

# TAIPA NEWSLINE

A QUARTERLY PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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## JUDGES TAKE TESTIMONY IN TAIPA RATE CASE

Administrative law judges heard testimony April 8-10 on proposed adjustments to TAIPA rates, with a target effective date of Oct. 1, 1997. After the judges consider the testimony, they will offer a proposal for decision for consideration by the Texas Insurance Commissioner. The commissioner, who is not bound by the proposal for decision, will schedule a hearing for oral arguments before issuing a final order on rates.

TAIPA and the Office of Public Insurance Counsel (OPIC) offered proposed rate level indications based upon actuarial analysis.

OPIC offered two proposals, one which excludes operating profit (a premise rejected by the commissioner last year), and another which includes operating profit. Revised proposed rate level indications, broken down by coverage, are:

	TAIPA	OPIC*	OPIC**
BI Liability	+33.8	-30.0	-25.9
PD Liability	+3.5	+3.6	+9.7
BI/PD Liability combined	+22.0	-20.5	-15.8
PIP	+80.8	+6.4	+12.7
UM/UIM	+46.6	-23.0	-18.5
<b>TOTAL, all coverages</b>	<b>+29.9</b>	<b>-18.4</b>	<b>-13.6</b>

\*no allowance for operating profit

\*\*contains an allowance for operating profit

Although current TAIPA rates start 92.5% above benchmark, former TDI economist Birny Birnbaum, testifying on behalf of the Center for Economic Justice (CEJ), recommended that rates for private passenger BI and PD liability coverages for TAIPA be lowered to 45% above benchmark. He said UM-BI and UM-PD rates should be reduced to 30% above corresponding benchmark rates.

Birnbaum said that if the commissioner adopts his recommendations, consumers from poor and minority communities will have access to more affordable coverage.

TAIPA also recommended that any adjustment to assigned risk commercial auto rates reflect the decision the commissioner makes for commercial benchmark auto insurance rates.

## FEES FROM TAIPA APPLICANTS NOT PERMISSIBLE

Producers may not charge any policy fee, service charge or any other fee or charge to process or submit a TAIPA application.

Although Texas Insurance Commissioner Elton Bomer recently amended the Texas Administrative Code (TAC) to clarify that local recording agents may charge certain fees to purchasers of insurance policies, no change was made to Rule 5.201 (a) of the TAC which prohibits charging a fee to a TAIPA applicant.

Only premiums and surcharges prescribed by the Texas Department of Insurance may be charged to a consumer applying for coverage through TAIPA.

## **ASSISTING THE CUSTOMER WITH TAKEOUT OFFERS**

Producers are reminded of their responsibility to assist their customers in comparing a takeout offer from the assigned insurer with competing offers from other insurers so that the consumer will have a clear understanding of which provides the most beneficial rate.

Some insurers have been sending the insured both an end-of-assignment letter and a takeout letter, which may lead to consumer confusion. The governing committee has directed TAIPA staff to notify insurers when they are going to offer a takeout that they not send an end-of-assignment letter.

The Texas Department of Insurance (TDI) continues to monitor the acceptance rate on TAIPA takeout offers. Insurers who receive a reassignment of a consumer who received but did not accept their takeout offer are instructed to notify TAIPA. TAIPA will contact the TDI Consumer Protection Division which will conduct its own investigation.

## **STAND-ALONE TAIPA MANUAL NOW AVAILABLE**

No longer is it necessary to cull through extraneous information in the Texas Automobile Rules and Rating Manual to find information related to TAIPA. All rules and rates applicable to business assigned through the Plan are compiled in the new TAIPA Informational Manual.

The manual and one year of update service are available for \$40 plus tax from TIO Services, Inc. For further information on how to order, contact TIO Services, Inc., Box 15, Austin, TX 78767-0015, 512-440-1155.

## **OUT-OF-DATE APPLICATION FORMS UNACCEPTABLE**

Any applications received by TAIPA which are submitted on application forms older than the 11-95 version will be returned to the producer

for resubmission. The producer will also be assigned deficiency points each time TAIPA receives an application on an old form.

Prior application forms do not provide the necessary consumer notification that any unearned premium already owed by the applicant to the company may be deducted from the down payment submitted with the new application. Application forms may be ordered only from TAIPA.

## **INCOMPLETE APPLICATION PROCESSING PROCEDURES**

In an effort to improve processing and service to the consumer, TAIPA has suspended rules regarding assignment of applications submitted with missing information or monies.

- \* When a producer submits an incomplete application but proper monies, TAIPA will hold the original application and monies. TAIPA will mail a copy of the application back to the producer for completion and also notify the consumer. If TAIPA does not receive a response from the producer within 20 days, TAIPA will send the original application and monies to the assigned company for issuance of the policy.

If an application (complete or incomplete) is sent with unacceptable payment, TAIPA will return both the monies and a copy of the application to the producer and also notify the consumer. If the producer has not responded to TAIPA within 20 days, the original application is assigned to an insurer without premium payment. The insurer may bill immediately for any deficiency in premium deposit or follow normal termination procedures. A second such infraction on the part of the producer will lead to summary suspension of his/her certification and notification to appear before the Producer Review Panel.

- \* If an application is sent with no monies, TAIPA retains the original application, and returns a copy to the producer and notifies

the consumer. If the producer does not return a completed application and proper monies within 20 days, the application will be assigned to an insurer without monies. The producer will receive immediate summary suspension and receive no commission. The insurer then becomes the agent of record. The insurer has the option to begin normal termination procedures.

