5,771,942
MISC_LOSS	1,547,109	241,254	(561,396)	1,226,967
COLL_BANK_SERV	572,759	802,901	1,021,320	2,396,980
SUNDRY_EXP	5,801,247	15,190,698	5,827,282	26,819,227
GRP_SERV_FEES	13,672,529	77,768,130	81,424,170	172,864,829
REIMB_UNINSUR	(130,014)	(56,114)	200,701	14,573
AGENCY_EXP_ALLOW	3,702,708	3,554,514	2,449,918	9,707,140
NET_AGENTS_CHRG	428,434	241,421	1,071,347	1,741,202
AGENCY_CONF	626,611	675,116	642,987	1,944,714
REAL_EST_EXP	928,097	1,668,883	930,792	3,527,772
INVEST_EXP	86,272	40,424	36,929	163,625
AGG_WRITEIN	18,527,207	15,741,866	6,751,974	41,021,047
<b>Total</b>	<b>188,659,534</b>	<b>291,732,568</b>	<b>269,136,035</b>	<b>749,528,137</b>

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	9.7%
(2) : Tax Rate	25.0%
(3) : Before Tax Return on Net Worth	12.9%
(4) : Investment Income on Net Worth	7.0%
(5) : Indicated Operating Profit Factor as a Percent of Net Worth	5.9%
(6) : Net Worth Leverage Ratio	2.00
(7) : Indicated Operating Profit Factor as a Percent of Revenue	3.0%
(8) : Investment Income on Reserves	18.3%
(9) : Indicated Underwriting Profit	-15.3%
(10) : Selected Underwriting Profit Factor	-15.3%

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	9.7%
(2) : Tax Rate	25.0%
(3) : Before Tax Return on Net Worth	12.9%
(4) : Investment Income on Net Worth	7.0%
(5) : Indicated Operating Profit Factor as a Percent of Net Worth	5.9%
(6) : Net Worth Leverage Ratio	2.00
(7) : Indicated Operating Profit Factor as a Percent of Revenue	3.0%
(8) : Investment Income on Reserves	18.0%
(9) : Indicated Underwriting Profit	-15.0%
(10) : Selected Underwriting Profit Factor	-15.0%

Notes:

(1) : Schedule AIS-5, Sheet 1

(2) : Schedule AIS-6, Sheet 5

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

(4) : See Schedule AIS-6, Sheet 8

(5) :  $(3) - (4)$

IS-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	8.8%
(2) : DCF Indicated Rate of Return	12.3%
(3) : Combined Indicated Equity Cost of Capital	10.6%
(4) : Cost of Debt	3.9%
(5) : Proportion of Equity	87.0%
<b>(6) : Weighted Cost of Capital</b>	<b>9.7%</b>

Notes:

(1) : Schedule AIS - 5, Sheet 2

(2) : Schedule AIS - 5, Sheet 3

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

(4) : Pre - Tax cost of borrowing of 6.0% and a tax - rate of 35%.  $3.9\% = 6.0\% \times 0.65$

(5) : Based upon average capital structure of insurance company holding groups

(6) :  $(3) \times (5) + (4) \times [1 - (5)]$



OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life and Credit Disability Insurance

CAPM Indicated Rate of Return

( 1 ) Risk Free Rate of Return	3.4%
( 2 ) Market Risk Premium	6.0%
( 3 ) Beta	0.892
<b>( 4 ) CAPM Rate of Return</b>	<b>8.8%</b>

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) X (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	Average Annual Change in					Book Value	Average
		Premium Income	Invest Income	Earnings	Dividends	Value		
10 Years	Property/Casualty	9.5%	7.6%	3.6%	8.8%	11.6%	11.6%	
10 Years	Diversified Insurance	11.5%	13.2%	11.2%	10.4%	15.2%	15.2%	
10 Years	Life	6.6%	7.8%	7.9%	8.9%	11.6%	11.6%	
10 Years	Combined Wtd. Avg.	9.4%	9.2%	6.9%	9.3%	12.5%	9.5%	
5 Years	Property/Casualty	11.3%	5.0%	-3.2%	9.3%	7.2%	7.2%	
5 Years	Diversified	12.6%	8.7%	7.3%	6.1%	12.0%	12.0%	
5 Years	Life	6.4%	5.5%	-0.5%	7.1%	6.7%	6.7%	
5 Years	Combined Wtd. Avg.	10.7%	6.4%	1.1%	7.8%	8.8%	7.0%	
5 Year Proj.	Property/Casualty	10.2%	4.2%	22.2%	6.2%	9.9%	9.9%	
5 Year Proj.	Diversified	8.4%	8.6%	11.6%	7.0%	9.5%	9.5%	
5 Year Proj.	Life	9.6%	6.3%	11.7%	12.0%	9.5%	9.5%	
5 Year Proj.	Combined Wtd. Avg.	9.6%	6.0%	16.0%	7.9%	9.7%	9.8%	
Average		9.9%	7.2%	8.0%	8.3%	10.3%	8.7%	
	(2) : Selected Growth Rate						10.6%	
	(3) : Dividend Yield						1.6%	
	(4) : DCF Indicated Rate of Return						12.3%	

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

Insurance Industry	Average			Earnings Predictability
	Beta	Safety	Price Stability	
Property / Casualty	0.86	2.6	70	33
Diversified	0.89	2.7	66	57
Life	0.94	2.6	64	54
<b>Combined Wtd. Avg.</b>	<b>0.89</b>	<b>2.64</b>	<b>67.31</b>	<b>45.87</b>

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 Ltd.	1.45	3	45	5
ACMAT Corp	0.45	3	40	60
Allmerica Financial	1.45	3	35	5
Allstate Corp	1.00	2	70	55
American Financial Group	0.95	3	85	5
American Med Security Gp	0.55	3	35	10
Argonaut Group	0.70	3	50	5
Baldwin & Lyons	0.55	3	75	40
W.R. Berkley	0.75	3	80	5
BerkshireHathaway Inc.	0.80	1	95	5
CNA Financial	1.05	2	85	5
CNA Surety Group	0.75	3	70	20
Chubb Corp	1.10	2	75	35
Cincinnati Financial Corp	0.85	2	95	50
Donegal Group	0.60	3	70	40
EMC Insurance	0.70	3	65	20
Erie Indemnity	0.75	1	95	80
Everest ReGroup	1.05	3	65	50
Fidelity National Financial	0.85	3	65	50
HCC InsuranceHoldings	0.95	3	45	65
Harleysville Group	0.90	3	60	20
Markel Corp	0.75	2	95	5
Meadowbrook Insurance	0.85	3	25	10
Merchants Group	0.40	1	100	25
Mercury General Corp	0.90	2	90	70
Midland Company	0.65	3	80	65
Montpelier Re	NMF	---	NMF	NMF
Odyssey Re Holdings	1.10	3	50	NMF
Ohio Casualty	0.80	3	65	5
Old Republic International	0.95	3	80	75
PMI Group	1.05	3	70	90
PXRE Group Ltd.	0.90	3	50	5
Partnerre Ltd.	1.05	3	70	5
Philadelphia Consolidated	0.85	3	55	60
Progressive Corp	1.10	3	60	30
RLI Corp	0.70	2	95	90
RenaissanceRe	0.60	2	80	55
Safeco Corp	1.00	3	65	5
St. Paul Companies	1.20	3	65	5
Selective Insurance	0.75	3	85	60
State Auto Financial	0.80	3	70	35
Transatlantic Holdings Inc	0.80	2	100	30
Travelers Property Casualty	NMF	3	NMF	NMF
21st Century Insurance	0.80	3	80	40
United Fire & Casualty	0.65	2	80	45
XL Captial Ltd	1.05	3	65	5
Zenith National Insurance	0.85	2	90	5
<b>Average</b>	<b>0.86</b>	<b>2.6</b>	<b>70</b>	<b>33</b>

Source: Value Lines dated March 26, 2004 and June 18, 2004

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>
Alfa Corp	0.70	2	85	90
Ambac Fin'l Group	1.10	2	75	90
American Int'l Group	1.25	2	80	95
Aon Corp	1.15	3	40	65
BISYS Group	1.00	3	50	90
Brown & Brown	0.90	2	75	90
Citigroup	1.50	3	70	80
Commerce Group	0.90	2	85	45
Crawford & Co. 'B'	1.00	4	40	75
FBL Financial	0.65	3	65	65
FPIC Insurance	0.95	4	15	10
First American Corp	0.90	3	55	45
A.J. Gallagher & Co.	0.90	1	75	95
Great American Fin'l	0.60	2	100	55
Hartford Financial Services	1.25	3	60	5
Hilb, Rogal & Hobbs	0.70	2	80	80
Horace Mann	0.95	3	60	50
Independence Holding	0.45	3	75	75
Investors Title	0.50	3	75	60
Irwin Financial	0.95	3	50	75
LandAmerica Fin'l	0.90	3	50	50
Leucadia National	0.90	2	80	20
Loews Corp	1.00	3	80	40
MBIA Inc.	1.15	2	75	95
MGIC Investment	1.20	3	55	80
Marsh & McLennan	1.20	2	75	95
NYMAGIC	0.60	3	70	5
Navigators Group	0.50	2	80	10
Principal Financial	1.00	2	90	NMF
ProAssurance Corp	0.75	3	60	35
Radian Group	1.25	3	60	90
Stewart Information Svcs	0.75	3	60	25
Triad Guaranty Inc	0.90	3	50	90
Unico American	0.35	3	45	15
United PanAm Financial	0.65	5	15	25
Unitrin, Inc	0.85	2	95	25
White Mountains Group	0.80	2	80	5
<b>Average</b>	<b>0.89</b>	<b>2.7</b>	<b>66</b>	<b>57</b>

Source: Value Lines dated May 14, 2004 and May 28, 2004

**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	1.55	3	40	NMF
AFLAC Inc	0.95	2	75	100
American National Ins	0.70	1	95	40
Amerus Group	0.95	3	75	55
Ceres Group	0.70	3	35	15
Citizens Inc. "A"	0.80	3	30	30
Cotton States Life	0.70	3	60	85
Delphi Financial Group	0.95	3	75	10
Financial Industries	0.40	3	55	15
Jefferson-Pilot Corp	0.95	1	95	100
John Hancock	1.00	3	70	50
Kansas City Life	0.70	3	70	55
Lincoln National Corp	1.25	2	70	75
MetLife	1.10	2	80	NMF
MONY Group	1.05	3	70	5
National Western Life	0.60	1	95	60
Nationwide Financial	1.30	3	60	80
Penn Treaty American	0.90	5	5	10
Presidential Life	0.75	3	60	20
Protective Life Corp	0.90	3	80	90
Prudential Financial	1.10	2	90	NMF
Reinsurance Group	0.95	3	65	40
StanCorp Financial	0.85	2	85	90
Torchmark Corp	1.00	2	90	100
UICI	0.95	3	25	35
UNUMProvident	1.45	3	25	75
<b>Average</b>	<b>0.94</b>	<b>2.6</b>	<b>64</b>	<b>54</b>

Source: Value Lines dated April 16, 2004 and April 23, 2004

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 Ltd.	---	---	---	---	---
ACMAT Corp	---	---	---	---	---
Allmerica Financial	---	---	---	---	---
Allstate Corp	5.5%	6.0%	---	---	14.5%
American Financial Group	5.5%	14.5%	---	0.5%	-3.0%
American Med Security Gp	---	---	---	---	---
Argonaut Group	---	---	---	---	---
Baldwin & Lyons	---	---	---	---	---
W.R. Berkley	14.0%	7.0%	-5.0%	9.5%	7.0%
BerkshireHathaway Inc.	---	---	19.0%	---	25.5%
CNA Financial	-1.0%	---	---	---	6.0%
CNA Surety Group	---	---	---	---	---
Chubb Corp	8.5%	3.5%	-5.0%	6.5%	7.0%
Cincinnati Financial Corp	9.0%	8.5%	3.5%	11.5%	15.5%
Donegal Group	---	---	---	---	---
EMC Insurance	---	---	---	---	---
Erie Indemnity	---	---	---	---	---
Everest ReGroup	---	---	---	---	---
Fidelity National Financial	12.5%	21.5%	24.0%	16.5%	24.5%
HCC InsuranceHoldings	13.5%	14.5%	20.5%	---	15.5%
Harleysville Group	---	---	---	---	---
Markel Corp	20.5%	16.0%	---	---	22.0%
Meadowbrook Insurance	---	---	---	---	---
Merchants Group	---	---	---	---	---
Mercury General Corp	12.0%	8.0%	5.5%	18.5%	14.0%
Midland Company	---	---	---	---	---
Montpelier Re	---	---	---	---	---
Odyssey Re Holdings	---	---	---	---	---
Ohio Casualty	2.0%	1.5%	---	---	5.5%
Old Republic International	5.5%	1.5%	10.0%	13.5%	10.5%
PMI Group	---	---	---	---	---
PXRE Group Ltd.	---	---	---	---	---
Partnerre Ltd.	---	---	---	---	---
Philadelphia Consolidated	---	---	---	---	---
Progressive Corp	18.0%	10.0%	16.5%	5.0%	20.5%
RLI Corp	11.0%	8.5%	8.5%	8.0%	13.0%
RenaissanceRe	---	---	---	---	---
Safeco Corp	10.0%	6.5%	-9.5%	4.0%	6.5%
St. Paul Companies	5.5%	4.5%	-17.5%	5.5%	7.0%
Selective Insurance	6.5%	4.0%	1.5%	1.5%	8.5%
State Auto Financial	---	---	---	---	---
Transatlantic Holdings Inc	14.5%	7.5%	7.0%	14.5%	14.5%
Travelers Property Casualty	---	---	---	---	---
21st Century Insurance	-4.0%	-11.0%	-16.5%	-1.5%	-1.5%
United Fire & Casualty	---	---	---	---	---
XL Captial Ltd	20.5%	11.5%	-4.5%	18.0%	11.0%
Zenith National Insurance	---	---	---	---	---
<b>Average</b>	<b>9.5%</b>	<b>7.6%</b>	<b>3.6%</b>	<b>8.8%</b>	<b>11.6%</b>

