Private Passenger Automobile "Tort Reform" Rate Reductions:
Fact versus Fiction

Insurers Reap Windfall Auto Insurance Profits
As Insurance Department Fails to Meet Legislative Intent

A Report by the Center for Economic Justice
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1. Executive Summary

In 1995, the Texas Legislature changed several laws affecting lawsuits in Texas – so-called "tort reform." In an effort to ensure that any reductions in insurance claim costs resulting from "tort reform" would flow to consumers as lower insurance rates instead of to insurance companies as windfall profits, the Legislature directed the Texas Department of Insurance (TDI) to specify annual "mandatory tort reform rate reductions" for various lines and sublines of liability insurance coverage.

Despite claims by TDI of huge savings to consumers, "tort reform" has resulted in huge, **windfall profits to Texas automobile insurers of $3 billion** for the years 1996 through 1998. Detailed data provided by TDI shows that bodily injury liability premiums **for rate-regulated companies were excessive by over 48% in both 1996 and 1997**.

The most shameful part of the "tort reform" insurance rate debacle is the failure of the Department to protect even the most vulnerable consumers – those consumers denied coverage by rate-regulated consumers and forced to go to the Texas Automobile Insurance Plan Association (TAIPA) – from excessive rates. Bodily injury liability rates **in TAIPA** – the market of last resort for Texas auto insurance consumers – **were 22.7% and 26.5% excessive in 1996 and 1997**, respectively.

The Center for Economic Justice calls on Commissioner Montemayor to take the following actions:

1. Tell Texas automobile insurance consumers the truth – "tort reform" has not lowered insurance rates but has given Texas automobile insurers windfall profits. Texas consumers have *not* received millions of dollars in savings as claimed by TDI and it is simply not honest for TDI to keep putting out these phony numbers.

2. Enforce Texas law and require Texas automobile insurers to dramatically reduce insurance rates. Whether accomplished through "mandatory tort reform rate reductions" or challenging insurers' flex band filings, the Commissioner has the authority and responsibility to ensure that auto insurance rates are reasonable, adequate and not excessive.

3. Stop the outrage of excessive rates in TAIPA. Consumers denied coverage in the voluntary market are entitled to a fair rate in the market of last resort.

2. Background

2.1 "Tort Reform Rate Reductions"

In 1993 and 1995, the Texas Legislature, at the urging of Governor Bush and a number of organizations lobbying on behalf of Texas businesses, passed a series of laws changing the rules for lawsuits in Texas. These changes were called "tort reform" by their proponents. The changes included limits on awards for injured parties for exemplary (punitive) damages, for example.

In 1995, when the majority of the "tort reforms" were passed, the Texas Legislature also included a provision for mandatory "tort reform rate reductions." The legislature required the Commissioner of Insurance, starting in 1995 and continuing annually for five years, to establish rate reductions for insurance coverages. The Commissioner was charged with estimating the savings from "tort reform" on insurance losses in the future and requiring insurance companies to lower rates to pass those savings to insurance consumers through lower rates.

2.2 Legislative Intent

The premise behind the mandatory "tort reform" rate reductions is that the benefits of "tort reform" – lower insured losses – should be passed on to consumers as lower premiums rather than insurers benefiting from lower loss ratios and higher profits. The Texas legislature sought to avoid the experience of the workers' compensation insurance market in the early 1990's when legislative changes led to massive reductions in workers' compensation insurance losses but increasing rates by workers' compensation insurers. It took a quasi-public workers' compensation fund writing almost 30% of the market and constant challenges by the Department of Insurance over a five-year period before workers' compensation insurers lowered rates commensurate with the reduced losses.

2.3 TDI Actions

The statute created by the Texas Legislature requiring mandatory rate reductions – Texas Insurance Code Art. 5.131 – was effective September 1, 1995 and required the Commissioner to hold a public hearing to establish "the percentage of equitable across-the-board reductions in insurance rates" by line and sublines of coverage. The law also provided that, if the Commissioner had not issued an order establishing the rate reductions by January 1, 1996, rates would be automatically reduced by certain percentages relative to rates in effect on April 1, 1995. For the private passenger automobile bodily injury liability coverage, the reduction specified in the statute was *15% of premium.*

The Commissioner has held hearings in August of each year from 1995 through 1999 and has established "tort reform rate reductions." Instead of specifying reductions

in overall rates, the Commissioner specified reductions in *loss and allocated loss adjustment expenses*[1]. Since loss and loss adjustment expenses should be a little less than 75% for bodily injury liability coverage, the reduction in *premium* for this coverage should be, on average, a little less than 75% of the reduction in loss and loss adjustment expenses. The table below shows the Commissioner's loss and ALAE reduction decisions by year, the premium impact and the dollar savings to consumers estimated by TDI. Note that even the theoretical rate impact never approached the 15% set out by the Legislature.

