

TAIPA 2024 Rate Filing Questions

Commercial and Personal Auto

- 1.) In previous TAIPA rate filings, exposure counts for each coverage were provided but this has not been included in the filings since 2020. Please provide an exhibit which displays the exposure counts for each year from 2020 to present.
- 2.) Although no changes are being proposed to the territory rate factors, please provide an exhibit which shows the TAIPA base rates by territory for each coverage, similar to what has been provided in previous filings.
- 3.) The data in your exhibits appear to be on a total limits basis. On the other hand, TAIPA only writes minimum limits policies, so minimum limits data would seem more appropriate if it were available. One can generally expect ground-up severity trends based on minimum limits data to be lower than the corresponding total limits trends. Have you considered the extent to which this could impact the results of your analysis?
- 4.) Can you describe the breakdown between commercial and personal auto risks TAIPA insures? Is one group much larger than the other?
- 5.) Do you have a sense of what might be driving some of the trends you've identified in your filing—for instance, the severity increases for both commercial and personal auto, and the long-term frequency decreases for most coverages for personal auto?

Commercial Auto Only

- 1.) In looking at TAIPA's previous filings, prior to 2020 TAIPA insured zone-rated trucking risks but has not insured any since. Does TAIPA have any insight on why it hasn't insured any zone-rated trucking risks since before 2020?
- 2.) What kind of commercial auto risks is TAIPA currently writing?
- 3.) In both the reported loss and reported claim count development for each coverage, found on pages 2 and 3 of each coverage's exhibit, ultimate estimates are derived using the complete data as well as data which excludes the last data point. These two ultimate estimates for loss and claim counts then funnel into the coverage's trend analysis on page one of each exhibit. It appears from the data provided that the development factors from the data that excluded the last point were used in both of the ultimate calculations for loss and claim counts. Please explain if this was intentional and provide reasoning if it was.
- 4.) Your commercial auto analysis implicitly assumes no trend in frequency. As you explain, this is in part due to the unavailability of useful commercial auto frequency data. On the other hand, your personal auto analysis reflects long-term negative frequency trends. For instance, you state on page 4 of the Personal Auto Memorandum that "the smoothed claim frequency values consistently exhibit long-term negative trends for each of the five

coverages, aside from Personal Injury Protection.” [See also question 1 in the Personal Auto Only section of this document.]

Did you consider putting some weight on long-term personal auto frequency trends as a proxy for commercial auto frequency trends, given the unavailability of the commercial auto frequency data? Do you have reason to believe that the factors driving the long-term personal auto frequency declines would not also be applicable on the commercial side?

Personal Auto Only

1.) On page 3 of the Private Passenger Auto Memorandum, you state the following:

“Claim frequency experienced a significant decrease in the midst of the pandemic-related shutdowns, and lower frequency levels generally persisted for several quarters as fewer drivers occupied the roads. **Since that time, claim frequency values have broadly climbed back to their prior levels and, in some cases, have resumed their pre-pandemic trends (see page 2 of Exhibits 3-7).** [Emphasis added]”

In the exhibits you cite, though, we see that relative to the fourth quarter of 2019—which was the last quarter unaffected by the pandemic—the latest frequencies from the second quarter of 2023 are still down 5% and 19% for BI and PD, respectively.

When we look at Fast Track data, frequency levels seem to be even lower relative to their pre-pandemic levels than in your exhibits.

For example, according to Texas Fast Track data, rolling one-year paid frequencies for the second quarter of 2023 are 10%, 22%, and 14% lower than in the quarter before the pandemic, for BI, PD, and PIP, respectively.

What might the reasons be that the Fast Track frequencies appear more depressed from the pandemic than the frequencies in your exhibits? Does the fact that both these frequencies are still lower than pre-pandemic—which doesn’t quite jive with your statement quoted above—have any implications for your analysis? Was your quoted statement informed in part by a review of other sources of data that might paint a different picture?

2.) In Exhibit 5, Page 3, the PIP severities you’ve displayed look unusually high—the latest values all exceed \$20k. PIP typically has a low limit, which is usually much less than \$20k. Given this, do you have a sense for why these severities are so high? For context, in the Texas Fast Track data, PIP severities are generally around or below \$4k.

Additionally, there’s a very large discrepancy between the shape of the PIP frequency plot in Exhibit 5, Page 2, and the corresponding curve from the Fast Track data. In your Exhibit, paid PIP frequency for 2023 Q2 is 36% higher than it was in 2019 Q4; in the Texas Fast Track data, the analogous values is –14%.

What might explain these discrepancies? Can you confirm whether there is a mistake in your exhibit?

- 3.) Can you explain in more detail how you derived the smoothed frequency values? We'd like to understand the specifics of this calculation.
- 4.) Can you briefly discuss the extent to which your analysis is prospective versus retrospective in nature? The indexing approach used in past TAIPA filings has been described as retrospective or lagging. Is the same true of this filing?