Source: Value Lines dated March 26, 2004 and June 18, 2004

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life and Credit Disability Insurance

Diversified Insurance

Annual Rates of Change - Past 10 Years

<u>Company</u>	<u>Revenues/ Premium Income</u>	<u>Invest Income</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>
Alfa Corp	---	---	---	---	---
Ambac Fin'l Group	16.0%	9.0%	13.5%	12.5%	15.0%
American Int'l Group	6.0%	16.5%	14.0%	13.0%	13.5%
Aon Corp	---	---	---	---	---
BISYS Group	17.0%	36.5%	---	---	23.0%
Brown & Brown	15.0%	19.5%	24.5%	12.5%	27.0%
Citigroup	---	---	---	---	---
Commerce Group	---	---	---	---	---
Crawford & Co. 'B'	3.0%	-2.0%	-4.5%	4.0%	---
FBL Financial	---	---	---	---	---
FPIC Insurance	---	---	---	---	---
First American Corp	---	---	---	---	---
A.J. Gallagher & Co.	10.0%	13.5%	14.5%	14.0%	12.5%
Great American Fin'l	---	---	---	---	---
Hartford Financial Services	---	---	---	---	---
Hilb, Rogal & Hobbs	---	---	---	---	---
Horace Mann	---	---	---	---	---
Independence Holding	---	---	---	---	---
Investors Title	---	---	---	---	---
Irwin Financial	---	---	---	---	---
LandAmerica Fin'l	---	---	---	---	---
Leucadia National	---	---	---	---	---
Loews Corp	6.0%	12.0%	11.0%	9.0%	10.0%
MBIA Inc.	11.5%	8.5%	11.0%	10.0%	13.0%
MGIC Investment	19.0%	14.5%	20.0%	7.5%	20.5%
Marsh & McLennan	11.0%	12.5%	13.0%	9.5%	13.5%
NYMAGIC	---	---	---	---	---
Navigators Group	---	---	---	---	---
Principal Financial	---	---	---	---	---
ProAssurance Corp	---	---	---	---	---
Radian Group	---	---	---	---	---
Stewart Information Svcs	---	---	---	---	---
Triad Guaranty Inc	---	---	---	---	---
Unico American	---	---	---	---	---
United PanAm Financial	---	---	---	---	---
Unitrin, Inc	12.0%	5.0%	-5.5%	11.5%	3.5%
White Mountains Group	---	---	---	---	---
<b>Average</b>	<b>11.5%</b>	<b>13.2%</b>	<b>11.2%</b>	<b>10.4%</b>	<b>15.2%</b>

Source: Value Lines dated May 14, 2004 and May 28, 2004



**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	13.5%	6.0%	7.0%	11.0%	12.0%
AFLAC Inc	12.0%	13.5%	18.0%	15.5%	20.5%
American National Ins	-----	-----	-----	-----	-----
Amerus Group	-----	-----	-----	-----	-----
Ceres Group	-----	-----	-----	-----	-----
Citizens Inc. "A"	-----	-----	-----	-----	-----
Cotton States Life	-----	-----	-----	-----	-----
Delphi Financial Group	7.0%	-3.0%	3.0%	-----	12.0%
Financial Industries	-----	-----	-----	-----	-----
Jefferson-Pilot Corp	10.5%	18.0%	11.0%	11.5%	9.5%
John Hancock	-----	-----	-----	-----	-----
Kansas City Life	-----	-----	-----	-----	-----
Lincoln National Corp	-15.0%	2.5%	6.5%	6.0%	6.0%
MetLife	-----	-----	-----	-----	-----
MONY Group	-----	-----	-----	-----	-----
National Western Life	-----	-----	-----	-----	-----
Nationwide Financial	-----	-----	-----	-----	-----
Penn Treaty American	-----	-----	-----	-----	-----
Presidential Life	-----	-----	-----	-----	-----
Protective Life Corp	6.0%	10.5%	11.5%	10.0%	16.5%
Prudential Financial	-----	-----	-----	-----	-----
Reinsurance Group	9.5%	12.5%	8.5%	16.0%	8.0%
StanCorp Financial	-----	-----	-----	-----	-----
Torchmark Corp	8.0%	6.0%	7.0%	-3.5%	12.5%
UICI	-----	-----	-----	-----	-----
UNUMProvident	7.5%	4.0%	-1.0%	5.0%	7.5%
<b>Average</b>	<b>6.6%</b>	<b>7.8%</b>	<b>7.9%</b>	<b>8.9%</b>	<b>11.6%</b>

Source: Value Lines dated April 16, 2004 and April 23, 2004

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 Ltd.	45.5%	19.0%	-11.5%	22.0%	12.5%
ACMAT Corp	2.0%	0.5%	-4.0%	—	6.0%
Allmerica Financial	-0.5%	-2.0%	-16.5%	4.5%	4.5%
Allstate Corp	8.5%	9.0%	-1.5%	12.0%	8.5%
American Financial Group	-4.0%	-2.5%	-24.0%	-3.5%	-1.5%
American Med Security Gp	-4.5%	-8.5%	18.0%	—	-3.5%
Argonaut Group	20.0%	-8.5%	-7.0%	-17.0%	-9.0%
Baldwin & Lyons	15.5%	-1.5%	-0.5%	7.0%	4.0%
W.R. Berkley	11.5%	2.5%	-17.0%	7.5%	3.0%
BerkshireHathaway Inc.	—	—	19.5%	—	26.0%
CNA Financial	-8.5%	-3.5%	—	—	3.5%
CNA Surety Group	14.0%	13.5%	-9.0%	53.0%	8.0%
Chubb Corp	8.5%	5.5%	-12.5%	5.0%	4.5%
Cincinnati Financial Corp	9.5%	6.0%	-3.0%	11.5%	11.5%
Donegal Group	-13.5%	-18.0%	-18.5%	-16.0%	-13.5%
EMC Insurance	10.5%	5.0%	-0.5%	0.5%	—
Erie Indemnity	10.5%	11.0%	7.5%	12.0%	15.0%
Everest ReGroup	13.0%	12.5%	16.5%	22.0%	12.0%
Fidelity National Financial	8.0%	-2.0%	24.0%	17.0%	25.5%
HCC InsuranceHoldings	16.0%	7.0%	4.5%	31.5%	12.0%
Harleysville Group	3.5%	0.5%	-22.5%	7.5%	5.0%
Markel Corp	19.0%	13.5%	—	—	16.5%
Meadowbrook Insurance	0.5%	-2.5%	—	—	-12.5%
Merchants Group	1.5%	1.5%	3.0%	15.0%	5.0%
Mercury General Corp	13.0%	9.0%	-1.5%	17.0%	10.0%
Midland Company	13.0%	10.0%	7.0%	8.5%	10.5%
Montpelier Re	—	—	—	—	—
Odyssey Re Holdings	—	—	—	—	—
Ohio Casualty	7.0%	5.5%	—	—	1.0%
Old Republic International	7.5%	2.5%	10.0%	14.5%	10.0%
PMI Group	17.0%	16.0%	17.5%	8.5%	16.5%
PXRE Group Ltd.	25.5%	5.5%	3.5%	-23.0%	-2.0%
Partnerre Ltd.	43.0%	21.5%	-33.0%	13.0%	3.5%
Philadelphia Consolidated	19.5%	13.0%	10.5%	—	19.5%
Progressive Corp	17.0%	12.0%	4.5%	4.5%	13.5%
RLI Corp	14.5%	6.0%	9.5%	8.0%	11.0%
RenaissanceRe	26.0%	15.5%	26.5%	11.0%	20.5%
Safeco Corp	13.5%	7.5%	-25.0%	-1.5%	-2.0%
St. Paul Companies	4.0%	4.5%	-40.5%	5.0%	2.5%
Selective Insurance	7.5%	3.0%	-10.0%	1.5%	7.0%
State Auto Financial	23.0%	15.5%	4.5%	9.5%	13.0%
Transatlantic Holdings Inc	11.0%	4.5%	-3.5%	11.0%	10.5%
Travelers Property Casualty	—	—	—	—	—
21st Century Insurance	-9.5%	-18.0%	-20.0%	29.0%	7.5%
United Fire & Casualty	13.0%	12.0%	5.0%	4.5%	5.0%
XL Capital Ltd	32.0%	15.0%	-22.5%	13.0%	11.5%
Zenith National Insurance	2.5%	-1.5%	-16.0%	—	-3.5%
<b>Average</b>	<b>11.3%</b>	<b>5.0%</b>	<b>-3.2%</b>	<b>9.3%</b>	<b>7.2%</b>

Source: Value Lines dated March 26, 2004 and June 18, 2004

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>
Alfa Corp	6.5%	8.5%	10.0%	8.0%	9.5%
Ambac Fin'l Group	23.5%	12.5%	15.0%	10.5%	14.0%
American Int'l Group	5.0%	19.0%	13.0%	12.5%	13.5%
Aon Corp	8.0%	5.0%	4.0%	5.5%	2.5%
BISYS Group	18.0%	20.0%	18.0%	-----	24.5%
Brown & Brown	22.0%	24.5%	27.0%	17.0%	29.5%
Citigroup	13.0%	16.0%	NMF	14.5%	8.0%
Commerce Group	14.0%	5.5%	3.5%	5.0%	7.5%
Crawford & Co. 'B'	2.0%	-6.5%	-11.5%	-2.0%	-4.5%
FBL Financial	5.5%	14.5%	-0.5%	18.0%	7.5%
FPIC Insurance	14.0%	5.5%	-8.0%	-----	7.0%
First American Corp	11.5%	11.0%	12.5%	14.0%	17.0%
A.J. Gallagher & Co.	11.0%	15.5%	15.5%	14.0%	18.5%
Great American Fin'l	18.0%	0.5%	-10.0%	1.5%	11.0%
Hartford Financial Services	2.5%	6.5%	NMF	-----	7.0%
Hilb, Rogal & Hobbs	15.5%	28.0%	27.0%	3.0%	35.0%
Horace Mann	4.0%	1.0%	-23.0%	8.5%	1.5%
Independence Holding	12.0%	13.0%	9.0%	2.0%	12.0%
Investors Title	19.5%	14.0%	14.0%	1.5%	14.0%
Irwin Financial	37.5%	13.0%	14.0%	17.5%	19.5%
LandAmerica Fin'l	14.0%	-2.0%	14.0%	5.5%	7.0%
Leucadia National	-17.0%	4.5%	32.5%	8.5%	-----
Loews Corp	1.0%	5.5%	4.0%	3.5%	6.5%
MBIA Inc.	12.5%	7.0%	9.5%	6.0%	11.0%
MGIC Investment	14.0%	13.0%	15.0%	3.5%	20.5%
Marsh & McLennan	10.5%	14.0%	14.0%	11.0%	10.0%
NYMAGIC	3.0%	-1.5%	-13.0%	-15.0%	2.0%
Navigators Group	17.0%	3.0%	-8.5%	-----	5.5%
Principal Financial	-----	-----	-----	-----	-----
ProAssurance Corp	29.0%	12.0%	-13.0%	-----	9.5%
Radian Group	12.0%	19.0%	21.0%	6.5%	25.0%
Stewart Information Svcs	15.0%	-1.5%	22.0%	-----	11.5%
Triad Guaranty Inc	20.5%	15.0%	20.0%	-----	20.5%
Unico American	3.0%	6.0%	-----	-14.0%	-0.5%
United PanAm Financial	-1.0%	6.0%	4.5%	-----	13.5%
Unitrin, Inc	13.0%	7.0%	-17.5%	6.5%	5.0%
White Mountains Group	45.5%	-21.5%	-----	-1.5%	18.5%
<b>Average</b>	<b>12.6%</b>	<b>8.7%</b>	<b>7.3%</b>	<b>6.1%</b>	<b>12.0%</b>