For Rates Effective on January 1[2]	Commissioner's Loss and ALAE Reduction	TDI's Estimated Rate Impact[3]	TDI's Estimated Dollar Savings
1996	7.5%	6.1%	$178.5 million
1997	7.5%	6.1%	$177.9 million
1998	11.4%	9.2%	$247.4 million
1999	11.4%	9.2%	$247.4 million

Notwithstanding TDI's claims of savings to consumers, the actual operating results of Texas private passenger automobile insurance companies show that Texas consumers have not seen any of the "savings" from "tort reform." Rather, any reductions in insurance losses resulting from "tort reform" have flowed directly to insurance company profits.

3. Insurers Profit from Tort Reform: Premiums Increase while Loss Ratios Decrease

If "tort reform" rate reductions are being implemented correctly, we expect to see reductions in premiums while loss ratios remain steady. Under this scenario, the lower losses associated with "tort reform" are being passed on to consumers through lower rates and premiums, while insurers maintain reasonable loss ratios and profitability. However, as Table 1 shows, for private passenger automobile liability, precisely the wrong thing has happened – premiums have increased while loss ratios have dropped. Instead of "tort reform" benefits flowing to consumers, the benefits have flowed to insurers as billions of dollars of windfall profits. Liability premiums increased from the pre-tort reform 1994 and 1995 levels in 1996 and 1997. Only in 1998, fully three years after the

[1] Loss Adjustment Expenses (LAE) are insurance company expenses associated with the settlement of a claim and can include the cost of adjusters and lawyers. LAE is broken into two categories. Allocated Loss Adjustment Expense (ALAE) are the LAE expenses that can be identified with specific claims, such as the cost of an outside attorney hired by the insurance company to handle a specific claim. Unallocated loss adjustment expense (ULAE) are the LAE expenses that cannot be identified with specific claims, such as staff and office expense associated with loss settlement generally. The Commissioner's "tort reform reductions" are applied to losses plus ALAE only.

[2] Year 1998 reduction effective on January 20, 1998.

[3] TDI Estimated Rate Impact from October 23, 1997 press release. Estimated dollar savings from October 2, 1998 press release.

implementation of alleged tort reform rate reductions, did liability premiums decline from the previous year. But 1998 premium levels remained above pre-tort reform levels.

Further, overall Texas private passenger automobile insurance premiums continue to increase dramatically, suggesting that, on average, consumers are seeing no overall reduction in private passenger automobile premiums.

4. Excess Premiums and Profits in 1996, 1997 and 1998

Table 2 shows exactly how the benefits of "tort reform" have flowed to insurers as windfall profits. The table compares actual 1996, 1997 and 1998, Texas private passenger automobile loss ratio experience to loss ratios determined by the Commissioner, in his 1997 benchmark rate order, to be reasonable. Briefly, the Commissioner determines what portion of the premium dollar should go for variable expenses (agent commissions, premium taxes, profit), fixed expenses (administrative overhead, underwriting), and ULAE. The remainder of the premium dollar goes for losses and ALAE. In his 1997 benchmark decision, the Commissioner determined that losses and ALAE should be about 74% of the premium dollar for liability coverages and about 71% of the premium dollar for physical damage (comprehensive, collision) coverages. At these *target loss ratios,* insurance companies would earn a reasonable profit. In actual fact, the loss and ALAE ratio for liability coverages in 1996, 1997 and 1998 ranged from 55% to 59% -- dramatically below the target loss ratios. The technical notes accompanying this report provide details on data sources and methodology.

The premiums and rates for liability coverages were substantially excessive in 1996, 1997 and 1998. Liability premiums were excessive by 18.5%, 22.8% and 18.6% in 1996, 1997 and 1998, respectively. Stated in dollars, liability premiums were $928 million excessive in 1996, $1.187 billion excessive in 1997 and $946 million excessive in 1998 for a total of about $3.0 billion for the three years.

