

TAIPA NEWSLINE

A PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION



CHAIRMAN
JACK CRISCI

ASSOCIATION MANAGER
BOBBY WHITE

OPERATIONS MANAGER
MARGARET ALSOBROOK

PLAN SERVICES MANAGER
MARILYN KINSEY



FEATURES

IMPORTANT COURT
DECISION

RATE HEARINGS

REDUCING TELEPHONE
COSTS

BETTY DOLBY



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

2028 E BEN WHITE BLVD,
SUITE 400
P.O. BOX 149144
AUSTIN, TX 78714-9144

PHONE
512/444-4441

FAX
512/444-7639

VOICE RESPONSE
800/580-TAIP

E-MAIL
custsvc@taipa.org



The TAIPA NEWSLINE is a bi-annual publication. TAIPA is a non-profit organization. An electronic version of this publication can be obtained by submitting a request to newsline@taipa.org

IMPORTANT COURT DECISION

In the case of *Texas Specialty Underwriters v. Tanner* decided by the Fifth Court of Appeals at Dallas, the Court considered a case where an insured brought an action against the insurer to recover for fire loss which occurred after the insured failed to pay the premium to renew the policy. Presented with the question of "whether an insurance policy covering a home . . . lapses when an offer to renew the policy is not accepted on or before the expiration date of the original policy" the Court held that "where an insured receives an offer to renew approximately sixty days prior to the expiration of the existing policy, but does not accept it by timely payment of the renewal premium, or any other action that could constitute acceptance, the policy lapses on its expiration date. In these circumstances, the insurer is not required to mail the insured a notice of nonrenewal."

The insured had relied on his interpretation of Insurance Code, art. 21.49-2B, section 5, saying that even if it has offered to renew, the insurance company has an obligation to send him a written notice when it does not issue the renewal policy. The Court of Appeals disagreed and said:

" . . . article 21.49-2B, section 5 . . . requires the insurer to issue notice only if the insurer refused to renew the contract. When the insurer offers to renew the contract and the insured does not accept the offer to renew, the notice requirements of section 5 do not apply because it is the insured and not the insurer who has failed to renew.

The Court further observed: "Tanner's construction would have the effect of automatically renewing a policy at expiration, irrespective of whether an insurer has offered to renew the policy or whether the renewal premium has been paid prior to the expiration date of the current policy. This interpretation would be

a significant departure from case law applying basic contract principles of offer and acceptance to offers of renewal. See *Zuniga v. Allstate Ins. Co.*, 693 S.W.2d 735, 738 (Tex.App.—San Antonio 1985, no writ)."

Art. 21.49-2B governs auto insurance as well as homeowners' insurance. Therefore, the Court's holding would apply to an auto insurance policy.

RATE HEARINGS

A hearing date of September 8, 1999 has been set for benchmark rates. The TAIPA rate hearing will most likely begin in the first part of October. The hearing notice will be given sixty days before the hearing commences. It is estimated new rates would become effective in April of 2000.

CERTIFICATION

Producers are reminded that Section F of TAIPA's Producer Certification Rules of Operation states:

"each producer certified under this program agrees, by signing the Acceptance of Responsibility on the Application for Certification, to abide by the Performance Standards for Producers and the rules and procedures of the Texas Automobile Insurance Plan Association and to have on premises access to an updated Texas Auto Manual."

The TAIPA Informational Manual may be purchased from Texas Insurance Organization at (512)444-9611.

TAIPA offers a Producer's Guide which guides producers through portions of the Manual applicable to assigned risk business. The guide is not a substitute for the Texas Auto Manual. Feel free to call TAIPA Customer Service directly if you need a copy

RETURN SERVICE REQUESTED

of the Producer's Guide, which is available free of charge. A listing of assigned insurers is also available on request.

REDUCE YOUR TELEPHONE COSTS

Producers are reminded that TAIPA offers a Voice Response Unit (VRU) for inquiry of assignments. The VRU can be reached at 800/580-TAIP (8247). By entering the insured's Texas Driver's License number, the caller can obtain assignment information. In addition, rating information can also be accessed through the VRU. If you are inquiring for more than one applicant press 2 after information for the first inquiry is completed.

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.

The Texas Department of Insurance has advised that its rule "Fees Charged by Local Recording Agents" is not applicable to business submitted through the Texas Automobile Insurance Plan Association. In keeping with the provisions of the Texas Administrative Code (TAC) Rule 5.201 (a): No insurer or its agents may charge any policy fee, service charge, or any other fee or charge to process or submit a Texas Automobile Insurance Plan Association application. Only premiums and surcharges prescribed by the Texas Department of Insurance and included in the Texas Automobile Rules and Rating Manual may be charged to an applicant applying to the Texas Automobile Insurance Plan Association.

PRODUCER PERFORMANCE

TAIPA continues to monitor performance activity, complaints and application deficiencies from all producers certified with the program. Performance Standards for Producers are outlined in

Section 12 of TAIPA's Plan of Operation, which is provided in the Texas Auto Manual. Producers who regularly violate these performance standards are subject to review by TAIPA's Producer Review Panel. Upon review, the Panel may recommend the producer's certification with TAIPA be conditioned, suspended or revoked.

Producers are urged to respond to any complaint activity. Failure to communicate with TAIPA staff may lead to unnecessary action.

Through cooperation and communication with producers, TAIPA has not been required to report any producer to the Panel since February 1998. Keep up the good work, producers!

COMPANY PERFORMANCE

TAIPA continues to monitor all written complaints against insurers as outlined in Section 13 of the Plan of Operation. Insurers are urged to promptly respond to all complaint activity.

PREMIUM FINANCE APPLICATIONS

When financing a TAIPA application through a premium finance company, the *Premium Finance Company Disclosure Form* must be fully completed by the producer, signed by the applicant and filed with the premium finance company.

BETTY DOLBY RETIRES

Following 33 years of service, Betty Dolby, TAIPA Customer Service Supervisor is retiring. Betty provided a vast wealth of knowledge and support to TAIPA staff, producers, consumers, regulators and insurers through her experience with rules and rates. TAIPA has always strived to maintain a family working environment, and Betty will be missed by all who worked with her. TAIPA management and staff wish Betty the best of luck in her retirement.