Source: Value Lines dated May 14, 2004 and May 28, 2004

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	11.0%	9.5%	-6.0%	4.5%	9.5%
AFLAC Inc	9.5%	10.0%	18.5%	16.5%	15.5%
American National Ins	9.5%	4.5%	-17.0%	2.5%	2.0%
Amerus Group	16.5%	15.5%	0.5%	11.5%	3.0%
Ceres Group	-19.0%	-9.0%	-----	-----	11.5%
Citizens Inc. "A"	1.5%	5.0%	-----	-----	5.5%
Cotton States Life	32.5%	4.0%	0.5%	4.5%	10.5%
Delphi Financial Group	10.5%	1.0%	-4.5%	-----	9.5%
Financial Industries	-9.5%	16.0%	-19.0%	-----	3.5%
Jefferson-Pilot Corp	10.0%	10.5%	8.0%	11.0%	7.5%
John Hancock	-----	-----	-----	-----	-----
Kansas City Life	9.0%	1.0%	-10.5%	4.5%	3.5%
Lincoln National Corp	-11.0%	4.0%	6.0%	5.5%	4.5%
MetLife	-----	-----	-----	-----	-----
MONY Group	2.0%	0.5%	-----	-----	2.5%
National Western Life	-2.0%	2.5%	0.5%	-----	8.5%
Nationwide Financial	7.5%	4.0%	5.5%	20.0%	10.5%
Penn Treaty American	-6.0%	-2.5%	-----	-----	-14.5%
Presidential Life	28.5%	9.0%	-----	12.5%	-----
Protective Life Corp	3.0%	9.0%	6.5%	8.5%	15.0%
Prudential Financial	-----	-----	-----	-----	-----
Reinsurance Group	13.5%	7.5%	4.0%	9.5%	13.5%
StanCorp Financial	-----	-----	-----	-----	-----
Torchmark Corp	10.0%	7.5%	8.5%	-9.0%	11.5%
UICI	11.0%	0.5%	-4.5%	-----	0.5%
UNUMProvident	3.5%	10.0%	-6.0%	-2.0%	8.0%
<b>Average</b>	<b>6.4%</b>	<b>5.5%</b>	<b>-0.5%</b>	<b>7.1%</b>	<b>6.7%</b>

Source: Value Lines dated April 16, 2004 and April 23, 2004

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 Ltd.	15.0%	6.0%	28.5%	10.0%	13.5%
ACMAT Corp	---	---	---	---	---
Allmerica Financial	4.5%	Nil	19.0%	Nil	4.5%
Allstate Corp	5.5%	7.0%	12.5%	10.0%	8.5%
American Financial Group	-0.5%	-13.5%	27.5%	-8.0%	7.5%
American Med Security Gp	---	---	---	---	---
Argonaut Group	---	---	---	---	---
Baldwin & Lyons	---	---	---	---	---
W.R. Berkley	15.0%	1.5%	48.5%	6.5%	19.5%
BerkshireHathaway Inc.	---	---	NMF	Nil	12.5%
CNA Financial	Nil	-4.5%	NMF	Nil	2.5%
CNA Surety Group	---	---	---	---	---
Chubb Corp	12.0%	3.0%	23.0%	3.5%	8.0%
Cincinnati Financial Corp	8.5%	4.5%	16.0%	6.0%	3.5%
Donegal Group	---	---	---	---	---
EMC Insurance	---	---	---	---	---
Erie Indemnity	---	---	---	---	---
Everest ReGroup	17.5%	5.0%	19.5%	10.5%	16.5%
Fidelity National Financial	0.5%	NMF	9.0%	20.5%	13.0%
HCC InsuranceHoldings	18.5%	8.0%	18.0%	8.0%	14.0%
Harleysville Group	---	---	---	---	---
Markel Corp	15.5%	4.5%	NMF	Nil	10.0%
Meadowbrook Insurance	---	---	---	---	---
Merchants Group	---	---	---	---	---
Mercury General Corp	14.0%	8.0%	14.0%	9.0%	6.5%
Midland Company	---	---	---	---	---
Montpelier Re	---	---	---	---	---
Odyssey Re Holdings	---	---	---	---	---
Ohio Casualty	3.0%	2.0%	NMF	NMF	5.5%
Old Republic International	10.0%	5.5%	9.0%	7.0%	10.0%
PMI Group	5.0%	11.0%	8.5%	18.5%	13.5%
PXRE Group Ltd.	---	---	---	---	---
Partnerre Ltd.	14.5%	1.5%	46.5%	5.0%	13.0%
Philadelphia Consolidated	---	---	---	---	---
Progressive Corp	16.0%	8.0%	23.0%	3.5%	18.5%
RLI Corp	11.5%	10.5%	14.5%	9.5%	11.5%
RenaissanceRe	---	---	---	---	---
Safeco Corp	4.0%	0.5%	32.0%	-3.5%	8.0%
St. Paul Companies	3.0%	-0.5%	NMF	2.5%	7.5%
Selective Insurance	9.5%	3.0%	21.5%	1.0%	7.0%
State Auto Financial	---	---	---	---	---
Transatlantic Holdings Inc	12.5%	9.5%	21.0%	6.0%	9.5%
Travelers Property Casualty	NMF	NMF	NMF	NMF	NMF
21st Century Insurance	13.0%	7.5%	NMF	2.0%	7.0%
United Fire & Casualty	---	---	---	---	---
XL Capital Ltd	16.5%	8.0%	32.5%	3.0%	7.0%
Zenith National Insurance	---	---	---	---	---
<b>Average</b>	<b>10.2%</b>	<b>4.2%</b>	<b>22.2%</b>	<b>6.2%</b>	<b>9.9%</b>

Source: Value Lines dated March 26, 2004 and June 18, 2004

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>
Alfa Corp	-----	-----	-----	-----	-----
Ambac Fin'l Group	11.0%	6.5%	7.0%	8.5%	8.5%
American Int'l Group	8.0%	16.5%	13.5%	14.0%	12.5%
Aon Corp	7.0%	10.0%	14.0%	5.5%	8.5%
BISYS Group	9.5%	8.0%	8.0%	Nil	10.0%
Brown & Brown	12.5%	14.5%	12.0%	12.0%	21.0%
Citigroup	13.0%	12.5%	16.5%	10.0%	9.5%
Commerce Group	-----	-----	-----	-----	-----
Crawford & Co. 'B'	-0.5%	1.5%	3.5%	-6.0%	3.5%
FBL Financial	-----	-----	-----	-----	-----
FPIC Insurance	-----	-----	-----	-----	-----
First American Corp	-----	-----	-----	-----	-----
A.J. Gallagher & Co.	8.5%	9.5%	10.5%	13.5%	16.5%
Great American Fin'l	-----	-----	-----	-----	-----
Hartford Financial Services	7.5%	4.5%	22.5%	2.5%	6.0%
Hilb, Rogal & Hobbs	-----	-----	-----	-----	-----
Horace Mann	-----	-----	-----	-----	-----
Independence Holding	-----	-----	-----	-----	-----
Investors Title	-----	-----	-----	-----	-----
Irwin Financial	-----	-----	-----	-----	-----
LandAmerica Fin'l	-----	-----	-----	-----	-----
Leucadia National	-----	-----	-----	-----	-----
Loews Corp	7.0%	9.5%	10.5%	0.5%	10.0%
MBIA Inc.	10.0%	3.5%	6.0%	8.5%	4.5%
MGIC Investment	7.0%	13.0%	7.0%	10.0%	11.5%
Marsh & McLennan	7.0%	8.0%	9.0%	8.0%	6.5%
NYMAGIC	-----	-----	-----	-----	-----
Navigators Group	-----	-----	-----	-----	-----
Principal Financial	NMF	6.0%	11.0%	NMF	11.0%
ProAssurance Corp	-----	-----	-----	-----	-----
Radian Group	-----	-----	-----	-----	-----
Stewart Information Svcs	-----	-----	-----	-----	-----
Triad Guaranty Inc	-----	-----	-----	-----	-----
Unico American	-----	-----	-----	-----	-----
United PanAm Financial	-----	-----	-----	-----	-----
Unitrin, Inc	10.5%	5.0%	23.0%	3.5%	3.0%
White Mountains Group	-----	-----	-----	-----	-----
<b>Average</b>	<b>8.4%</b>	<b>8.6%</b>	<b>11.6%</b>	<b>7.0%</b>	<b>9.5%</b>

Source: Value Lines dated May 14, 2004 and May 28, 2004

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	NMF	3.5%	4.0%	NMF	NMF
AFLAC Inc	10.5%	8.5%	15.0%	16.5%	11.0%
American National Ins	-----	-----	-----	-----	-----
Amerus Group	-----	-----	-----	-----	-----
Ceres Group	-----	-----	-----	-----	-----
Citizens Inc. "A"	-----	-----	-----	-----	-----
Cotton States Life	-----	-----	-----	-----	-----
Delphi Financial Group	11.5%	6.5%	18.0%	17.5%	11.5%
Financial Industries	-----	-----	-----	-----	-----
Jefferson-Pilot Corp	7.5%	7.0%	10.0%	12.5%	8.5%
John Hancock	NMF	3.0%	6.5%	12.0%	12.0%
Kansas City Life	-----	-----	-----	-----	-----
Lincoln National Corp	NMF	2.5%	8.5%	5.0%	6.5%
MetLife	6.5%	6.5%	13.0%	8.5%	9.5%
MONY Group	-----	-----	-----	-----	-----
National Western Life	-----	-----	-----	-----	-----
Nationwide Financial	15.0%	8.0%	9.0%	11.5%	9.5%
Penn Treaty American	-----	-----	-----	-----	-----
Presidential Life	-----	-----	-----	-----	-----
Protective Life Corp	11.0%	7.0%	15.0%	9.0%	10.0%
Prudential Financial	11.0%	7.5%	19.0%	22.0%	7.0%
Reinsurance Group	12.0%	7.0%	17.0%	4.0%	12.5%
StanCorp Financial	-----	-----	-----	-----	-----
Torchmark Corp	10.5%	8.5%	10.5%	14.0%	12.5%
UICI	-----	-----	-----	-----	-----
UNUMProvident	0.5%	6.5%	6.0%	NMF	4.0%
<b>Average</b>	<b>9.6%</b>	<b>6.3%</b>	<b>11.7%</b>	<b>12.0%</b>	<b>9.5%</b>

Source: Value Lines dated April 16, 2004 and April 23, 2004

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life and Credit Disability Insurance

Dividend Yield

Combined Average of Property / Casualty, Diversified and Life Insurance

<u>Insurance Industry</u>	<u>Average Dividend Yield</u>
Property / Casualty	1.7%
Diversified	1.6%
Life	1.6%
<u>Combined Wtd. Avg.</u>	<u>1.6%</u>

Source: Schedules AIS-5, Sheets 18 -20



OFFICE OF PUBLIC INSURANCE COUNSEL  
 Credit Life and Credit Disability Insurance

Property/Casualty Insurance

Dividend Yield

<u>Company</u>	<u>Dividend Yield</u>
Ace Ltd.	1.8%
ACMAT Corp	Nil
Allmerica Financial	Nil
Allstate Corp	2.5%
American Financial Group	1.7%
American Med Security Gp	Nil
Argonaut Group	Nil
Baldwin & Lyons	1.7%
W.R. Berkley	0.7%
BerkshireHathaway Inc.	Nil
CNA Financial	Nil
CNA Surety Group	Nil
Chubb Corp	2.3%
Cincinnati Financial Corp	2.5%
Donegal Group	2.2%
EMC Insurance	2.4%
Erie Indemnity	1.9%
Everest ReGroup	0.5%
Fidelity National Financial	1.8%
HCC InsuranceHoldings	0.9%
Harleysville Group	3.5%
Markel Corp	Nil
Meadowbrook Insurance	Nil
Merchants Group	1.6%
Mercury General Corp	2.9%
Midland Company	0.8%
Montpelier Re	3.9%
Odyssey Re Holdings	0.5%
Ohio Casualty	Nil
Old Republic International	2.0%
PMI Group	0.4%
PXRE Group Ltd.	1.0%
Partnerre Ltd.	2.5%
Philadelphia Consolidated	Nil
Progressive Corp	0.1%
RLI Corp	1.1%
RenaissanceRe	1.4%
Safeco Corp	1.7%
St. Paul Companies	2.9%
Selective Insurance	1.9%
State Auto Financial	0.5%
Transatlantic Holdings Inc	0.5%
Travelers Property Casualty	1.8%
21st Century Insurance	0.6%
United Fire & Casualty	1.4%
XL Captial Ltd	2.6%
Zenith National Insurance	2.3%
<b>Average</b>	<b>1.7%</b>

Source: Value Lines dated March 26, 2004 and June 18, 2004

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life and Credit Disability Insurance

Diversified Insurance

Dividend Yield

<u>Company</u>	<u>Dividend Yield</u>
Alfa Corp	2.4%
Ambac Fin'l Group	0.7%
American Int'l Group	0.4%
Aon Corp	2.3%
BISYS Group	Nil
Brown & Brown	0.7%
Citigroup	3.7%
Commerce Group	2.7%
Crawford & Co. 'B'	4.9%
FBL Financial	1.4%
FPIC Insurance	Nil
First American Corp	2.2%
A.J. Gallagher & Co.	3.3%
Great American Fin'l	0.6%
Hartford Financial Services	1.7%
Hilb, Rogal & Hobbs	1.0%
Horace Mann	2.9%
Independence Holding	0.1%
Investors Title	0.4%
Irwin Financial	1.3%
LandAmerica Fin'l	1.0%
Leucadia National	0.5%
Loews Corp	1.0%
MBIA Inc.	1.7%
MGIC Investment	0.2%
Marsh & McLennan	3.2%
NYMAGIC	1.0%
Navigators Group	Nil
Principal Financial	1.3%
ProAssurance Corp	Nil
Radian Group	0.2%
Stewart Information Svcs	1.3%
Triad Guaranty Inc	Nil
Unico American	Nil
United PanAm Financial	Nil
Unitrin, Inc	4.3%
White Mountains Group	0.2%
<b>Average</b>	<b>1.6%</b>