The dramatic excesses of the liability coverages led to excessive premiums for all private passenger automobile coverages combined. Total premiums were 9.3%, 14.5% and 11.3% excessive in 1996, 1997 and 1998 respectively. Stated in dollars, total premiums were excessive by $729 million excessive in 1996, $1.193 billion excessive in 1997 and $960 million in 1998 for total of about $2.9 billion for the three years.

Some insurers did return some excess premium to Texas consumers as policyholder dividends for 1996 and 1997. Table 3 shows total policyholder dividends of $49.0 million in 1996, $221.9 million in 1997 and $387.2 in 1998. Even after deducting policyholder dividends from the excess premium figures, Texas private passenger automobile insurers reaped windfall profits from 1996 to 1998 of about $2.7billion for liability coverages alone and $2.2 billion for all private passenger coverages combined. Assuming ten million insured vehicles, Texas automobile insurance consumers were overcharged an average of $220 per vehicle for the period 1996 through 1998.

5. More Detailed Data Confirm the Failure of "Tort Reform Rate Reductions" to Benefit Consumers

The Annual Statement Page 14 data used in Table 2 shows calendar year results for a number of coverages grouped into the liability category – bodily injury, property damage, medical payments, uninsured/underinsured motorist bodily injury and uninsured/underinsured motorist property damage. It also groups voluntary market business for both rate-regulated and county mutual insurance companies with the involuntary market, or assigned risk, business.

Statistical data published by the Texas Department of Insurance allows us to examine the experience for bodily injury liability alone to see how the "tort reform rate reductions" assigned to that specific coverage worked.

These data come from the Annual Aggregate Experience Report (AAE) submitted by all insurance companies writing private passenger automobile insurance in Texas to TDI each year. These data are *accident year* data. Accident year data assign claims to the year in which the claim occurred. Consequently, the AAE accident year data should be a more accurate indicator of insurer experience for the policies in effect in a particular year than would the page 14 calendar year data.

The AAE data from TDI shows that the loss plus ALAE ratios for voluntary market, rate-regulated business were only 48.0% and 48.2% in 1996 and 1997, respectively. Table 3 shows that for rate-regulated voluntary market business in 1996 and 1997, bodily injury liability premiums were 41.7% and 41.5% excessive, respectively. Thus, when we use the more detailed AAE data to drill down to the results of just bodily injury liability – the coverage specifically targeted for "tort reform rate reductions" – we find even greater overcharges to consumers and windfall profits to insurers that indicated by the Annual Statement Data.

6. The Fiction of "Tort Reform Savings" for Insurance Consumers

As cited above, TDI claims that "mandatory tort reform rate reductions" have resulted in hundreds of millions of dollars in savings to Texas automobile insurance consumers. If we were to believe these claims, then Texas automobile insurers would have charged an additional $600 million in auto liability premiums from 1996 to 1998 than they actually did charge. Yet, even *with* the "rate reductions," Texas auto insurers reaped over $3 billion in liability coverage excess profit. And the actual loss ratios for coverages with a target loss and ALAE ratio of 73.5% would have been below 45% for rate-regulated companies. It is simply a fiction to tell Texas auto insurance consumers that in the absence of "tort reform rate reductions," they would have been overcharged $3.6 billion instead of just $3.0 billion.

7. The Most Shameful Result – Windfall Profits from Assigned Risk Business

The Texas Automobile Insurance Plan Association (TAIPA) is the market of last resort for Texas automobile insurance consumers. When consumers are denied coverage by automobile insurers, the consumer may turn to TAIPA to purchase the minimum amount of insurance required by Texas law. Failure to maintain insurance can result in fines and, in thousands of cases, imprisonment.

TAIPA is also known as the *involuntary* market because consumers who obtain insurance through TAIPA are assigned randomly to rate-regulated insurance companies. The rate-regulated insurance companies must take this business, but charge rates set by the Commissioner. The intent behind TAIPA is to provide consumers with an opportunity to purchase insurance required by Texas law, even though insurers have voluntarily denied these same consumers coverage in the regular, or voluntary, market.

