Office of Public Insurance Counsel

Joe Matetich
Deputy Public Counsel

William P. Hobby Building
333 Guadalupe, Suite 3-120
Austin, Texas 78701-3942
Phone: (512) 322-4143
Fax: (512) 322-4148
www.opic.texas.gov

May 17, 2017

Via Hand Delivery

J'ne Byckovski, FCAS, MAAA
Chief Actuary, Property and Casualty
Texas Department of Insurance
333 Guadalupe Street, MC 105-5F
Austin, TX 78701

Re: The Travelers Home and Marine Insurance Co.
Travelers Commercial Insurance Co.
Residential Property Rate Filings
TDI Link # S640482

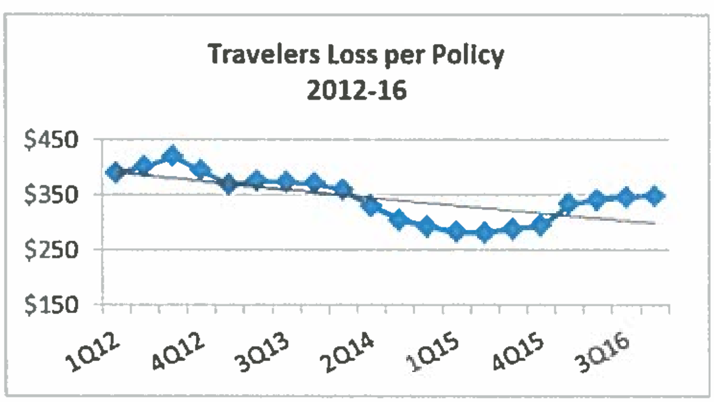
Dear Ms. Byckovski:

Pursuant to TEX. INS. CODE ANN. Section 2251.106, the Office of Public Insurance Counsel (OPIC) objects to the above captioned residential property rate filings. These filings produce rates that do not comply with the rating standards set forth in TEX. INS. CODE ANN. Sections 2251.051, 2251.052, and 560.002 because the aggregate 2.8% increase is excessive.

These filings have an effective date of June 9, 2017 for new business and July 29, 2017 for renewals. Below is a partial list of the issues we have with these filings.

1. Loss Trend Selections

Travelers is using a +3% annual loss trend for the period 2012-2018. Below is a graph of the supporting data provided in the filing:



As the graph demonstrates, even with the spring 2016 wind/hail catastrophe losses there is still a noticeable downward trend over the five-year experience period used by Travelers in this filing. Please keep in mind that Travelers' selected upward trend begins in 2012, not just going forward from the end of the data in late 2016.

2. Non-Hurricane/Earthquake Catastrophe Provision

The 10-year Weighted Catastrophe Loss Multiplier (WCLM) method used by Travelers to calculate the non-hurricane catastrophe load greatly overstates the 2011 experience because the ratio of catastrophe losses, excluding hurricane and earthquake, to normal losses in 2011 is well over three times the long-term average. Therefore, the use of a 10-year weighted-average method to calculate the catastrophe load is unreasonable when 20 years of data is available. If Travelers uses either the straight or weighted 20-year average catastrophe loss ratio, and changes nothing else, there is a negative rate indication.

3. Underwriting Profit

The 14.5% underwriting profit used in the filing is based on the assumption that a 12% after-tax return on equity is reasonable. The filing provides no basis for this assumption. Recent third-party estimates for the P&C industry have been between 7-9%. The highest company estimate we have reviewed, based on a cost of capital analysis, was 10.5%.

Summary

The above should not be construed as a complete list of OPIC's disagreements with these filings. We reserve the right to modify our positions as additional information becomes available. However, based on the data provided, a rate increase is not justified at this time.

Sincerely,

Joe Matetich
Deputy Public Counsel

cc: Merline Irving
The Travelers Home and Marine Insurance Co.
One Tower Square 5PB
Hartford, CT 06183
VIA EMAIL: MIRVING@Travelers.com

Norma Garcia, General Counsel, TDI
Leah Gillum, Enforcement, TDI
Marianne Baker, P & C Div., TDI
Ken Lovoy, OPIC