

PLAN LETTER 746—AUGUST 1, 2012

Wisconsin Automobile Insurance Plan (WAIP)
Residual Market Opportunity

The Wisconsin Automobile Insurance Plan is a risk-sharing plan under Wisconsin law, and was created to provide automobile coverage to eligible risks who are unable to obtain coverage in the voluntary insurance market.

Due to decreasing volumes in the commercial automobile residual markets countrywide, changes are being proposed that may impact automobile insurance writers in many states, including Wisconsin. The WAIP Governing Committee is exploring alternative ways of providing commercial automobile residual market services in Wisconsin.

One method discussed was to simplify the current WAIP process. This would include changes to the filing of the current manual, forms and rate structure. A handbook would be created to provide a guideline for the plan's operation and the servicing carrier's responsibilities. This model would involve soliciting a servicing carrier for the Wisconsin commercial residual market. In turn, the selected carrier would receive an expense allowance which equals:

1. administrative expense allowance—16% of written premium;
2. unallocated loss adjustment expenses—6.1% of earned premium;
3. direct reimbursement of
 - allocated loss adjustment expenses;
 - premium taxes;
 - collection fees

Below are a few details regarding the current composition of the Wisconsin commercial automobile residual market.

- New Premium Written 9-1-11 thru 7-31-12: \$731,597
- Number of new applications 9-1-11 thru 7-31-12: 15
- Primary Types of Business: hired non-owned, elderly-handicapped

PLAN LETTER 746—AUGUST 1, 2012

Historical policy count:

YEAR ENDING	NEW ASSIGNMENTS*	TOTAL POLICIES**
8-31-11	19	74
8-31-10	30	112
8-31-09	72	154
8-31-08	99	224
8-31-07	118	286

*WAIP ledger

** AIPSO Quarterly Statements

Additionally, the following provides a historical perspective of premium and loss volume in the commercial auto residual market.

YEAR ENDING	EARNED PREMIUM	INCURRED LOSSES
8-31-11	\$496,088	\$434,813
8-31-10	\$748,822	\$208,801
8-31-09	\$1,132,856	\$1,211,818
8-31-08	\$1,616,088	\$1,704,324
8-31-07	\$2,200,613	\$1,169,521

Source: KMPG – SRDP Annual Financial Statements

If your company has interest in supporting Wisconsin's commercial automobile residual market as a servicing carrier, please contact Tad Cleveland at the WAIP offices, 262-796-4586, or by e-mail at tad.cleveland@wcrb.org.

Interested parties should respond by September 1, 2012.