The rates charged for insurance obtained through TAIPA are critical for making insurance available and affordable to consumers denied coverage by the voluntary insurance market. For many lower-income consumers, the cost of even the rate-regulated market insurance is a difficult burden. But, consumers in poor and minority communities are dispropriately denied coverage by the lower-cost insurers and forced to obtain insurance from high-cost, non-regulated county mutuals and TAIPA. For many consumers, the difference between a rate-regulated rate and a non-regulated county mutual rate is the difference between the ability to afford auto insurance or not.

The Commissioner raised TAIPA rates dramatically in 1995 and 1996 and again in 1998. These massive rate increases for TAIPA business forced hundreds of thousands of Texans out of TAIPA and put them at the mercy of county mutual insurers. Since the "mandatory tort reform rate reductions" do not automatically apply to TAIPA rates, the Commissioner had to take "tort reform" impacts into account when setting TAIPA rates.

Table 4 shows the most shameful part of the "tort reform" debacle for insurance consumers. Bodily injury liability rates in TAIPA – the market of last resort for consumers seeking to comply with financial responsibility laws – were 22.7% and 26.5% excessive in 1996 and 1997, respectively. Those consumers able to afford the TAIPA rates over paid by hundreds of dollars a year – an amount that could be the difference to many consumers in whether they can afford insurance or not and whether they can comply with Texas law or not.

Incredibly, the Commissioner *increased* TAIPA bodily injury liability rates by 5.3% in March of 1998 before finally lowering the rates in March of 1999. Texas auto insurers received windfall profits on TAIPA business – excess profits in the market of last resort. The most shameful part of the "tort reform" insurance rate debacle is the failure of the Department failed to protect even the most vulnerable consumers from excessive rates – those consumers denied coverage by rate-regulated consumers and forced to go to TAIPA.

8. Padded Reserves in the Early 1990s Mask Auto Insurers' Profitability

Some have argued that, when viewed over a longer period, Texas private passenger automobile insurers have not been overly profitable.[4] Rather, they argue the better profitability of 1996 and 1997 simply averages out inadequate profitability of the early 1990's. Table 5, however, shows that Texas auto insurers masked their profitability in the early 1990's by dramatically overstating the reserves included with incurred losses.

Table 5 shows pure loss ratios for Texas private passenger automobile insurance from 1990 through 1998. "Paid Loss to Written Premium" relates dollars paid out by insurers in a calendar year to premium on policies written in that calendar year. "Incurred Loss to Earned Premium" relates paid losses plus changes in loss reserves for anticipated payments to premium earned on policies written in that calendar year. Incurred losses are considered a better indicator of losses associated with policies in a particular year and are used in developing automobile insurance rates. The loss ratios are termed "pure" because they relate losses to premiums without any other adjustment and represent the percentage of the premium dollar returned to consumers in claim payments.

Several items are noteworthy in Table 5. First, the comparison of paid-to-written loss ratios with incurred-to-earned loss ratios shows that incurred-to-earned loss ratios greatly exceeded paid-to-written loss ratios in the early 1990s. Insurers set aside substantial reserves in the early 1990s – resulting in high incurred-to-earned loss ratios – for claims they allegedly expected to pay out in coming years. If these reserve estimates were accurate, we would expect that after a few years, the paid-to-written loss ratios would increase as the claims from, say 1990 and 1991, were paid in 1992, 1993 and 1994. The reversal of paid-to-written and incurred-to earned loss ratios never occurred. Rather, the liability and overall paid-to-written loss ratios remained remarkably and consistently low. Table 5 shows that insurers padded reserves in the early 1990s and thereby masked their profitability.

Further evidence of over-reserving for automobile insurance is provided by insurance industry analysts Dowling and Partners Securities. Dowling and Partners have analyzed countrywide private passenger automobile insurance reserves for several years for their small clientele of very large investors.[5] The 1998 Dowling and Partners analysis shows $8 billion of "redundant" automobile liability reserves at the end of 1997 – representing about 12% of total automobile liability reserves. The Dowling and Partners study shows that the amount of redundant reserves did not change from the $8 billion total at the end of 1996. For example, aggregate incurred loss plus allocated loss adjustment expense ratios initially established by insurers at 83.8% in 1991 have been restated to 75.9% by 1997. The Dowling analysis shows reductions of 10.9% and 9.8% for 1992 and 1993 accident year experience loss and loss adjustment expense ratios since inception.

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[4] Bickerstaff and Whatley Consulting Actuaries, *Private Passenger Automobile Insurance Profitability in Texas 1988-97*, June 1998. A report prepared for State Farm.
[5] As reported in "Auto Insurance Report" May 18, 1998 edition.

