



Office of Public Insurance Counsel

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Via Email and Hand Delivery

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

**Re: TAIPA Personal & Commercial Auto Rate Filing
TDI Link #s S645773 and S645774**

Dear Ms. Byckovski:

We have received and reviewed TAIPA's October 20, 2017 corrections to their rate filing. This corrected filing is a perfect example of why TAIPA's actuary should not be the one determining the methodology for setting TAIPA's rates. The mathematical error was only identified when TDI requested a review of the numbers based on a suspicion that they were not accurate. This is yet another example of the questionable credibility of the work product presented by TAIPA's actuarial firm.

Prior Rate Filings and Agreement to Index TAIPA Rates

In the past, disputes with TAIPA over proposed rate changes frequently centered on issues of actuarial judgment. As the TAIPA volume of business became very small, judgment came to eclipse actual experience as the major factor in rate proposals. For example, in the past, a primary issue in determining the rate change involved deciding which credibility complement to apply to the limited TAIPA data.

To eliminate those arguments and optimize the ratemaking process, a general agreement was reached to simply index the TAIPA private passenger rates to the three-year change in voluntary market loss costs. A similar indexing process has been in use for commercial rates. This is not a perfect system, but it does eliminate bias and increase rate stability over the long term. If TAIPA is allowed to rescind this methodology, then we are back to the system largely based on highly subjective actuarial judgment.

OPIC Objection to Bodily Injury and Personal Injury Protection (PIP) Rates

Our earlier determination not to object to the proposed changes to private passenger auto rates was based on the belief that the filing calculations were materially correct, which we now know was an incorrect assumption. We now object to the private passenger auto rates presented by TAIPA for bodily injury and PIP as excessive. They are not supported by the three-year change in voluntary market auto loss costs adjusted to reflect the geographic distribution of TAIPA exposures.

To accept TAIPA's rate proposal now would be to accept their prerogative to adjust rates based on actuarial judgment rather than a uniform indexing process. As we previously stated and reiterate, we do not agree to that. OPIC objects to any rate change in excess of +4.2% for TAIPA private passenger auto rates. That is the overall rate indication based on the corrected three-year voluntary market loss cost change for all coverages combined.

Sincerely,



Joe Matetich
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cc: Chief Clerk, TDI (ChiefClerk@tdi.texas.gov)
Mike Jones, Thompson Coe Cousins & Irons (mjones@thompsoncoe.com)
Stacy Dutton, TAIPA (sdutton@taipa.org)