### **TEXAS SR-22 PROCEDURES**

There has been some confusion on the part of producers and insureds regarding procedures involving SR-22 filings. When an SR-22 is requested for the applicant or spouse on the original application, the SR-22 may be issued in one of three ways:

When a \$50 fee is required with the filing (such as in the case when a license has been suspended) and a separate check made payable to the Texas Department of Public Safety (TDPS) is included with the application, TAIPA will forward the Texas SR-22 and check to TDPS. Generally, it is more expedient for TAIPA to submit the SR-22 and funds to TDPS than for the insured to mail it to TDPS.

When no fee is required with the filing, the producer should indicate "NO FEE" on item 7 of the application. TAIPA will then forward the Texas SR-22 to TDPS.

- \* If the producer fails to note whether or not a fee is required with the filing, TAIPA will mail the SR-22 to the producer.

An applicant or producer may hand-carry both the application and premium remittance to TAIPA, which can immediately provide a Texas SR-22. If the application is not accompanied by the premium, TAIPA cannot process the SR-22.

In many cases, such as when an applicant is attempting to get a driver's license reinstated,

the individual may choose to deliver the SR-22 in person to TDPS rather than to mail it.

When the individual delivers the SR-22 in person, TDPS can lift the license suspension on the spot and issue a clearance letter which the driver can show to an officer in the event of a traffic stop.

TAIPA recommends that the applicant or producer be at TAIPA no later than 4:15 p.m. to allow time for TAIPA to process the SR-22 request, for the a drive to TDPS, and for TDPS to complete its processing. Both TAIPA and TDPS close at 5:00 p.m.

### **PROCEDURES FOR OUT-OF-STATE SR-22 FILINGS**

If an SR-22 is needed for an applicant or spouse in any state other than Texas, that request should be made on the original application. TAIPA will then assign it to an insurer which writes in the state requiring the SR-22.

The assigned insurer will issue the SR-22 within two working days after receiving the application. In most cases, the insurer will file the SR-22 directly with the state.

### **PROPER APPLICATION PROCESSING PROTECTS COMMISSIONS**

Producers must include their Social Security or federal tax identification number on a TAIPA application. Insurers may withhold payment of agent commission for failure to provide the information. The information is important to insurers, who are subject to penalty by the Internal Revenue Service if they submit a 1099 without the producer's SS or tax ID number.

### **TAIPA SCHEDULES COMPANY SEMINAR**

Insurance company representatives will have an opportunity to learn more about procedural changes and topics such as the electronic

submission program, producer certification and quotas at the upcoming 1997 TAIPA Company Seminar.

Registration fee for the seminar, scheduled for Sept. 24 in Austin from 2 p.m. to 5 p.m., is \$15. For those who can also stay for dinner, total cost for seminar registration and dinner will be \$40. TAIPA will distribute registration forms on July 1.

Participants are also invited to attend the TAIPA governing committee meeting the following morning and visit with governing committee members over lunch, which will be provided at no cost.

Individuals are asked to make their own overnight accommodations. The seminar and governing committee meeting will be held at the OMNI Austin Hotel Southpark which is located at the intersection of South IH-35 and Ben White Boulevard. A limited number of rooms has been reserved at a single/double rate of \$87. For hotel reservations, please contact the OMNI Austin Hotel at 1-800-843-6664.

TAIPA encourages every member company to send members of their staff who are responsible for handling Plan business so that they may have a full understanding of the many changes which have been adopted since the last company seminar.

The Association also looks forward to the opportunity to establish a one-on-one dialogue with insurer representatives who may have suggestions as to how TAIPA can better serve its member companies, producers and consumers.

### **PRODUCER SEMINARS SLATED FOR THIS FALL**

TAIPA is moving forward with plans to schedule a teleconference for producers and their staff at several locations across the state in the Fall. Exact date, time and locations will be announced as soon as arrangements have been finalized. "Moving Forward with TAIPA"

will include presentations by Plan managers, producers and company representatives, including a round table discussion with an interactive question/answer session. Cost will be \$30 for the first person from an agency; \$15 for each additional person from the agency. The seminar will be certified for three hours of continuing education credit.

### **GOVERNING COMMITTEE DISCIPLINES ERRANT PRODUCERS**

To maintain high standards of consumer service, TAIPA established a Producer Review Panel to take action when a producer has a history of poor performance. The panel, which consists of three producers, one insurer and one consumer representative, may recommend that the governing committee take no action, condition, suspend or revoke a producer's certification.

Producers who may be called to appear before the panel include those who have exceeded their monthly "norm" for three or more months in a six-month period due to complaints or application deficiencies. The producer's "norm" is based upon 25% of his/her monthly application volume.

After reviewing the recommendations made by the producer review panel, to date the TAIPA governing committee has conditioned one producer, suspended the certification of eight producers and revoked the certification of eight producers.

### **PRODUCERS MUST RETAIN CONTROL OF SIGNATURE STAMPS**

Producers are reminded that they are responsible for applications which bear their signature stamp, regardless of whether the stamp was used by someone else or if the producer is no longer with the agency. Deficiencies for improperly submitting an application or for complaints will be assigned to the producer whose name appears on the stamp. That producer may also be called upon to appear before the Producer Review Panel.

#### **TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**

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