Source: Value Lines dated May 14, 2004 and May 28, 2004

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life and Credit Disability Insurance

Life Insurance

Dividend Yield

<u>Company</u>	<u>Dividend Yield</u>
AEGON	1.7%
AFLAC Inc	0.9%
American National Ins	3.3%
Amerus Group	1.0%
Ceres Group	Nil
Citizens Inc. "A"	Nil
Cotton States Life	0.8%
Delphi Financial Group	0.8%
Financial Industries	Nil
Jefferson-Pilot Corp	2.8%
John Hancock	0.8%
Kansas City Life	2.5%
Lincoln National Corp	3.0%
MetLife	0.7%
MONY Group	Nil
National Western Life	Nil
Nationwide Financial	2.0%
Penn Treaty American	Nil
Presidential Life	2.7%
Protective Life Corp	1.7%
Prudential Financial	1.1%
Reinsurance Group	0.6%
StanCorp Financial	1.0%
Torchmark Corp	0.8%
UICI	Nil
UNUMProvident	2.0%
<b>Average</b>	<b>1.6%</b>

Source: Value Lines dated April 16, 2004 and April 23, 2004

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>
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	\$1,896,119	\$309,368	16.3%
1999	\$1,886,314	\$368,774	19.5%
2000	\$1,811,704	\$361,672	20.0%
2001	\$1,585,468	\$353,325	22.3%
2002	\$1,196,418	\$312,901	26.2%
Total / Average	\$17,734,700	\$3,238,673	18.3%

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 (1993-2002)**  
(In Thousands)  
**TOTAL INDUSTRY**

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (incl. Other Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders	Net Gain Before-Tax	FT	Net Gain After-Tax	
Ordinary Life	1993	73,797,715	33,089,475	112,562,640	36,320,702	30,576,060	10,177,991	28,968,691	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	125,679,519	41,985,488	33,294,513	10,991,013	31,634,864	8,873,606	4,219,496	4,654,110	
	1996	84,188,013	40,382,139	130,017,516	47,484,748	28,328,206	10,728,307	33,906,518	9,568,736	4,192,053	5,377,684	
	1997	86,859,689	42,486,148	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	99,289,579	45,235,494	155,002,566	54,135,796	24,917,738	14,136,429	54,014,901	7,797,702	3,263,665	4,534,038	
	1999	92,955,545	46,369,661	148,421,437	59,503,316	22,980,433	13,594,149	42,628,029	9,715,511	3,293,356	6,422,156	
	2000	102,387,224	48,363,344	191,859,819	56,508,270	32,769,070	15,526,197	77,345,873	9,710,409	3,012,757	6,697,653	
	2001	94,637,595	49,899,025	156,182,112	59,437,366	26,655,431	15,267,892	45,788,085	9,033,337	2,069,974	6,963,363	
	2002	105,414,497	48,283,008	163,706,730	63,484,005	33,733,341	14,496,539	43,815,807	8,177,039	1,120,575	7,056,463	
	Individual Annuities	1993	69,773,064	31,031,079	113,640,960	36,523,146	31,836,252	5,075,311	36,291,586	3,914,866	1,361,063	2,553,802
		1994	79,201,178	31,790,391	119,379,378	45,974,607	30,696,681	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	61,060,586	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	146,805,914	73,054,842	8,837,650	5,135,283	52,825,211	6,952,927	1,472,816	5,480,112	
1998		95,022,895	37,540,419	151,662,177	84,063,715	7,984,252	6,560,793	47,636,909	5,416,509	1,469,968	3,946,541	
1999		115,481,793	37,946,521	172,186,758	101,121,744	14,044,711	7,509,873	43,682,167	5,828,263	1,349,675	4,478,589	
2000		140,200,135	37,919,736	193,420,437	127,088,544	6,865,516	8,269,413	47,006,275	4,190,689	851,922	3,338,767	
2001		140,760,136	39,206,112	196,102,263	103,584,627	49,935,530	6,637,050	32,744,399	1,200,658	54,577	1,146,080	
2002		167,600,013	41,727,855	236,333,358	108,083,559	91,707,290	10,894,549	29,037,885	-1,399,925	-503,302	-896,623	
Suppl. Contracts		1993	-	1,008,533	5,501,795	4,002,859	1,016,529	4,933	263,335	214,139	59,657	154,483
		1994	-	1,069,385	6,247,269	4,778,318	1,123,134	4,236	98,328	248,254	55,830	192,423
	1995	-	1,178,621	6,996,379	5,462,746	1,165,106	4,584	77,251	286,712	75,505	211,207	
	1996	-	1,227,509	7,639,550	6,390,898	796,304	3,786	256,108	192,474	80,261	112,213	
	1997	4	1,292,977	7,678,534	6,714,443	437,539	4,516	250,622	271,413	81,257	190,156	
	1998	1	1,325,498	8,247,148	6,879,175	701,275	4,142	405,430	257,126	32,289	224,837	
	1999	-	1,359,002	8,871,571	7,939,308	365,493	6,501	344,941	195,327	54,057	141,270	
	2000	-	1,754,394	13,728,920	12,638,444	363,119	6,453	333,678	387,226	104,669	282,557	
	2001	-39,110	1,806,933	2,560,001	1,880,611	231,270	7,844	160,380	279,895	76,719	203,176	
	2002	-5,303	1,619,646	2,256,355	1,850,460	248,974	6,017	101,710	49,194	18,177	31,018	
	Credit Life	1993	1,796,862	322,865	2,508,330	851,603	26,946	805,920	488,476	335,385	106,980	226,406
		1994	1,930,696	277,593	2,843,740	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	485,055	479,242	104,365	374,877	
1997		1,857,064	301,183	2,865,564	876,901	56,369	1,100,905	512,390	318,988	84,097	234,891	
1998		1,896,119	309,368	2,887,588	821,567	256,047	1,117,521	431,907	260,545	120,612	139,933	
1999		1,880,314	368,774	2,913,352	812,259	191,581	1,056,762	457,058	295,693	65,749	229,944	
2000		1,811,704	361,672	2,833,113	801,906	172,603	1,102,105	446,974	309,524	95,099	214,425	
2001		1,585,468	353,325	2,551,063	755,502	-107,141	908,185	416,323	580,194	131,483	448,712	
2002		1,196,418	312,901	2,043,638	722,238	-496,004	820,512	349,004	250,545	65,749	199,796	

Schedule A19-8, Sheet 2

\*Premium Income excludes Deposit-Type Funds as a result of 2001 NAC Codification.

OFFICE OF PUBLIC INSURANCE COUNSEL

Credit Accident and Health Insurance

Historical Investment Income Ratios

<u>Year</u>	<u>(1) Premium Income</u>	<u>(2) Investment Income</u>	<u>(3) Investment Income Ratio</u>
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	\$1,725,071	\$300,497	17.4%
1999	\$1,676,691	\$308,032	18.4%
2000	\$1,616,676	\$295,006	18.2%
2001	\$1,499,662	\$302,962	20.2%
2002	\$1,286,398	\$277,013	21.5%
Total / Average	\$16,710,253	\$3,007,619	18.0%

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 (1993-2002)**  
(In Thousands)  
**TOTAL INDUSTRY**

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (Incl. Other Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders	Net Gain Before-Tax	FIT	Net Gain After-Tax
Credit A&H	1993	1,659,521	327,782	2,459,406	945,086	-29,565	908,082	487,853	247,941	81,897	156,044
	1994	1,929,768	292,534	2,796,265	835,871	211,585	928,628	566,967	253,215	93,129	160,086
	1995	1,886,642	306,394	2,892,580	914,746	173,709	1,078,245	464,673	360,257	106,682	253,575
	1996	1,614,287	299,084	2,650,042	860,246	-116,810	1,072,274	474,075	345,277	72,277	273,000
	1997	1,815,537	298,315	2,990,386	858,657	59,705	1,246,238	480,510	409,372	139,145	270,227
	1998	1,725,071	300,497	2,859,281	834,877	40,505	1,129,455	445,062	396,776	129,795	266,982
	1999	1,676,691	308,032	2,751,825	852,572	-22,524	1,060,990	464,010	418,068	89,236	328,832
	2000	1,616,676	295,006	2,725,979	842,804	-96,477	1,105,478	456,105	373,746	114,647	259,099
	2001	1,489,662	302,962	2,518,607	848,652	-72,418	897,694	470,932	346,485	99,039	247,445
	2002	1,286,398	277,013	2,279,011	837,583	-215,975	906,513	404,404	1,187,565	551,911	635,654
Other A&H	1993	20,920,274	2,595,228	24,248,356	10,971,335	3,694,761	3,984,018	4,410,678	1,024,030	528,051	495,979
	1994	22,440,388	2,829,113	26,305,210	11,915,194	4,506,128	4,175,626	4,684,032	844,337	457,771	396,566
	1995	24,352,894	3,315,910	28,583,658	12,943,968	5,796,522	4,455,155	4,543,677	1,093,815	538,279	471,536
	1996	23,899,712	3,644,171	28,221,294	13,285,046	4,962,501	4,339,633	4,624,299	1,195,215	598,336	596,879
	1997	24,308,275	4,113,641	29,029,798	13,916,962	5,081,195	4,207,226	4,629,200	1,045,754	509,224	536,530
	1998	25,083,249	4,047,033	30,151,318	14,638,838	4,427,756	4,442,170	5,506,800	930,453	425,737	504,716
	1999	26,618,734	4,409,537	32,575,415	15,999,221	5,359,591	4,977,823	5,308,327	75,337	313,976	238,640
	2000	29,280,353	4,487,116	37,072,085	17,359,998	4,955,862	6,090,683	8,590,206	1,844,193	653,512	1,190,681
	2001	27,933,265	5,254,212	36,619,168	17,891,706	4,444,125	5,997,637	6,441,507	1,767,674	400,951	1,366,723
	2002	32,798,785	5,405,060	40,657,960	19,171,732	6,296,904	6,423,669	6,997,982	890,499	-13,847	904,345
All Other	1993	259,760	1,109,262	2,016,015	1,020,890	-299,892	592	403,480	1,359,015	203,277	1,154,739
	1994	2,388,788	1,606,793	4,119,856	266,144	-47,777	1,456	2,542,016	1,570,946	194,229	1,376,717
	1995	3,757,667	1,906,948	5,766,822	131,059	-11,742	9,976	4,066,617	1,863,630	276,041	1,587,589
	1996	4,262,528	2,278,276	6,779,248	481,129	5,479	11,388	4,417,020	1,853,506	177,149	1,676,357
	1997	5,267,742	2,505,878	8,179,071	1,063,400	40,319	23,440	5,198,407	1,735,010	192,413	1,542,597
	1998	9,338,312	2,493,632	12,514,189	1,891,638	46,340	89,723	8,751,479	2,215,090	33,557	2,181,531
	1999	9,801,400	2,823,107	13,299,812	3,361,386	-65,956	56,137	7,733,157	5,046,345	167,096	4,879,250
	2000	12,663,100	5,415,468	18,062,694	4,509,375	-10,019	36,468	9,281,526	1,985,225	329,307	1,655,919
	2001	1,677,819	2,679,539	5,637,323	34,750	-30,740	698,956	2,949,134	3,477,887	54,389	3,423,489
	2002	-863,408	4,542,255	3,440,962	-2,417,378	186,946	17,350	2,176,159	21,483,794	7,520,755	13,963,039
Total	1993	318,198,751	108,947,193	462,718,553	237,957,309	71,604,964	26,553,546	105,118,940	20,258,082	8,050,283	14,207,759
	1994	335,817,889	109,559,368	476,347,574	258,773,680	64,256,670	26,753,235	106,305,907	23,768,163	8,759,789	14,008,374
	1995	350,858,246	119,416,844	505,751,905	289,249,843	59,736,600	29,069,766	103,927,553	25,640,215	8,893,682	16,746,533
	1996	377,362,382	122,658,226	537,605,645	311,248,385	46,315,697	30,303,567	124,096,772	28,190,997	8,273,490	14,917,508
	1997	405,612,372	128,468,536	576,416,719	343,060,758	33,263,630	31,935,994	139,965,339	23,010,599	7,411,776	15,598,824
	1998	454,453,658	129,498,692	634,340,589	369,886,527	41,944,884	36,998,927	162,499,652	27,346,314	8,194,009	14,152,306
	1999	494,308,140	131,444,845	683,446,585	430,367,711	43,755,202	38,515,371	143,460,967	29,832,164	7,072,982	21,759,182
	2000	548,485,818	137,262,915	773,297,472	455,511,794	56,021,966	42,386,082	189,545,465	20,632,160	4,769,223	15,862,937
	2001	474,270,635	138,253,105	657,660,848	369,834,800	99,814,127	43,148,997	124,230,764	23,589,570	3,696,747	19,891,823
	2002	506,568,624	140,394,903	697,355,742	366,564,261	149,681,209	43,991,895	113,530,808			

Schedule AIS-6, Sheet 4

\*Premium Income excludes Deposit-Type Funds as a result of 2001 NAIC Codification.  
Source: 2003 East's Statement File - L11, US.

