

TAIPA NEWSLINE

A PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

JACK CRISCI
CHAIR

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BOBBY W. WHITE
ASSOCIATION MANAGER

ANNUAL RATE HEARING UNDER WAY

Rates to be charged for policies written through TAIPA are revised each year by the Commissioner of Insurance. The Commissioner makes his decision on the basis of recommendations from the State Office of Administrative Hearings (SOAH). The Administrative Law Judges of SOAH conduct a hearing to receive evidence from interested parties. In this year's hearing recommendations were made by TAIPA, the Office of Public Insurance Counsel (OPIC), the staff of the Texas Department of Insurance (TDI), and the Center for Economic Justice (CEJ). The recommendations of the parties for changes by coverage are set forth below:

Final TAIPA Rate Recommendations

<u>Coverage</u>	<u>TAIPA</u>	<u>TDI</u>	<u>OPIC</u>	<u>CEJ</u>
BI Liability	- 8.3	-30.0	-45.3	-47.0
PD Liability	+21.2	+ 7.4	- 0.6	-12.2
Combined	+ 2.1	-16.8	-30.3	-34.7
PIP	+ 9.0	+30.4	-21.0	N/A
UM	- 5.2	-13.2	-39.9	N/A
Overall	+ 1.9	-13.3	-30.5	N/A

The hearing began on Tuesday, May 20 and was concluded the following day. The next step in the proceedings will be the filing of post hearing briefs by the parties. The rules provide that each party is allowed to file a post-hearing brief ten working days following the distribution of the transcript. Then the parties have five working days to file a response to the other parties' briefs.

After the reply briefs are filed, the Administrative Law Judges have sixty days to issue a proposed order. At that time, the parties can file exceptions to the proposed order and replies to the other parties' exceptions. This also is on a ten and five working day schedule for exceptions and replies, respectively. The proposed order, the exceptions

and responses are then forwarded to the Commissioner for his consideration.

The rates are expected to change on January 1, 1999. In order to meet this date, the Commissioner must make his decision and issue a written order no later than October 31, 1998.

Rates for commercial risks written through TAIPA use the commercial benchmark rates for the voluntary market.

NAMED NON-OWNER POLICIES CONTAIN CRITICAL EXCLUSIONS

Rule 80 of the Texas Automobile Rules and Rating Manual makes the Named Non-Owner policy available through TAIPA. This is intended as a **secondary** policy affording liability coverage for the named insured and spouse when driving a vehicle not owned by either. This policy **does not provide coverage for damage to the non-owned automobile.**

Although personal injury protection and uninsured motorist coverage may be purchased with this policy, the UM property damage portion applies only to personal property in the automobile subject to the \$250.00 deductible. UM-PD in this case does not pay for damages to the vehicle being driven by the non-owner operator.

Named Non-Owner coverage should not be used as a means of lowering the cost of insuring youthful drivers in the household.

The exception to Rule 80 states that if the non-owner operator is an excluded driver under the owner's policy or if the owner has no insurance on the auto, the non-owner operator will be charged as if he or she owns the vehicle.

It is important to remember that if a youthful driver is excluded from the parents' policy and insured instead with a named non owner policy, the parents will have no

RETURN SERVICE REQUESTED

liability protection if the named non-owner causes an accident while driving the parents' vehicle. Although the named non-owner operator has liability coverage under his own policy, the parents may still be held liable for damages resulting from an accident involving their vehicle.

When writing a Named Non-Owner policy, it is important to remember that the applicable non-owner classification is determined by the occupational use of a vehicle. For example, an applicant who is a truck driver would be rated as a class N2 (automobiles used in business and of the commercial type). A taxi driver would be rated class N1 (automobiles used for the transportation of members of the public).

ELECTRONIC SUBMISSION PROCEDURE

If you are unsure of what to do when an error is made during an ESP call, please notify TAIPA at 512-444-4441 and request assistance immediately. ESP applications must be mailed to TAIPA within one working day following the ESP telephone call.

When an ESP application is not received by TAIPA in a timely manner, it is considered "late". A system letter, showing the ESP reference number, is generated to notify the producer the application has not been received. If the application is not received within seven days of the first correspondence, it is considered "unmatched" and the producer is notified once again.

Late and unmatched applications are considered serious matters. One late ESP application will place the producer over his/her norm for that month. One unmatched ESP application will restrict the producer from using ESP altogether. Please respond to our correspondence.

It is imperative that the ESP Reference Number be provided on both the application and binder form. The insurer copy of the binder form must be submitted with the application for assignment. The producer's binder form log should be properly completed at the time the application is submitted.

SUBSTITUTION OF VEHICLES

The substitution, addition or deletion of an auto on a policy is not a reduction in coverage. A reduction in coverage is when an actual coverage is reduced or deleted. In keeping with Section 6.C. of the TAIPA Plan of Operation, a reduction or elimination of coverage request must be signed by the insured. A substitution, addition or deletion of autos request does not require the insured's signature.

YEAR 2000

TAIPA anticipates that all custom software will be certified as compliant by Dec. 31, 1998 and that all hardware and software will be certified compliant by February 1999.