

TAIPA NEWSLINE

A PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION



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PRIVATE PASSENGER APPLICATIONS

Effective June 1, 2001 the TAIPA-1000 has been revised, in order to assist insurers with the ZIP code filing of their quarterly reports with the Texas Department of Insurance. The amendment to the application is within "Item 2, Applicant." Item 2 now requests that if the residence address is different to the mailing address, the residence address be shown. An additional amendment has been included in "Item 5, Non Owner Policy" to indicate a spouse in lieu of a family member. The amended application will not become mandatory until January 1, 2002, in order to allow producers the opportunity to use their existing stock of applications. The application will be available for downloading from our web site on June 1, 2001.

TAIPA RATES

Rates for insurance written through Texas Automobile Insurance Plan Association (TAIPA) are reviewed each year by the Commissioner of Insurance, under Article 21.81 of the Insurance Code. The process involves TAIPA, the Texas Department of Insurance (TDI) and the Office of Public Insurance Council (OPIC). Each of these organizations has a consulting actuary who reviews the premium and loss data from prior years and makes a recommendation as to whether the rates need adjustment and if so, by how much. All of these recommendations are submitted to a panel of Administrative Law Judges who listen to the evidence, review the testimony and calculations of the actuaries and then make a recommendation to the Commissioner called a "Proposal for Decision."

When all the evidence has been heard and the Proposal for Decision has been distributed to the parties, the Commissioner then holds a public hearing to receive comments from the parties on the proposal. The Commissioner makes the final decision

on the amount of rate adjustment, if any.

In prior TAIPA hearings, no testimony has been taken with regard to commercial rates, since these rates are at benchmark. However, this year the Commissioner has requested evidence concerning TAIPA rates for both Private Passenger and Commercial vehicles.

At this year's hearing conducted by the Administrative Law Judges on April 10 and 11, the following recommendations were offered by the parties:

Private Passenger

| | TDI | OPIC | TAIPA |
|---------|-------|-------|-------|
| BI | + 7.0 | -21.9 | + 4.1 |
| PD | +10.2 | +18.8 | +20.6 |
| PIP | - 0.5 | -21.9 | +14.7 |
| UM | 0.0 | + 6.2 | -16.2 |
| Overall | + 8.3 | - 0.5 | +12.3 |

Commercial

| | TDI | OPIC | TAIPA |
|---------|-----|-------|-------|
| Overall | | -13.9 | +15.0 |

It is expected that the rate of adjustment, if any, will become effective on February 1, 2002. There will be at least 60 days notice prior to the adjustment so that producers and insurers can be prepared for the change.

LEGISLATIVE ACTION

The 77th Legislative Session passed House Bill 2102. The bill has been sent to the Governor.

This bill changes the rate setting procedures for insurance written through TAIPA, effective September 1, 2001. Instead of the State Office of Administrative Hearings (SOAH) evidentiary proceeding, TAIPA would be allowed to make a filing of proposed rates with the Commissioner. The

RETURN SERVICE REQUESTED

Commissioner would then set the matter for public hearing. OPIC, TDI and any other interested party could file information for consideration by the Commissioner. At the conclusion of the hearing, the Commissioner could approve, disapprove or modify the filing. The procedures described in the bill should reduce the process time for setting new rates.

SAFETY RESPONSIBILITY FILINGS

Texas SR-22's requested on the original application will be issued by TAIPA on behalf of the insurer, if no SR-22A is required. If a TDPS fee is attached, or if requested, TAIPA will file directly with TDPS. Other SR-22's will be mailed to the producer.

SR-22A's and the accompanying SR-22 are issued by the insurer on receipt of the full annual premium.

SR-87's are obtained from your local TDPS office. File the SR-87 with the necessary fees directly with TDPS. Mailing SR-87's to TAIPA delays the filing process by approximately 3 weeks.

CANCELLATIONS

If a policy is to be cancelled by an insurer, the policy requires at least 10 days notice be provided to the insured. The TAIPA Plan of Operation requires that the producer receive a copy of this notice. Insurers may use one of two methods to cancel policies for non payment of premium. One method is for the insurer to advise that the policy will be cancelled 10 days from the date shown on the notice and pro rata premiums will be returned to the insured within 30 days. The second method is for the company to issue a cancellation notice for a future date. The future date is the date that all paid premiums have been earned on a pro rata basis. Producers and insureds should carefully review any cancellation notices for the method of cancellation. The TAIPA Plan of Operation allows for either method to be applied by insurers.

MEXICO COVERAGE LIMITED

Applications assigned through TAIPA meet the requirements of the Texas Motor Vehicle Safety Responsibility Act. This Act does not require that an insurer provide Mexico coverage. If a request is made for Mexico coverage, it is the assigned insurer's option as to whether or not they will issue this endorsement. Once the application has been assigned the producer should check with the insurer to determine if the coverage is available. At the time of completion of the application the insured should be advised that this coverage is not guaranteed.

EXCLUSION ENDORSEMENTS

These type of endorsements are optional with the assigned insurer, since there is no manual rule which governs their use. Some insurers will accept the signed exclusion; however, others may require further information prior to acceptance. If an insurer requests additional information to support the use of the exclusion endorsement, please respond to the insurer in a timely manner.

PRODUCER CERTIFICATION RULES OF OPERATION

Producers are encouraged to utilize TAIPA's Producer's Guide, which may be accessed via TAIPA's website at <http://www.taipa.org>. It is intended to serve as a "guide" to the portions of the Texas Automobile Rules and Rating Manual which apply to assigned risk business. If you need to purchase a Texas Automobile Rules and Rating Manual, or if you need current updates to the Manual, please contact Insurance Council of Texas at 512/444-9611. In addition, producers are encouraged to review TAIPA's Producer Certification Rules of Operation, also accessible via our website. Please don't hesitate to contact TAIPA's Plan Services Department if you have any questions or comments.