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>
1998	\$23,010,599	\$7,411,776	32.2%
1999	\$27,346,314	\$8,194,009	30.0%
2000	\$29,832,164	\$7,072,982	23.7%
2001	\$20,632,160	\$4,769,223	23.1%
2002	\$23,588,570	\$3,696,747	15.7%
Total / Average	\$124,409,807	\$31,144,737	25.0%

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)

	2002	2001	2000	1999	1998
1. Premiums & annuity considerations for life and A&H policies & contracts .....	506,566,824	474,270,635	302,082,475	272,206,419	289,290,117
- Deposit-type funds .....	-	-	248,403,343	222,089,721	185,163,551
2. Considerations for suppl. contr. with life contingencies .....	810,017	850,323	782,083	735,865	818,885
- Consideration for suppl. contr. w/o life conting. & div. accum. ....	-	-	14,252,075	13,414,176	12,763,994
- Coupons left to accumulate at interest .....	-	-	1,893	2,080	4,344
3. Net investment income .....	140,394,903	138,253,105	107,282,916	131,444,845	129,498,692
4. Amortization of interest maint. reserve .....	1,073,923	1,027,866	1,634,456	1,822,216	1,768,485
5. Net Gain from oper from separate accounts statement .....	52,838	134,847	106,206	362,964	182,017
6. Commissions & expense allowances on reinsurance ceded .....	13,493,309	12,564,297	12,235,398	10,555,625	10,412,510
7. Reserve adjustments on reinsurance ceded .....	11,253,897	5,290,361	31,619,305	8,472,853	6,202,748
8. Miscellaneous Income:					
8.1 Fees Assoc. with Separate Accounts .....	12,184,495	12,282,307	13,234,704	10,819,515	8,413,410
8.2 Charges and fees for deposit-type contracts .....	247,205	298,867	-	-	-
8.3 Aggregate write-ins for miscellaneous income .....	11,297,732	12,888,239	13,672,510	11,408,486	9,841,027
9. TOTAL INCOME (Items 1 to 8.3) .....	897,356,742	857,680,848	773,297,472	683,446,585	634,340,588
10. Death benefits .....	48,839,418	46,329,348	44,011,457	41,284,393	39,988,228
11. Matured endowments .....	531,850	548,578	628,878	558,547	604,233
12. Annuity benefits .....	62,557,749	53,415,701	88,541,310	62,461,683	80,296,881
13. Disability benefits & A&H benefits .....	76,894,372	72,508,262	74,041,733	70,408,360	68,287,530
14. Coupons, guar. annual pure endowments & similar benefits .....	11,415	11,931	27,151	23,848	28,260
15. Surrender benefits & withdrawals for life contracts .....	174,542,273	181,948,467	245,819,343	234,674,105	182,919,986
16. Group conversions .....	17,068	18,925	2,489	12,934	12,302
17. Interest & adjustments on certificates or deposit-type contract funds .....	12,810,326	13,308,359	5,547,868	5,391,175	5,457,772
18. Payments on supplementary contracts with life contingencies .....	2,359,781	1,747,228	1,790,357	1,698,825	1,580,139
- Payments on suppl. contr without life cont. & div. accumulation .....	-	-	14,993,331	13,946,190	12,713,790
- Accumulated coupon payments .....	-	-	8,074	8,453	9,426
19. Incr. in aggregate reserves for life and A&H policies & contracts .....	149,881,209	99,814,127	45,525,934	41,243,424	38,499,107
- Incr. in liability for premiums & other deposit funds .....	-	-	8,583,530	1,297,789	3,887,285
- Incr in res. for suppl. contr. w/o life cont. & for div. & coup. ....	-	-	932,501	1,214,990	1,558,493
20. TOTAL (Items 10 to 19) .....	516,245,469	489,648,927	511,533,780	474,123,913	411,851,411
21. Commissions on premiums, annuity consid. & deposit type contract funds .....	34,373,066	32,499,810	32,431,375	29,383,289	26,406,288
22. Commissions & expense allow. on reinsurance assumed .....	9,018,809	10,849,188	9,954,707	9,132,072	10,592,639
23. General insurance expenses .....	43,789,860	44,450,471	44,233,101	43,338,819	41,649,705
24. Insurance taxes, licenses & fees excl. FIT .....	6,198,777	8,244,137	6,170,224	5,855,853	5,918,237
25. Increase in loading on deferred and uncollected premiums .....	-210,720	-136,851	11,958	86,133	-13,296
26. Net transfers to variable/separate accounts .....	29,388,360	40,225,833	89,783,019	53,518,484	67,147,874
27. Aggregate write-ins for deductions .....	14,700,389	13,353,073	48,965,514	21,078,877	28,454,628
28. TOTAL (Items 20 to 27) .....	654,104,031	616,934,285	723,063,659	636,497,051	591,987,486
29. Net gain from operations before div. & FIT .....	43,252,712	40,726,561	50,233,813	46,848,515	42,353,104
30. Dividends to policyholders .....	19,884,142	20,094,401	20,401,849	19,603,200	19,342,504
31. Net gain from operations after div. & before FIT (Line 29 - Line 30) .....	23,368,570	20,632,160	29,832,164	27,245,314	23,010,599
32. Federal & foreign income taxes incurred (excluding tax on capital gains) .....	3,896,747	4,789,223	7,072,982	8,194,009	7,411,776
33. Net gain after dividend & taxes, before realized cap. gain/loss (Item 31 minus Item 32) .....	19,891,823	15,882,937	22,759,182	19,152,306	15,598,824
34. Net realized capital gain/loss less capital gains tax .....	-15,645,532	-4,447,745	1,362,591	2,178,792	2,843,576
35. NET INCOME (Lines 33 + 34) .....	4,346,291	11,415,192	24,121,773	21,329,097	18,442,400

Schedule AIS-6, Sheet 6

Source: 2003 Best's Statement File - L/H, US.

OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Life Insurance

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

<u>Company</u>	(1) <u>Credit Life</u> <u>Net Premium</u> <u>Written</u>	(2) <u>Total</u> <u>Net Premium</u> <u>Written</u>	(3) <u>Capital &amp;</u> <u>Surplus</u>	(4) <u>Premium</u> <u>to Surplus</u> <u>Ratio</u>
CUNA Mutual Group	231,109	2,697,616	710,856	3.79
American International	147,938	33,622,679	15,571,060	2.16
Fortis, Inc	146,290	3,338,399	1,730,644	1.93
Household Ins. Gr	96,064	225,126	511,196	0.44
Citigroup	69,495	8,346,355	8,405,044	0.99
Minnesota Mutual	52,892	2,591,653	962,336	2.69
Central States H & L	34,813	139,784	78,174	1.79
Zurich Ins Grp	32,274	3,126,827	1,985,662	1.57
Aegon USA Inc	30,700	23,610,090	7,142,788	3.31
JMIC Life	30,495	62,754	63,270	0.99
Service Life & Cas	26,751	42,728	29,869	1.43
Protective Life	25,985	2,579,497	853,279	3.02
Allstate Finl Group	24,789	9,174,969	3,400,784	2.70
American United L Gr	21,469	1,761,383	630,101	2.80
Combined Specialty A&H	20,968	1,485,234	501,304	2.96
Centurion Life	20,790	53,257	766,739	0.07
Life of the South Gr	20,621	43,194	21,374	2.02
AMERCO Group	16,826	281,388	54,727	5.14
Munich Amer Reas	16,430	586,914	381,825	1.54
CBD Holding Ltd	12,942	538,390	169,769	3.17
Individual Assurance Group	11,040	32,303	22,510	1.44
American Modern Ins	9,896	11,828	15,561	0.76
Cooperative de Seg V	9,662	111,267	24,497	4.54
LDS Group	9,331	14,923	27,667	0.54
National Life Ins PR	8,721	51,639	10,731	4.81
Southern Pioneer	8,155	11,475	10,547	1.09
Independence Holding	7,330	134,851	87,601	1.54
Pekin Ins Grp	6,390	189,988	81,005	2.35
Old United Group	6,182	11,857	23,709	0.50
Peurto Rican-American Life	5,845	17,790	8,943	1.99
USAA Life Group	5,446	920,401	601,853	1.53
United Life Ins Co	5,397	256,721	97,644	2.63
Guarantee Trust Grp	5,244	211,035	53,506	3.94
Alabama Reassurance Co	4,558	51,206	128,066	0.40
Plateau Group Inc	4,201	6,124	9,560	0.64
Universal Life Ins	3,733	10,263	4,784	2.15
Balboa Life & Casualty	3,632	25,125	68,178	0.37
Wichita National Lf	3,584	7,395	6,629	1.12
Magna Insurance Co	3,276	5,764	17,460	0.33
State Farm Group	3,251	3,351,060	3,514,156	0.95
Commonwealth Dirs Lf	3,165	6,079	7,221	0.84
UICI	2,983	1,186,808	281,940	4.21
American Federated Life	2,976	4,923	9,241	0.53
American Raod Insurance Gr	2,866	4,184	24,955	0.17
Dennis Life Insurance	2,611	5,253	14,313	0.37
Life Assurance Co	2,238	3,465	1,615	2.15
Mountain Life Ins	2,220	3,450	3,285	1.05
Century Life Assurance	2,082	3,304	6,842	0.48
Servco Life Insurance	2,062	3,944	10,562	0.37
Trans-City Life Insurance	2,030	2,849	8,653	0.33
Total	1,229,748	100,965,311	49,154,035	
(4) Average : Unweighted				1.77
(5) Average : Weighted by Total Premium				2.05
(6) Selected Premiums to Capital and Surplus Ratio				2.00

Source: Best's Aggregates & Averages, Life-Health Supplement, United States, 2003, p. 49

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	367,604	2,697,616	710,856	3.79
Citigroup	180,832	8,346,355	8,405,044	0.99
Household Ins. Gr	123,209	225,126	511,196	0.44
Fortis, Inc	115,963	3,338,399	1,730,644	1.93
American International Group	88,765	33,622,679	15,571,060	2.16
Minnesota Mutual	68,081	2,591,653	962,336	2.69
Allstate Finl Group	57,709	9,174,969	3,400,784	2.70
AEGON USA Inc	46,503	23,610,090	7,142,788	3.31
Centurion Life	32,467	53,257	766,739	0.07
JMIC Life	32,259	62,754	63,270	0.99
Central States H & L	26,133	139,784	78,174	1.79
Combined Specialty A&H	26,093	1,485,234	501,304	2.96
CBD Holding Ltd	22,355	538,390	169,769	3.17
AMERCO Group	20,655	281,388	54,727	5.14
Munich Amer Reas	18,407	586,914	381,825	1.54
Great-West Life	15,831	4,569,619	1,372,342	3.33
Zurich Ins Grp	15,373	3,126,827	1,985,662	1.57
American United L Gr	12,340	1,761,383	630,101	2.80
Independence Holding	10,214	134,851	87,601	1.54
Pekin Ins Grp	8,250	189,988	81,005	2.35
Life of the South Gr	8,159	43,194	21,374	2.02
Individual Assur	7,339	32,303	22,510	1.44
Guarantee Trust Grp	7,279	211,035	53,506	3.94
Balboa Life & Cas Gp	6,103	25,125	68,178	0.37
Old United Group	5,652	11,857	23,709	0.50
LDS Group	5,592	14,923	27,667	0.54
United Life Ins Co	5,559	256,721	97,644	2.63
Amer National Ins	4,275	1,598,291	1,613,897	0.99
Southern Finl Life	4,091	17,782	7,031	2.53
Southern Pioneer	3,092	11,475	10,547	1.09
Commonwealth Dir's Lf	2,914	6,079	7,221	0.84
Dennis Life Ins Co	2,642	5,253	14,313	0.37
Enterprise Life Ins	2,140	3,203	11,122	0.29
Employees Life Ins	2,064	4,029	2,819	1.43
Alabama Reassurance	2,047	51,206	128,066	0.40
American Federated Life	1,947	4,923	9,241	0.53
American Modern Ins	1,932	11,828	15,561	0.76
Plateau Group	1,923	6,124	9,560	0.64
Servco Life Ins	1,882	3,944	10,562	0.37
Scottish Reinsurance	1,661	173,591	52,079	3.33
UICI	1,659	1,186,808	281,940	4.21
National Life Ins Co PR	1,560	51,639	10,731	4.81
Magna Insurance	1,496	5,764	17,460	0.33
Lincoln National	1,409	8,762,059	2,628,111	3.33
Financial American Life	1,400	4,699	9,646	0.49
American Road Ins Gr	1,318	4,184	24,955	0.17
USAA Life Group	1,262	920,401	601,853	1.53
Wichita National Life	1,211	7,395	6,629	1.12
ING Group	1,117	22,679,523	4,797,076	4.73
American Underwriters Life	1,099	5,122	11,050	0.46
Total	1,380,867	132,657,556	55,203,285	

(4) Average : Unweighted 1.83  
(5) Average : Weighted by Total Premium 2.40  
(6) Selected Premiums to Capital and Surplus Ratio 2.00

Source: Best's Aggregates & Averages, Life-Health Supplement, United States, 2003, p. 64

**OFFICE OF PUBLIC INSURANCE COUNSEL**  
Credit Life Insurance

Investment Yields

Year	Bonds	Total Stocks	Preferred Stocks	Total Industry			*Real Estate	Policy Loans	*Net Yield	Total Return
				Common Stocks	Mortgages					
1991	9.54	5.03	8.18	4.19	9.56	3.94	8.45	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	7.16	4.87	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	6.63	7.27	7.38	
2000	7.46	5.61	6.91	5.25	7.98	6.29	6.92	7.35	7.11	
2001	7.35	5.10	7.46	4.27	7.88	6.00	7.32	7.02	6.31	
2002	6.91	4.50	6.98	3.42	7.80	6.69	6.82	6.56	5.52	

Stock Organizations

Year	Bonds	Total Stocks	Preferred Stocks	Total Industry			*Real Estate	Policy Loans	*Net Yield	Total Return
				Common Stocks	Mortgages					
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	7.51	6.15	7.37	5.83	8.43	5.81	7.43	7.44	7.62	
1999	7.44	6.70	6.93	6.63	8.18	5.92	6.54	7.32	7.27	
2000	7.46	5.62	6.85	5.22	7.99	6.37	6.84	7.38	7.13	
2001	7.36	4.97	7.21	4.02	7.87	6.21	7.35	7.01	6.35	
2002	6.91	4.89	6.71	3.91	7.78	7.25	6.68	6.55	5.52	

Mutual Organizations

Year	Bonds	Total Stocks	Preferred Stocks	Total Industry			*Real Estate	Policy Loans	*Net Yield	Total Return
				Common Stocks	Mortgages					
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	3.63	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	8.66	5.79	6.70	7.26	8.20	
1998	7.49	5.37	7.21	5.04	8.35	6.06	6.36	7.23	7.97	
1999	7.38	4.10	7.70	3.51	8.14	5.85	6.87	7.03	7.85	
2000	7.48	5.65	7.18	5.38	7.96	6.09	7.11	7.31	7.06	
2001	7.30	5.46	8.62	4.87	7.89	5.43	7.26	7.04	6.12	
2002	6.92	3.30	8.56	2.30	7.89	5.20	7.12	6.58	5.52	

\* 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 flows. It has also distorted the 1994 industry ratios that are derived using these statement items.

