

TAIP NEWSLINE

A QUARTERLY PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN
Second Quarter 1993

INSURANCE BOARD GRANTS MINIMAL TAIP RATE INCREASE

On March 23, the State Board of Insurance reconvened the TAIP rate hearing. TAIP, which earlier sought a 52% rate increase, reduced that request to +49%. The Office of Public Insurance Counsel called for no change in TAIP rates.

At the time of the hearing, TAIP rates began 27% above the voluntary market benchmark, just outside the +25%/-30% flex band. The Board voted to increase that differential to +28% as of June 1, 1993. However, because the Board also expanded the flex band to +30%/-30%, new TAIP rates now begin within the flex band, making TAIP even more competitive with the voluntary market.

Because the Board also increased voluntary auto liability rates, TAIP rates effectively rose 9.9%. TAIP rate changes by coverage are:

- * bodily injury liability, +19.6%
- * property damage liability, -3.6%
- * personal injury protection, +14.9%
- * uninsured/underinsured motorist, -3.3%

Actuarial analysis indicates that given the 9.9% rate increase and assuming 25% growth in the TAIP population, 1993 losses are expected to reach \$138.9 million, or \$214.05 on each vehicle insured through TAIP.

LAWMAKERS PASS SUNSET BILL CONTINUING TDI, OPIC

In a highly charged political climate, the Texas Legislature last month passed a sunset bill reauthorizing the Texas Department of Insurance and Office of Public Insurance Counsel (OPIC). Had the legislation not passed or had it been vetoed by the governor, the two agencies by statute would have been slated

to begin a one-year phase-out, beginning Sept. 1, 1993. Changes to the TAIP, as mandated by the bill, are described later in this newsletter.

The bill calls for the abolition of the three-member State Board of Insurance (SBI) by Sept. 1, 1994, and increases the power of the Insurance Commissioner who will be appointed by the governor, subject to Senate confirmation, for a two-year term. On Sept. 1, 1993, the power of the SBI will basically be limited to promulgation and approval of rates, policy forms and endorsements. Day-to-day responsibility for agency affairs will become the responsibility of the commissioner.

No later than March 1, 1994, the governor will appoint the new commissioner who will additionally assume rate and form responsibilities before the SBI ceases to exist on Sept. 1, 1994.

Auto and personal property hearings will thereafter be held before an administrative law judge from the State Office of Administrative Hearings. The judge will prepare for the commissioner's consideration a proposal for decision which includes findings of fact and conclusions of law.

OPIC will be limited to appearing or intervening in proceedings before the commissioner or the department. Its authority to intervene in individual company filings will be restricted to appearances on behalf of small commercial insurance consumers, as a class, when it is determined that they are in need of representation.

LEGISLATORS DICTATE CHANGES IN TAIP STRUCTURE

Lawmakers included in the sunset bill several provisions directly affecting TAIP. Specifically, the bill calls for TAIP to become the Texas Automobile Insurance Plan Association, a nonprofit corporate

body administered by a 15-member governing committee. Eight members will be full-time insurance company employees, elected in a manner to be determined by the insurance company members. Seven public members will include five who are nominated by the Office of Public Insurance Counsel and selected by the commissioner, plus two agents, to be selected in a manner which will be defined in the new Plan of Operation. Although the bill is effective Sept. 1, 1993, the current governing committee will continue to serve until a new Plan of Operation is adopted.

At least annually, the commissioner is charged with setting actuarially sound TAIP rates sufficient to pay claims and meet expenses. The analysis is to be based upon premiums, losses and expenses of assigned risk business only.

To be eligible for assignment through TAIP, both the applicant and the agent must certify that the applicant was rejected by at least two licensed companies. (Although not rate-regulated, county mutuals are licensed insurers.)

An applicant will be deemed ineligible if he obtains excess private passenger auto liability insurance above minimum limits. Agents who knowingly violate this requirement jeopardize their licenses and could receive a \$25,000 fine.

In an effort to depopulate TAIP, an incentive program will be developed to encourage insurers to voluntarily provide coverage in underserved geographic areas.

The current limited assignment distribution (LAD) program will be replaced with a voluntary, competitive plan allowing buy-out companies to negotiate directly with a servicing carrier. However, the governing committee may specify servicing company eligibility and performance standards.

PLAN VOLUME CONTINUES TO REACH NEW HEIGHTS IN 1993

Plan volume, which has doubled in each of the last two years, continues its upward climb. Texas now has the dubious distinction of surpassing New York to lead the nation in monthly auto residual market assignments. New and renewal assignments through

May 1993 total 431,448, up 28% from the same period in 1992.

Limited by a computer system which will not accommodate any more work stations, Plan management added a second shift of employees from 4:30 to 8:30 p.m. to maximize use of available equipment and reduce processing time to an acceptable level.

SUBCOMMITTEE REVIEWS DATA PROCESSING OPTIONS

The Data Processing Subcommittee is evaluating the Plan's current computer capability and future data processing needs. Because the present mainframe computer does not have the capacity for anticipated future growth, the subcommittee will look at replacing the current hardware, rewriting the software system, or contracting with a third party to process the applications inputted by Plan staff. Target implementation date for any change is April 1994.

TRAINING SEMINARS RECEIVE PLAUDITS, ENCORE PENDING

TAIP producer training seminars have now been held in nine cities across the state. Gratified by the high turnout and positive feedback, Plan staff is currently reviewing evaluation forms and agents' needs to further refine the presentations before scheduling a new round of classes. Class size will continue to be limited to facilitate optimum one-on-one interaction between TAIP managers and seminar participants.

INQUIRING MINDS WANT TO KNOW

Q. Is there any problem if I issue my insured a temporary binder? I know when I sent the application in.

A. Sorry. The producer does not have binding authority. Mail can be lost or delayed; dates on certified mail have become smeared or otherwise rendered unreadable, thereby changing the effective date of coverage. We cannot guarantee a date until the application is keyed into the system and assigned to a company.

Q. May a parent file a SR-22 for a child or unrelated individual in the same household?

A. If you are married, you may file an SR-22 for your spouse, but no one else may file for another individual under any circumstances.