Paid-to-written loss ratios are not a good indicator of automobile insurance profitability over a shorter period – one or two years. However, the long-term, consistent pattern of overall paid-to-written loss ratios under 70% in Texas shows that Texas private passenger automobile insurers achieved reasonable or better-than-reasonable profitability from 1990 through 1995. After consideration of excess reserves, Texas auto insurers were profitable even before the windfall profits of 1996, 1997 and 1998.

Finally, it should be noted that the rate setting process starts with historical incurred losses. To the extent that historical incurred losses were exaggerated by excess reserves, rate indications during the 1990's were overstated.

9. Texas Automobile Insurance Consumers Deserve the Truth and Lower Rates

The Center for Economic Justice calls on Commissioner Montemayor to take the following actions:

1. Tell Texas automobile insurance consumers the truth – "tort reform" has not lowered insurance rates but has given Texas automobile insurers windfall profits. Texas consumers have not received x millions in benefits as claimed by TDI and it is simply not honest for TDI to keep putting out these phony numbers.

2. Enforce Texas law and require Texas automobile insurers to dramatically reduce insurance rates. Whether accomplished through "mandatory tort reform rate reductions" or challenging insurers' flex band filings, the Commissioner has the authority and responsibility to ensure that auto insurance rates are reasonable, adequate and not excessive. To date, Texas auto insurers have taken only token rate decreases. CEJ calls upon the Commissioner to challenge insurers' rate filings and make sure that auto insurance rates come down to fair levels.

3. Stop the outrage of excessive rates in TAIPA. Consumers denied coverage in the voluntary market are entitled to a fair rate in the market of last resort. Insurers should not be reward with excess profits for denying consumers voluntary market coverage.

Appendix A
Technical Description of Tables

Table 1

The source of data is Texas Department of Insurance (TDI) *Compilation of Page 14 Experience* from 1990 through 1998. Data from 1990 through 1996 were obtained from printed reports, while data for 1997 and 1998 were obtained from electronic reports posted on the TDI web site.

Table 2

The source of the loss ratio data is TDI *Compilation of Page 14 Experience.* The source of the Unallocated Loss Adjustment Expense (ULAE), variable expense and fixed expense factors is Commissioner Bomer's 1997 benchmark rate decision. The Commissioner's determination of loss ratios and other rate provisions in that benchmark decision is deemed reasonable for this analysis.

The initial loss ratio (Line 1) is the sum of incurred losses and incurred allocated loss adjustment expense divided by earned premiums. The ULAE factor is applied to the incurred plus ALAE loss ratio to produce the total Loss plus LAE ratio in line 3. The percentage reduction in line 6 is equal to the negative of (((Line 3 + Line 5) / (1 – Line 4)) –1). Line 7, Earned Premium, comes from the *Texas Page 14 Compilation* for 1996, 1997 and 1998. Line 8 is the product of Line 6 and Line 7. Line 9, Percentage Excessive, is Line 8 divided by Line 7 less Line 8 and represents the amount that premiums were excessive above the reasonable level.

The calculations do not consider policyholder dividends of $49.2 million in 1996, $221.9 million in 1997 and $387.2 million in 1998.

Table 3

The source of the Annual Aggregate Experience data is TDI. Line 1 is the sum of bodily injury liability (coverage 101, type of business 1) incurred loss and incurred allocated loss adjustment expense evaluated as of March 1998 for accident years 1996 and 1997. Line 2 is loss development – a factor to adjust historical incurred losses to reflect future accident year claim activity. The loss development factors were calculated using coverage 101, type of business 1 experience. ULAE, variable expense and fixed expense provisions were taken from the Commissioner's 1997 benchmark rate order. Line 5 is line 3 times line 4. Line 8, Percentage Excessive, is the sum of line 5 plus line 7 divided by 1 less one 6.

Table 4

The source of the Annual Aggregate Experience data is TDI. Line 1 is the sum of bodily injury liability (coverage 111, type of business 3) incurred loss and incurred allocated loss adjustment expense evaluated as of March 1998 for accident years 1996 and 1997. Line 2 is loss development – a factor to adjust historical incurred losses to reflect future accident year claim activity. The loss development factors were calculated using coverage 111, type of business 3 experience. ULAE, variable expense and fixed expense provisions were taken from the Commissioner's January 23, 1998 TAIPA rate order. Line 5 is line 3 times line 4. Line 8, Percentage Excessive, is the sum of line 5 plus line 7 divided by 1 less one 6.