Source : Best's Aggregates & Averages - Life/Health, 2001 and 2003 Editions

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**OFFICE OF PUBLIC INSURANCE COUNSEL**  
**Credit Disability Insurance Experience 2000 to 2002**

Appendix AIS-A, 5 Pages

Resume of Allan I. Schwartz

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**ALLAN I. SCHWARTZ**  
President  
AIS Risk Consultants, Inc.  
4400 Route 9 South  
Freehold, New Jersey 07728  
732-780-0330

**EDUCATION**

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

Associate in Insurance Accounting and Finance - June 2002  
(Received National Association of Mutual Insurance Companies Award for Academic Excellence)

Associate in Risk Management - September 2002

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

"Workers' Compensation and Investment Income" : Best's Review, Property / Casualty Insurance Edition, 10/82

"A Note on Calendar Year Loss Ratios" : Proceedings of the Casualty Actuarial Society, 11/82

"An Actuary's Analysis of the Security of a Self-Insured" : Business Insurance, 9/26/83

"Actuarial Issues to be Addressed in Pricing Excess of Loss Reinsurance" : Proceedings of the Los Angeles Chapter CPCU Technical Conference, 6/84 (Received Research Excellence Award from Farmers Insurance Group)

"An Actuarial Analysis of Self-Insurance" : The Self-Insurer, Volume 1, Issue 3, 1984

"Loss and Loss Expense Reserving" : The Self-Insurer, Volume 1, Issue 4, 1984

"The ABC's of Reinsurance" : The Self-Insurer, Volume 2, Issue 4, 1985

"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.

**OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Disability Insurance Experience 2000 to 2002**

Appendix AIS-B, 4 Pages

Excerpt from "Insurer Financial Results : 2002 and 1998  
Insurance Services Office, INC.

# 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)
<b>Change in Surplus*</b>	<b>\$ 15.8</b>	<b>\$ 4.4</b>	<b>\$ 20.3</b>	<b>\$ 4.4</b>	<b>\$ 19.2</b>	<b>\$ 11.1</b>	<b>\$ 36.7</b>	<b>\$ 25.5</b>	<b>\$ 53.0</b>	<b>\$ 25.0</b>
<b>Surplus</b>	<b>\$134.0</b>	<b>\$138.4</b>	<b>\$158.7</b>	<b>\$163.1</b>	<b>\$182.3</b>	<b>\$193.3</b>	<b>\$230.0</b>	<b>\$255.5</b>	<b>\$308.5</b>	<b>\$333.5</b>
<b>Return on Average Net Worth (GAAP)**</b>	<b>10.5%</b>	<b>8.8%</b>	<b>9.6%</b>	<b>4.5%</b>	<b>11.0%</b>	<b>5.6%</b>	<b>8.7%</b>	<b>9.3%</b>	<b>11.6%</b>	<b>8.4%</b>

\*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.

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.

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.

### Return on Net Worth

The property/casualty insurance industry's estimated GAAP return on average net worth<sup>13</sup> (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.

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



ISO Insurance Issues Series

# Insurer Financial Results: 2002

Table 5

**Components of Surplus Change**  
 Property/Casualty Insurance Industry, 1992-2002  
 (\$ Billions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net Income after Taxes	\$ 5.8	\$ 19.3	\$ 10.9	\$ 20.6	\$ 24.4	\$ 36.8	\$ 30.8	\$ 21.9	\$ 20.6	\$ (7.0)	\$ 2.9
Dividends to Stockholders	(6.5)	(7.3)	(6.3)	(8.2)	(9.0)	(11.3)	(13.3)	(16.3)	(15.8)	(11.8)	(6.7)
New Funds	5.5	7.4	6.8	7.1	4.5	3.9	5.2	5.0	4.3	12.9	17.3
Unrealized Capital Gains (Losses)	(0.1)	1.0	(1.8)	21.7	13.3	29.0	10.2	1.9	(18.5)	(18.0)	(20.6)
Miscellaneous Surplus Changes	(0.4)	(1.3)	1.5	(4.5)	(7.7)	(5.5)	(8.0)	(11.3)	(7.5)	(3.8)	2.7
<b>Change in Surplus</b>	<b>\$ 4.4</b>	<b>\$ 19.2</b>	<b>\$ 11.1</b>	<b>\$ 36.7</b>	<b>\$ 25.5</b>	<b>\$ 53.0</b>	<b>\$ 24.8</b>	<b>\$ 1.0</b>	<b>\$ (17.0)</b>	<b>\$ (27.8)</b>	<b>\$ (4.4)</b>
<b>Surplus</b>	<b>\$163.1</b>	<b>\$182.3</b>	<b>\$193.3</b>	<b>\$230.0</b>	<b>\$255.5</b>	<b>\$308.5</b>	<b>\$333.3</b>	<b>\$334.3</b>	<b>\$317.4</b>	<b>\$289.6</b>	<b>\$285.2</b>
<b>Return on Average Net Worth (GAAP)*</b>	<b>4.5%</b>	<b>11.0%</b>	<b>5.6%</b>	<b>8.7%</b>	<b>9.3%</b>	<b>11.6%</b>	<b>8.5%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>-1.2%</b>	<b>2.2%</b>

Note: Figures may not balance because of rounding.

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

### Change in Surplus

In 2002, the industry's statutory surplus decreased \$4.4 billion to \$285.2 billion at year-end. (See Table 5.) Charges against surplus included \$20.6 billion in unrealized capital losses and \$6.7 billion in stockholders dividends. Those charges outweighed the industry's \$2.9 billion in net income after taxes, a record \$17.3 billion in new funds paid in, and \$2.7 billion in miscellaneous additions to surplus.

Surplus has now declined for three successive years, dropping 1.5% in 2002 after falling 8.7% in 2001 and 5.1% in 2000. As of year-end 2002, surplus was down \$49.1 billion, or 14.7%, from \$334.3 billion at year-end 1999, even though the industry earned a total of \$16.5 billion in net income after taxes during the past three years.

Capital losses on investments contributed to the declines in surplus. The industry suffered a total of \$57.2 billion in unrealized capital losses on investments during the three years ending 2002.<sup>19</sup> Combining realized and unrealized capital gains (losses), the industry suffered \$35.5 billion in overall capital losses during the period. Those results contrast with experience from 1995 to 1999, when the industry enjoyed \$76.1 billion in unrealized capital gains and \$133.2 billion in overall

19 Unrealized capital gains (losses) on investments are not included in statutory net income after taxes.

**OFFICE OF PUBLIC INSURANCE COUNSEL  
Credit Disability Insurance Experience 2000 to 2002**

Appendix AIS-C, 4 Pages

Excerpt from Best's Aggregates and Averages  
2003 Life/Health and 2003 Property & Casualty Editions



**SUMMARY OF OPERATIONS BY LINE (1993-2002)**  
(In Thousands)

**TOTAL INDUSTRY**

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (Incl. Other Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders	Net Gain Before-Tax	FIT	Net Gain After-Tax
Ordinary Life	1993	73,797,715	33,089,475	112,582,640	36,320,702	30,576,060	10,177,991	28,969,691	6,518,640	2,750,700	3,767,939
	1994	77,233,997	34,540,608	119,276,342	38,940,361	29,444,245	10,250,737	33,742,218	8,898,780	3,867,387	3,031,393
	1995	80,238,697	38,834,673	126,679,519	41,895,488	33,294,513	10,991,013	31,634,864	8,873,606	4,219,498	4,654,110
	1996	84,188,013	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	99,289,579	45,235,494	155,002,566	54,135,796	24,917,738	14,136,429	54,014,901	7,797,702	3,263,665	4,534,038
	1999	92,955,545	46,369,661	148,421,437	59,503,316	22,980,433	13,594,149	42,628,029	9,715,511	3,293,356	6,422,156
2000	102,387,224	48,363,344	191,859,819	56,508,270	32,769,070	15,526,197	77,345,873	9,710,409	2,012,757	6,697,653	
2001	94,637,595	49,899,025	156,182,112	59,437,366	26,655,431	15,267,892	45,788,085	9,033,337	2,069,974	6,963,363	
2002	105,414,497	48,283,008	163,706,730	63,484,005	33,733,341	14,496,539	43,815,807	8,177,039	1,120,575	7,056,463	
Individual Annuities	1993	69,773,064	31,031,079	113,640,980	36,523,146	31,836,252	5,075,311	36,291,586	3,914,566	1,361,063	2,553,602
	1994	79,201,178	31,790,391	119,379,378	45,974,607	30,658,681	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	33,729,094	4,640,849	1,412,518	3,228,331
	1996	81,517,146	38,442,345	133,756,130	61,060,586	16,749,000	5,005,411	45,705,009	5,238,124	1,413,789	3,822,334
	1997	90,564,020	39,064,108	146,805,914	73,054,842	8,837,650	5,135,283	52,825,211	6,952,927	1,472,816	5,480,112
	1998	95,022,895	37,540,419	151,662,177	84,063,715	7,984,252	6,560,793	47,636,909	5,416,509	1,469,968	3,946,541
	1999	115,481,793	37,946,521	172,186,758	101,121,744	14,004,711	7,509,873	43,682,167	5,828,263	1,949,675	4,478,589
2000	140,200,135	37,919,736	193,420,437	127,088,544	6,865,516	8,269,516	47,006,275	4,190,689	851,922	3,338,767	
2001	140,760,136	39,206,112	196,102,263	103,584,927	49,935,530	8,637,050	32,744,399	1,200,658	54,577	1,146,080	
2002	167,600,013	41,727,855	236,333,358	108,093,559	91,707,290	10,894,549	29,037,885	-1,399,925	-503,302	-896,623	
Suppl. Contracts	1993	-	1,008,533	5,501,795	4,002,659	1,016,529	4,833	263,335	214,139	59,657	154,483
	1994	-	1,069,385	6,247,269	4,778,318	1,123,134	4,238	93,328	248,254	56,630	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	6,350,898	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	250,622	271,413	81,257	190,158
	1998	1	1,326,498	8,247,148	6,879,175	701,275	4,142	405,430	257,126	32,289	224,837
	1999	-	1,359,002	8,871,571	7,939,308	385,493	6,501	344,941	195,327	54,057	141,270
2000	-	1,754,394	13,728,920	12,638,444	363,119	6,453	333,678	387,226	104,669	282,557	
2001	-39,110	1,806,933	2,580,001	1,880,011	231,270	7,844	160,380	279,895	76,719	203,176	
2002	-5,303	1,619,646	2,256,355	1,850,460	248,974	6,017	101,710	49,194	18,177	31,018	
Credit Life	1993	1,796,862	322,865	2,508,330	851,603	26,946	865,920	488,476	335,385	108,980	226,406
	1994	1,930,695	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	478,242	104,355	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	1,896,119	309,366	2,887,588	821,567	256,047	1,117,521	431,907	260,545	120,612	139,933
	1999	1,866,314	368,774	2,913,352	812,259	291,561	1,056,762	457,058	295,683	65,749	229,944
2000	1,811,704	361,672	2,833,113	801,906	172,603	1,102,105	446,974	309,524	95,099	214,425	
2001	1,585,468	353,325	2,551,063	755,502	-107,141	906,185	416,323	580,194	131,483	448,712	
2002	1,196,418	312,901	2,043,638	722,238	-496,004	820,512	348,004	647,886	200,462	447,426	

\*Premium Income excludes Deposit-Type Funds as a result of 2001 NAIC Codification.  
Source: 2003 Best's Statement File - L.A. US.

