

TAIP NEWSLINE

A QUARTERLY PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN
First Quarter 1994

PROGRESS REPORT ON TAIPA PLAN OF OPERATION

Significant progress has been made toward development of a Plan of Operation for the Texas Automobile Insurance Plan Association (TAIPA), a technically demanding and laborious process by any standard.

The drafting committee has already spent 10 full days of intensive work formulating much of the document. Completed sections were submitted to the full TAIPA governing committee for further discussions and revisions during four days of meetings in February and March. Two additional days have been scheduled in April.

Both the drafting committee and TAIPA governing committee bring to the table insurer, producer and consumer perspectives. There has been substantial give and take by all parties, who are to be commended for the good faith they have exhibited in their deliberations.

Legislatively mandated by HB 1461 (the Sunset bill), the TAIPA governing committee is composed of 15 members: eight insurance company representatives and seven public members, two of whom are producers.

Administration of the agency will continue to be the responsibility of the Texas Automobile Insurance Plan (TAIP) governing committee until the TAIPA Plan of Operation receives the approval of the TAIPA governing committee and then the insurance commissioner.

VEHICLE USE, MILEAGE DATA REPORTED ON SUPPLEMENTAL APP

To comply with statutes requiring the collection of additional statistical elements, the TAIP governing committee adopted an addendum to the TAIP 1000 and TAIP 1000-A applications.

Effective April 1, 1994, the supplemental application for private passenger automobile liability insurance

must be submitted with the TAIP 1000 and TAIP 1000-A.

The supplemental application collects data related to vehicle use (pleasure, work/school, farm or business), as well as mileage to work or school and the number of days driven to work or school. The references to school, business and number of days driven are not contained on the original application.

Because there is a possibility that other changes may be made to the application in the near future, it was felt that it would be less of an economic hardship for agents to use a supplemental application now to append to their old supplies rather than require them to purchase new supplies of amended applications twice.

TAIP has distributed the supplemental applications to producers, which they may reproduce. Upon request, TAIP will mail agents an additional copy.

Bulk supplies of the supplemental applications are available from:

TAISO Services, Inc. (TSI)
1016 La Posada Dr., Suite 130
Austin, TX 78752
phone: (512) 458-6347
fax: (512) 459-9615

NEW DATA PROCESSING SYSTEM UP AND RUNNING

A new state-of-the art computer system is now on line at the Plan, speeding up the processing of applications and providing a higher level of service to applicants, agents and insurers alike.

The new hardware, purchased locally, replaces the Plan's outdated seven-year-old system.

Producers will notice that the changeover has increased the speed of the voice response system considerably, a timesaving benefit.

AVOIDING COMMON MISTAKES PREVENTS RETURN OF APPS

Plan staff has analyzed the type and frequency of errors in the application process which typically results in 4% of applications being returned to the producer, burdening all concerned with additional paperwork.

Although return of the application will not delay the effective date of the policy if the problem is rectified within 20 days, it can be particularly troublesome for applicants because it delays their receipt of a binder card.

Top among the reasons applications are sent back to the agent are:

- illegible application or the copy is missing
- insufficient payment
- missing the year or make of the vehicle
- failure to initial the box when p.i.p. or UM coverage is rejected (initials are not required when the applicant accepts the coverage)
- unacceptable original — agent must use the application as revised March 1993; application must be in 8½ x 14 format (it is not acceptable to reduce the application to a smaller size because the information is then too small for data entry staff to read)
- missing the VIN or license number of the vehicle
- invalid form of payment

RECORD PLAN VOLUME IN 1993, SHORT-TERM TREND SHOWS DECLINE

The Plan assigned a record 986,205 applications and renewals in 1993, up from 852,320 in 1992, 451,556 in 1991 and 231,415 in 1990.

Plan volume soared after Sept. 1, 1991, the effective date of legislation requiring that motorists show proof of insurance to obtain or renew a driver's license, and at the time of vehicle registration and inspection.

On a more positive note, monthly volume since September 1993 has been less than that for the same month in the preceding year.

AUTO RESIDUAL MARKET RATE HEARING PUT ON HOLD

In January, the TAIP governing committee requested Insurance Commissioner Robert Hunter to set a date for a hearing on TAIP and TAIPA auto insurance rates.

The last TAIP rate hearing began on Feb. 12 of last year. On March 23, 1993, action of the State Board of

Insurance raised TAIP rates by 9.9%, effective June 1, 1993. The flex band for voluntary market is +30% to -30% from the benchmark rate. TAIP rates currently begin 28% above the benchmark, but lie within the upper limit of the flex band.

In a letter to the TAIP counsel, Hunter stated that he has determined that it would be inappropriate to initiate a TAIP rate case. He stated further that he will wait to set a TAIPA rate case until after he has received and approved the TAIPA Plan of Operation.

ACTUARIAL SEARCH COMMITTEE SELECTED

On March 3, the TAIPA governing committee voted to establish a three-member search committee composed of an insurance company, producer and consumer representative.

The committee is charged with the task of evaluating and recommending at least two actuaries with experience testifying in rate cases. The full TAIPA governing committee will make the final selection of the actuary to be retained to develop a rate recommendation.

Committee members are Alice Gannon of USAA, chair; Pete Hamel of Hamel Insurance Agency; and Sandra Haverlah of the Texas Consumer Association.

LONG-TIME TAIP COMMITTEE MEMBER, PAST PRESIDENT McNEEL RETIRES

Insurance industry leader Synott L. McNeel announced his retirement last month, concluding a 50-year career with American Indemnity Co. of Galveston and its predecessor, Texas General Indemnity Co.

McNeel also stepped down from the TAIP governing committee, on which he has served continuously since 1976, and chaired from 1979-1980. Throughout his years of service, McNeel has provided invaluable insight into industry, legislative and regulatory affairs. He will be missed.

ANSWERS TO AGENTS' TECHNICAL QUESTIONS

Q If my insured returns the policy, is there a short rate cancellation?

A No, there is no more short rate cancellation, as of March 18, 1992.

(While TAIP is cautious and accurate with technical answers, there is the possibility that insurance carriers or courts will interpret the policy differently.)