Table 5

Loss ratios were calculated from data published by TDI in the *Compilation of Page 14 Experience* from 1990 through 1998.

Appendix B
Response to the Bickerstaff & Whatley / State Farm Profit Study

In June 1998, the firm of Bickerstaff and Whatley (B&W) issued a report, commissioned by State Farm Insurance, responding to the Center for Economic Justice's March 1998 report on Texas private passenger automobile insurance profitability.[6] B&W argue the following:

1. Longer time periods should be used to measure profitability;
2. Comparisons of paid-to-written and incurred-to-earned loss ratios are inappropriate;
3. Current rate level adjustments (e.g., January 1, 1998 benchmark rate changes) were not adequately considered; and
4. The CEJ report included two mathematical errors.

B&W argue that a ten-year period is necessary to evaluate auto insurance profitability and that, when viewed over a ten-year period, Texas auto insurance has not been excessively profitable. The B&W arguments fail on several grounds. First, in the real world, profitability is not measured over a ten-year period for any purpose. Investors look to recent profitability. Ratemaking is based upon the most recent two or three years of experience. Insurers' decisions to enter or exit markets are based on less than ten years experience.[7] Regulators would not review ten years of loss experience to evaluate an insurer's solvency. The Texas Legislature, in establishing mandatory tort reform rate reductions did not reference direct the Commissioner to look at ten-year historical profitability in determining the necessary rate reductions.

Second, B&W are incorrect to claim that insurers have earned "below reasonable" returns on Texas automobile insurance from 1988 to 1997. B&W fail to consider the excessive reserves included in the incurred results over that period, as described above and shown in Table 4 of this report. B&W's effort to demonstrate that paid-to-written and incurred-to-earned loss ratios cannot be compared over time is also in error, as demonstrated by their own Exhibit 3 hypothetical model. B&W's model shows lower paid-to-written loss ratios than incurred-to-earned in the early years and then lower incurred-to-earned loss ratios than paid-to-written in the later years. But the B&W model shows, as hypothesized in the CEJ reports, that over time the excesses the incurred-to-earned loss ratio should be matched by excesses of paid-to-written loss ratios in later years. The actual Texas experience shows incurred-to-earned loss ratios exceeding paid-to-written loss ratios for many years and by significant amounts. There is no actual matching period of higher paid-to-written loss ratios. It is only in the past few years that

[6] "Private Passenger Auto Insurance Profitability in Texas, 1988-1997," Prepared by Bickerstaff and Whatley, Inc. for State Farm Group, June 7, 1998.
[7] Evidence for insurers' market decisions being based upon fewer than ten years experience is shown by property insurers' drastically restricting writings in North Texas after hail storms in 1995 and by the influx of new entrants to the auto insurance market recently in response to the great profitability of auto insurance in Texas over the past few years.

paid-to-written loss ratios have exceeded the incurred-to-earned loss ratios and then by only a few percentage points.

The 1998 experience has shown that B&W were demonstrably wrong to argue that the CEJ analysis did not fully consider the modest rate reductions filed by insurers following the January 20, 1998 benchmark rate change. Contrary to the B&W arguments, Table 1 and 2 of this report show that Texas automobile insurance premiums and profitability were substantially excessive in 1998. Table 1 shows that the overall 1998 loss ratio was only 60.8% and Table 2 shows that premiums were excessive by almost $1 billion compared to premiums levels based upon reasonable loss ratios. CEJ's analysis in early 1998 – that the modest rate decreases filed by insurers were insufficient and that deeper rate reductions were necessary – was accurate. It should be further noted that the Texas Department of Insurance challenged many insurers' early 1998 rate filings, resulting in many insurers filing additional rate reductions later in 1998. The excessive premiums shown for 1998 in Table 2 reflect even those additional rate reductions. *Given the modest rate decreases filed by top insurers in early 1999, current rate levels continue to be excessive.*

Finally, B&W did identify one mathematical error – the handling of service fees – that had a minor impact on the original analysis and is corrected in this report. B&W's allegation of a second error is incorrect – both allocated and unallocated loss adjustment expenses were, and are, correctly considered in the calculation of excessive premiums.