**SUMMARY OF OPERATIONS BY LINE (1993-2002)**  
(In Thousands)

**TOTAL INDUSTRY**

Line of Business	Year	Premium Income*	Net Invest. Income	Total Income (Incl. Other Inc.)	Benefits	Change in Reserves	Commissions	All Other Expenses & Div. to Policyholders	Net Gain Before-Tax	FIT	Net Gain After-Tax
Group Life	1993	17,336,902	2,602,950	22,243,974	14,766,710	2,338,156	697,767	2,846,077	1,585,264	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	920,365	3,380,887	1,578,462	656,485	921,977
	1996	20,447,098	3,363,986	28,056,088	18,796,745	2,115,916	894,198	4,407,383	1,841,816	639,415	1,202,401
	1997	25,643,654	3,542,763	33,600,633	18,972,493	2,226,942	958,800	9,079,230	2,363,368	905,993	1,457,375
	1998	24,445,576	3,637,500	33,470,908	20,338,176	3,721,331	1,074,209	8,582,931	1,754,260	688,533	1,065,727
	1999	24,967,146	3,717,764	34,478,191	22,505,801	1,174,761	1,217,113	7,095,486	2,485,029	893,112	1,591,917
2000	27,067,704	3,599,753	32,957,813	19,060,267	2,342,188	1,294,686	8,047,071	2,213,601	843,474	1,370,127	
2001	28,224,530	3,644,169	33,330,977	18,951,972	3,604,981	1,431,707	7,740,607	1,601,711	425,019	1,178,692	
2002	26,972,266	3,537,519	31,831,825	20,050,347	2,485,764	1,450,121	5,670,493	2,175,100	697,615	1,477,484	
Group Annuities	1993	74,786,880	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	966,314	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	2,846,735	746,726	2,100,009
	1996	96,801,433	30,578,664	127,390,308	111,982,245	-7,948,894	1,978,926	17,596,377	3,781,655	1,041,101	2,740,554
	1997	107,302,594	30,575,876	138,756,194	129,277,222	-12,898,699	2,059,746	15,978,040	4,340,885	863,616	3,477,269
	1998	134,449,257	29,975,437	167,453,506	135,355,663	-993,389	2,692,991	25,960,210	4,437,632	804,198	3,633,634
	1999	154,599,570	29,829,012	193,715,038	164,595,206	-1,825,395	2,950,309	22,914,086	5,080,822	1,484,964	3,595,858
2000	163,634,253	30,501,247	201,283,159	160,682,194	7,660,533	3,235,061	25,208,982	4,496,389	716,661	3,779,728	
2001	109,593,590	30,409,738	145,987,485	112,661,037	11,644,912	3,036,026	16,660,005	1,985,505	211,854	1,773,650	
2002	100,837,405	30,232,423	136,155,378	99,865,509	14,731,801	2,880,173	14,108,969	4,548,925	405,256	4,143,629	
Industrial Life	1993	455,567	927,070	1,391,159	711,526	-180,663	49,611	455,611	355,094	47,220	307,874
	1994	427,693	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
	1996	392,542	970,488	1,351,807	636,646	-178,230	33,559	461,912	397,920	142,289	255,631
	1997	393,257	992,121	1,385,842	628,719	-142,165	30,572	458,142	410,574	66,865	343,709
	1998	373,814	1,008,387	1,347,140	646,118	-148,772	22,111	615,021	212,662	84,520	128,142
	1999	343,510	1,014,922	1,399,090	656,105	-201,568	19,802	407,531	517,217	161,538	355,679
2000	278,075	916,098	1,709,084	684,976	-399,956	20,926	1,021,372	381,766	176,004	205,761	
2001	322,861	881,380	1,302,582	572,076	-133,897	17,580	412,820	433,972	60,317	373,655	
2002	285,490	740,899	1,412,597	524,743	-50,903	13,907	615,568	309,282	12,950	296,332	
Group A&H	1993	57,402,206	2,064,003	62,614,121	41,353,989	2,252,686	4,189,458	11,327,417	3,490,570	1,280,873	2,209,697
	1994	57,288,584	2,784,681	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	3,525,466	66,869,010	47,925,698	1,772,257	4,785,239	10,174,777	2,211,938	649,397	1,562,541
	1996	62,453,219	3,142,372	68,937,397	49,400,607	1,681,609	5,186,220	11,761,416	907,546	359,407	548,139
	1997	61,600,536	3,305,508	67,567,803	48,587,775	1,839,184	5,140,270	11,518,276	483,318	71,783	411,535
	1998	62,829,795	3,624,427	68,744,798	50,280,764	991,801	5,729,373	12,059,002	-316,173	107,209	-423,382
	1999	65,977,437	3,298,513	72,834,076	53,020,793	1,635,912	6,065,912	12,426,165	-313,867	302,469	-616,336
2000	69,546,594	3,649,081	76,844,368	55,335,016	1,398,527	5,609,612	11,807,403	2,602,810	702,088	1,900,722	
2001	68,054,819	3,815,710	74,869,287	53,216,501	3,842,064	6,250,426	10,446,572	1,313,724	641,814	671,910	
2002	71,176,063	3,716,324	77,238,928	58,361,463	1,053,071	6,082,545	10,252,827	3,489,021	1,190,585	2,298,437	

\*Premium income excludes Deposit-Type Funds as a result of 2001 NMC Codification.  
Source: 2003 Best's Statement File — LAI, US.

**CUMULATIVE BY LINE NET UNDERWRITING EXPERIENCE - INDUSTRY**

KINDS OF INSURANCE	Year	Net Premiums Written (000)	Net Premiums Earned (000)	Ratios To Net Premiums Earned			Ratios To Net Premiums Written			Dividends to Policyholders	Combined Ratio After Div	Inv Gains on Funds & Other Income	Overall Operating Ratio
				Losses Incurred	Loss Adj Expenses Incurred	Losses & Adj Expenses Incurred	Comms & Brokerage Incurred	Other Underwriting Expenses Incurred	Total Underwriting Expenses Incurred				
				OTHER LIABILITY	1993	15,980,197	15,242,676	66.5	26.8				
	1994	16,903,059	16,139,425	66.8	29.8	96.5	10.6	15.2	26.7	0.4	123.1	27.4	
	1995	16,883,233	16,420,297	76.5	33.8	110.3	10.7	17.1	27.8	0.5	138.6	25.6	
	1996	17,780,736	18,851,644	65.5	25.5	91.0	9.8	16.4	26.2	0.4	117.6	26.0	
	1997	18,369,636	17,368,809	58.0	23.4	81.4	10.2	16.8	26.8	0.3	108.5	28.1	
	1998	17,414,953	17,145,884	61.8	21.2	82.9	10.8	18.3	29.2	0.3	112.3	27.7	
	1999	17,184,947	16,523,828	50.1	23.6	73.7	11.3	19.3	30.6	0.2	104.5	26.1	
	2000	16,508,064	17,705,332	59.9	20.9	80.8	11.5	17.7	29.2	0.3	110.3	26.5	
	2001	19,872,807	18,744,262	70.3	21.0	91.3	13.3	17.5	30.8	0.2	122.3	21.3	
	2002	28,110,910	25,415,421	77.3	21.4	96.7	11.2	14.1	25.3	0.1	124.2	16.7	
TOTALS		188,008,384	177,557,878	65.8	24.6	90.4	11.1	16.7	27.9	0.3	118.6	24.3	
PRODUCTS LIABILITY	1993	1,859,068	1,853,836	132.8	52.3	165.1	9.8	17.1	27.0	-0.2	211.9	43.4	
	1994	1,992,877	1,853,543	73.0	33.3	106.3	8.9	15.6	24.8	0.5	131.4	37.9	
	1995	1,763,833	1,745,198	104.6	54.2	158.8	11.6	18.4	30.0	0.6	189.5	44.8	
	1996	1,837,539	1,779,404	88.8	59.2	147.7	10.4	20.6	30.9	0.4	179.1	47.8	
	1997	1,745,788	1,716,414	59.6	41.9	101.5	11.1	18.0	30.2	0.2	131.9	54.5	
	1998	1,807,861	1,620,445	67.1	40.5	107.6	9.8	20.9	30.7	0.4	138.8	49.1	
	1999	1,580,537	1,582,826	83.2	43.8	128.9	9.6	19.9	29.5	-0.1	156.4	57.4	
	2000	1,415,353	1,441,570	62.8	35.6	98.4	12.6	22.3	34.8	0.1	133.3	55.1	
	2001	2,018,399	1,764,330	111.7	71.9	183.6	10.1	21.7	31.8	0.0	215.5	32.6	
	2002	1,775,526	1,517,090	250.4	71.8	322.1	13.0	20.2	33.2	0.0	355.3	35.9	
TOTALS		17,596,581	16,874,344	102.6	50.5	153.1	10.6	19.5	30.1	0.2	183.5	45.7	
PRIVATE PASSENGER AUTO LIABILITY	1993	59,341,750	57,926,452	72.4	13.0	85.4	7.5	14.8	22.4	0.9	106.6	8.4	
	1994	62,023,869	60,867,678	70.8	12.2	83.1	7.7	14.1	21.8	0.8	105.7	8.3	
	1995	65,353,342	64,353,608	67.4	12.4	79.7	7.5	14.5	22.1	1.1	103.0	9.1	
	1996	68,085,016	67,186,836	64.7	12.7	77.4	8.7	13.2	21.9	0.9	100.3	8.7	
	1997	70,829,278	69,825,011	61.8	13.2	75.0	9.0	13.8	22.8	2.1	99.8	8.7	
	1998	70,764,297	70,608,509	61.6	14.7	76.4	9.0	14.5	23.5	2.1	102.0	8.5	
	1999	69,637,073	69,589,497	66.5	14.6	81.3	8.9	15.5	24.4	0.9	106.6	7.8	
	2000	69,228,112	69,605,889	73.3	14.7	88.1	8.6	15.5	24.3	1.3	113.7	8.3	
	2001	74,439,741	73,130,026	73.2	14.9	88.1	8.6	14.8	23.4	0.5	112.0	6.9	
	2002	81,994,875	79,858,530	71.4	14.7	86.1	8.7	14.9	23.6	0.4	110.1	4.9	
TOTALS		691,477,353	682,774,638	68.3	13.8	82.1	8.5	14.6	23.1	1.1	106.3	8.0	
COMMERCIAL AUTO LIABILITY	1993	12,130,217	11,918,837	64.1	12.9	77.0	14.0	16.1	30.1	0.4	107.5	13.7	
	1994	12,105,163	11,971,988	64.3	13.8	78.1	13.4	16.7	30.1	0.6	108.8	10.6	
	1995	12,204,816	12,080,286	66.1	13.6	81.7	13.6	16.4	30.0	0.5	112.1	12.5	
	1996	12,614,239	12,425,647	67.1	14.3	81.4	14.1	16.2	30.2	0.4	112.0	11.7	
	1997	12,788,404	12,714,956	69.3	13.5	82.8	13.8	16.1	29.9	0.3	113.0	13.0	
	1998	12,991,362	12,749,456	72.1	13.6	85.8	12.6	16.9	29.7	0.4	115.9	12.4	
	1999	12,832,588	12,570,229	73.2	15.8	89.0	14.2	17.1	31.3	0.2	120.5	12.4	
	2000	13,536,848	13,059,899	75.5	14.4	89.8	13.5	16.5	30.0	0.3	120.1	12.5	
	2001	15,270,121	14,374,410	77.6	14.9	92.4	13.1	16.2	29.4	0.2	122.0	10.6	
	2002	17,202,917	16,175,865	85.2	13.2	78.4	12.5	15.6	28.1	0.1	108.6	7.9	
TOTALS		133,688,675	130,039,583	69.7	14.0	83.7	13.5	16.4	29.8	0.3	113.8	11.6	
PRIVATE PASSENGER AUTO PHYSICAL DAMAGE	1993	34,126,345	33,652,234	58.0	8.7	66.7	7.4	14.6	22.1	0.9	89.7	1.8	
	1994	34,880,555	34,227,369	61.9	9.1	70.9	7.3	14.4	21.7	0.8	93.4	1.8	
	1995	36,650,275	35,971,322	65.9	9.4	75.3	7.0	14.9	21.9	1.2	98.4	1.8	
	1996	39,716,581	38,788,750	70.0	9.8	78.5	6.8	13.1	21.7	0.9	102.2	1.8	
	1997	43,154,965	41,882,828	64.3	10.0	74.3	8.8	13.8	22.6	2.1	99.0	1.8	
	1998	46,677,263	45,414,692	63.7	10.2	73.8	9.4	14.3	23.7	2.1	99.7	1.7	
	1999	49,009,570	48,005,593	63.4	10.5	73.9	8.9	15.4	24.3	0.8	99.0	1.3	
	2000	50,401,165	49,944,194	67.4	10.5	78.0	8.7	15.6	24.2	1.4	103.6	1.3	
	2001	53,492,832	52,578,613	67.4	10.8	78.2	8.4	15.1	23.6	0.5	102.3	2.0	
	2002	57,546,953	56,354,906	62.0	10.2	72.2	8.3	14.8	23.1	0.5	95.9	0.9	
TOTALS		445,658,504	436,920,531	64.5	10.0	74.5	8.4	14.7	23.0	1.1	98.7	1.5	
COMMERCIAL AUTO PHYSICAL DAMAGE	1993	4,249,849	4,236,645	50.1	7.3	57.5	15.4	15.4	30.7	0.5	88.7	2.1	
	1994	4,558,175	4,431,569	54.8	7.4	52.1	14.0	16.9	30.9	0.5	93.5	2.0	
	1995	4,961,348	4,878,007	59.9	7.6	57.5	14.6	15.6	30.3	0.3	98.1	2.3	
	1996	5,015,577	4,837,942	67.2	8.8	78.0	14.0	15.2	29.2	0.2	105.4	1.9	
	1997	5,248,159	5,138,813	67.1	8.8	75.9	14.1	15.3	29.5	0.3	105.6	1.9	
	1998	5,121,509	5,129,410	69.4	8.9	78.2	14.2	16.1	30.3	0.4	108.9	1.8	
	1999	5,284,853	5,192,485	69.8	10.0	79.8	15.1	17.1	32.2	0.2	112.1	1.9	
	2000	5,985,901	5,779,471	67.8	8.4	76.1	13.7	15.8	29.4	0.4	105.9	2.0	
	2001	6,474,812	6,211,131	65.0	7.8	72.6	13.6	15.1	28.7	0.2	101.6	1.7	
	2002	7,334,067	7,051,906	57.2	9.0	66.2	13.1	14.5	27.5	0.0	93.8	0.5	
TOTALS		54,232,060	52,887,379	63.0	8.4	71.5	14.1	15.6	29.7	0.3	101.5	1.8	

© Ratios to net premiums earned.

Source: 2003 Best's Statement File Supplement - Insurance Expense Exhibit - P/C, US.

**CUMULATIVE BY LINE NET UNDERWRITING EXPERIENCE - INDUSTRY**

KINDS OF INSURANCE	Year	Net Premiums Written ('000)	Net Premiums Earned ('000)	Ratio To Net Premiums Earned			Ratio To Net Premiums Written			Dividends to Policyholders	Combined Ratio After Div	Inv Gains on Funds & Other Income	Overall Operating Ratio
				Losses Incurred	Loss Adj Expenses Incurred	Losses & Adj Expenses Incurred	Commiss & Brokerage Incurred	Other Underwriting Expenses Incurred	Total Underwriting Expenses Incurred				
<b>FIRE</b>	1993	4,549,233	4,379,078	61.1	5.8	66.6	16.1	22.8	39.0	0.3	105.9	5.8	100.3
	1994	5,053,335	4,808,477	64.1	5.7	69.9	16.3	20.2	36.5	0.3	106.6	3.8	102.6
	1995	5,176,272	5,087,064	64.0	5.0	69.9	15.3	19.2	34.5	0.4	104.8	4.5	100.3
	1996	5,293,607	5,279,235	53.3	5.3	58.6	15.9	19.5	35.4	0.2	94.2	4.3	89.8
	1997	4,919,750	4,944,373	53.3	6.2	59.5	15.8	21.4	37.2	0.3	97.1	4.8	92.3
	1998	4,739,214	4,889,737	63.1	6.2	69.3	16.1	21.9	38.0	0.3	107.7	6.1	101.8
	1999	4,646,538	4,742,239	60.3	7.2	67.5	16.3	22.8	39.1	0.2	109.8	2.4	104.4
	2000	4,831,987	4,495,397	69.4	6.5	75.9	16.5	21.2	37.7	0.2	113.7	5.8	107.9
	2001	4,889,024	4,539,751	74.9	8.3	83.1	16.4	18.3	34.7	0.2	118.0	2.7	115.3
	2002	7,134,398	6,166,526	53.3	5.8	59.1	12.1	15.7	27.9	0.1	87.1	2.2	84.9
<b>TOTALS</b>		51,033,348	49,331,677	61.2	6.2	67.5	15.6	20.1	35.8	0.2	103.3	4.2	99.1
<b>ALLIED LINES</b>	1993	2,375,172	2,266,302	69.9	8.6	78.4	16.3	19.4	35.7	0.2	114.4	4.8	109.8
	1994	2,687,488	2,570,754	71.0	8.0	79.0	16.2	17.2	33.4	0.3	112.7	3.3	109.4
	1995	2,902,406	2,802,895	77.5	8.4	85.9	16.8	16.8	33.6	0.4	119.9	2.9	117.0
	1996	2,976,456	2,950,202	75.2	9.0	84.2	15.3	17.6	32.8	0.2	117.2	2.9	114.3
	1997	2,843,426	2,896,504	58.8	8.7	67.5	17.2	18.8	38.0	0.5	104.0	3.4	100.8
	1998	2,932,840	2,955,523	74.5	9.3	83.8	16.6	16.9	33.5	0.5	117.8	3.8	114.0
	1999	2,764,097	2,771,849	78.2	10.1	88.3	16.3	19.1	35.4	0.4	124.0	3.4	120.8
	2000	2,904,158	2,768,043	70.7	10.3	81.0	15.5	19.3	34.8	0.2	116.0	-8.8	124.7
	2001	3,728,853	3,251,307	107.8	11.8	119.7	13.3	18.9	32.2	0.2	162.1	-2.9	154.9
	2002	4,766,498	4,293,484	46.9	7.4	54.3	13.6	15.5	29.1	0.2	83.5	2.1	81.4
<b>TOTALS</b>		30,981,394	29,648,663	72.3	9.1	81.4	15.5	17.8	33.3	0.3	115.0	1.4	113.5
<b>MULTIPLE PERIL CROP</b>	1993	232,578	231,248	105.1	8.3	113.4	2.2	16.8	18.8	0.0	132.2	3.8	128.8
	1994	286,189	286,462	78.9	5.0	81.9	-6.2	12.6	7.5	-	-	-1.0	-
	1995	274,393	273,775	73.4	4.2	77.6	-12.7	14.9	2.2	-	-	-1.2	-
	1996	396,384	389,624	73.7	1.8	75.4	-4.8	4.3	-0.5	-	-	-2.7	-
	1997	547,011	547,830	64.0	1.6	65.6	-0.5	9.2	8.7	-	-	1.9	-
	1998	712,917	712,295	77.5	2.2	79.7	3.9	7.4	11.3	-	-	4.1	-
	1999	725,820	742,251	82.4	2.4	84.8	1.8	11.6	13.4	-	-	24.8	-
	2000	845,491	847,307	79.4	3.7	83.0	1.9	11.4	13.2	-	-	304.7	-
	2001	1,236,971	1,143,436	80.5	3.8	84.1	9.1	10.3	18.4	0.0	103.5	9.1	94.4
	2002	2,226,411	2,003,828	111.2	2.2	113.4	5.0	5.5	10.5	0.0	124.0	8.5	115.5
<b>TOTALS</b>		7,485,125	7,177,873	87.6	2.9	90.5	2.9	8.9	11.8	0.0	102.3	42.8	69.5
<b>FEDERAL FLOOD</b>	1993	-	-	-	-	-	-	-	-	-	-	-	-
	1994	-	-	-	-	-	-	-	-	-	-	-	-
	1995	-	-	-	-	-	-	-	-	-	-	-	-
	1996	-	-	-	-	-	-	-	-	-	-	-	-
	1997	4,104	3,947	21.1	170.3	191.4	-99.9	999.9	-99.9	-	-	2.9	-
	1998	27,639	26,303	148.9	60.2	209.0	-99.9	359.5	-37.3	-	-	-8.7	-
	1999	3,643	5,402	5.9	179.8	195.7	-99.9	999.9	-99.9	-	-	-14.0	-
	2000	1,884	3,720	54.0	343.8	397.8	-99.9	999.9	84.2	-	-	999.9	-
	2001	7,492	5,566	47.5	377.3	424.6	-99.9	991.1	-99.8	-	-	139.2	-
	2002	7,225	6,154	61.9	186.7	248.5	-99.9	734.4	-99.9	54.8	-99.9	-99.9	-36.4
<b>TOTALS</b>		81,987	63,092	87.2	151.9	249.1	-99.9	901.2	-99.9	5.3	-99.9	115.3	-99.9
<b>FARMOWNERS MULTIPLE PERIL</b>	1993	1,090,416	1,089,719	71.0	9.8	80.8	16.5	15.5	32.0	0.6	113.4	5.6	107.8
	1994	1,143,699	1,114,551	67.9	9.1	77.0	16.1	15.1	31.2	0.4	108.7	4.7	104.0
	1995	1,213,917	1,187,990	69.5	9.6	79.2	15.5	15.3	30.9	0.5	110.5	4.5	106.0
	1996	1,259,745	1,222,583	81.2	9.8	91.0	15.8	15.4	31.2	0.4	122.6	4.9	117.7
	1997	1,371,966	1,333,617	66.4	9.5	75.9	15.4	15.9	31.3	0.8	107.8	5.1	102.7
	1998	1,434,762	1,397,933	72.2	10.3	82.5	15.7	16.4	32.0	1.5	116.0	4.8	111.4
	1999	1,459,908	1,441,883	87.9	10.4	78.2	16.2	17.0	33.2	0.5	111.9	4.8	107.3
	2000	1,531,091	1,491,092	67.3	9.1	78.4	16.1	16.8	32.7	0.5	109.6	4.4	105.2
	2001	1,633,742	1,599,603	71.2	9.4	80.6	17.1	15.8	32.7	0.5	113.8	3.9	109.9
	2002	1,785,074	1,700,245	68.5	9.4	75.9	16.0	15.4	31.4	0.3	107.8	-2.4	110.0
<b>TOTALS</b>		13,924,320	13,553,416	69.9	9.6	79.6	16.1	15.9	31.9	0.6	112.0	3.8	108.3
<b>HOMEOWNERS MULTIPLE PERIL</b>	1993	21,549,044	20,793,967	70.9	11.2	82.1	15.2	15.8	31.0	0.4	113.6	6.3	107.3
	1994	22,558,617	21,791,746	74.9	12.2	87.2	15.3	15.4	30.8	0.4	118.4	4.8	113.5
	1995	23,987,797	23,162,972	69.8	12.1	81.7	15.0	15.8	30.6	0.4	112.7	5.3	107.4
	1996	25,448,228	24,884,025	78.6	12.8	91.4	14.6	15.2	29.8	0.4	121.7	4.9	116.8
	1997	26,915,482	26,059,138	57.3	11.7	69.0	14.8	16.5	31.1	0.8	101.0	4.5	96.4
	1998	28,997,843	28,012,282	85.3	12.5	77.6	13.8	17.0	30.8	0.8	109.4	4.6	104.8
	1999	30,862,804	29,798,560	64.9	12.4	77.4	13.2	17.1	30.3	0.5	106.2	4.5	103.7
	2000	32,414,685	31,757,939	68.9	11.4	80.4	13.6	17.0	30.6	0.4	111.4	4.3	107.0
	2001	35,172,010	33,756,643	79.4	12.5	91.8	13.2	16.2	29.4	0.4	121.7	3.3	116.4
	2002	40,013,466	37,333,998	68.5	11.9	80.4	12.7	15.8	29.5	0.4	109.3	3.7	105.6
<b>TOTALS</b>		287,718,056	277,151,250	69.8	12.1	81.9	14.0	16.2	30.2	0.5	112.6	4.5	108.1

Ⓞ Ratios to net premiums earned.

Source: 2003 Best's Statement File Supplement - Insurance Expense Exhibit - P/C, US.

IN THE MATTER OF CREDIT LIFE ) BEFORE THE TEXAS  
AND CREDIT ACCIDENT & HEALTH )  
PRESUMPTIVE PREMIUM RATES ) COMMISSIONER OF INSURANCE

AFFIDAVIT OF ALLAN I. SCHWARTZ

STATE OF NEW JERSEY )

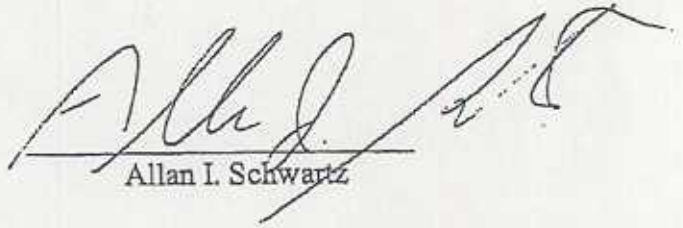
COUNTY OF MONMOUTH )

BEFORE ME, the undersigned authority, on this day personally appeared Allan I. Schwartz, who being by me duly sworn, upon his oath deposed and said as follows:


1. "My name is Allan I. Schwartz. I am over eighteen (18) years of age and have never been convicted of a crime. I am of sound mind, and capable of making this affidavit. I am personally acquainted with the facts herein stated, and they are true and correct to the best of my knowledge.
2. I am an actuarial consultant with and President of AIS Risk Consultants, Inc.
3. I have prepared pre-filed direct testimony on behalf of the Office of Public Insurance Counsel for consideration in the public hearing related to presumptive premium rates for credit life and credit accident & health insurance.
4. I am pre-filing my direct testimony concurrently with this affidavit. That testimony is true and accurate to the best of my knowledge.

FURTHER AFFIANT SAYETH NOT."

SIGNED the 28th day of June, 2004.

  
Allan I. Schwartz

SUBSCRIBED AND SWORN TO under oath before me by Allan I. Schwartz, Affiant on the 28th day of June, 2004.

  
Notary Public, State of New Jersey

KATHERINE A TOLLAR  
NOTARY PUBLIC  
MY COMMISSION EXPIRES 08/30/2005

