

TAIP NEWSLINE

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

HOLIDAY GREETINGS

Plan management and staff would like to take this opportunity to extend best wishes for a joyous holiday season and a prosperous new year.

STATE BOARD OF INSURANCE HANDS THE REINS TO HUNTER

On Dec. 16, the three-member State Board of Insurance relinquished its remaining authority over rates and forms to recently-appointed Commissioner Robert Hunter. Board Chair Claire Koriath announced that she will leave the department by the end of December, while Board Member Allene Evans may continue until the end of January 1994. Board Member Deece Eckstein expressed his desire to remain for an unspecified time in some capacity at the department.

COMMITTEE TACKLES WRITING OF TAIPA PLAN OF OPERATION

A committee of insurance company, agent and public representatives is scheduled to meet at least eight times in December and January to write the TAIPA Plan of Operation. The committee, chaired by Eugene Flynn of ITT Hartford, includes Terry Mack of State Farm, Dianna Bush of Allstate, Pete Hamel of Hamel Insurance Agency, and Enrique Valdivia of Texas Rural Legal Aid. Plan attorney Dick Geiger, TAIP Operations Manager Margaret Alsobrook, and Gary Young of the Office of Public Insurance Counsel will be assisting the committee in a technical capacity. After the committee has completed a draft, it must be approved by the TAIPA governing committee before it is submitted to the Texas Insurance Commissioner for his approval.

TAIP TO ENFORCE PLAN RULES FOR SUBMISSION OF PREMIUM

Effective Oct. 1, 1993, TAIP began accepting payments only by methods which are specified in the Plan of Operation: certified check, cashier's check, money order, servicing agent's check, premium finance com-

pany check or applicant's check payable to the TAIP. The governing committee directed Plan management to enforce this rule to better serve the consumer and the insurer. The issue has been particularly troublesome for consumers and insurance companies in cases where premium finance companies refuse to honor sight drafts because they have not received premium financing papers from the agents.

LIMITED USE CLASSIC CARS TO RECEIVE DISCOUNT

At a Nov. 3 hearing, the State Board of Insurance adopted its staff's proposal to give discounts for certain limited use autos. Insurance industry representatives voiced their support for the proposal.

Beginning Jan. 1, 1994, owners of classic, specialty interest or collectible cars with limited use will be able to enjoy the same 75% discount on liability premiums which is currently given to antique cars 25 years or older.

Although the collectible cars (such as Ford Mustangs or Chevrolet Corvettes) do not need to be 25 years old, owners must still comply with the limited use restriction in the rule which states that the vehicle is maintained primarily for use in exhibitions, club activities, parades and other functions of public interest, with only occasional use for other purposes.

AGENTS MAY RECOUP COST OF MVR REPORTS, PHOTOGRAPHS

As of Sept. 1, 1993, a provision in HB 1461, the sunset bill, allows agents to recover from the applicant the actual cost of motor vehicle reports and reasonable costs associated with obtaining photographs of the property to be insured. (Photos are not required for TAIP applications.) However, agents must first receive the applicant's written consent before incurring those expenses. The Texas Association of Insurance Agents has developed a disclosure form which can be obtained by writing to TAIA at Box 1663, Austin, TX 78767 (512-476-6281; 1-800-880-7428).

PLAN VOLUME DECLINES FOLLOWING RECORD HIGH LEVELS THIS SPRING

The number of new applications assigned monthly, which reached an all-time high of 78,319 in March, has been gradually declining to 50,870 in October. However, even with this marked decrease, the current monthly volume of new applications assigned is still approximately twice what it was before Sept. 1, 1991, when tougher state laws forced drivers to show proof of insurance to obtain a drivers license, registration or vehicle inspection sticker.

PLAN APPROVES VENDORS FOR COMPUTER GENERATED APPS

The Plan has approved the following vendors for computer generated applications:

Empire Systems Group
3608 East 29th St., #200
Bryan, TX 77802
409-260-9702

Insurance Technology Corp.
1335 Valwood Parkway, #108
Carrollton, TX 75006
800-383-3482

ANSWERS TO AGENTS' TECHNICAL QUESTIONS

Q My insured has a non-owner's policy through the Plan. He has since purchased a vehicle. Can he now change to an owner's policy?

A Yes, the insured can do so by contacting the company and adding the vehicle, provided that the company insures that type of vehicle. However, the company has the option of charging the full premium up front for any endorsement, so some consumers may prefer to apply for a new policy.

Q When should I rate a vehicle Class 3 or 3A?

A In most instances, an individually-owned private passenger vehicle used in business is rated Class 3; if the vehicle is a utility type, it is rated 3A. In either event, if the operator is underage, the vehicle will take a Class 2 rating. Class 3 ratings are still personal auto policies. An exception to this rule would be a utility vehicle used for delivery. If delivery is the primary use, the vehicle will have a commercial rating.

Q How can I make corrections or changes on an application just submitted to the Plan?

A Unless the correction is crucial, we recommend that you wait and contact the company after assignment.

TAIP wants to know if we have made an error and are happy to correct it. However, each time an application is intercepted, a delay in processing can result.

If an error is generated by the producer or if the application is difficult for our terminal operators to read, we will refer you to the company for a correction.

To add or substitute a vehicle or driver, please wait for the application to be assigned and then contact the company.

Q I just sent in an application for my client, who thereafter decided to buy insurance elsewhere. Is there any way I can stop the processing of the application?

A No. Because TAIP receives as many as 3,000 applications each day, the chances of locating a particular application before it is processed are slim, and the effort invested in the search would make it a costly procedure.

We advise that you contact the company as soon as the application is assigned to cancel the policy. Although some companies will cancel flat with proof of other coverage, this is not required under policy conditions.

If the company has provided any coverage, it is entitled to retain the earned premium with a minimum of \$25 per motor vehicle.

If you mail a dated cancellation request to the Plan office before assignment, we will forward it to the company upon assignment, but we still cannot guarantee a flat cancellation.

Q One of my customers has a 19-year-old son. They want to exclude him from their policy and cover him with a non-owners policy. How do I rate the son?

A It sounds good in theory, and this practice has been used in the past to avoid paying high Class 2 rates - but no more. The State Board of Insurance added an exception to the non-owner Rule 80. It states that if there is an uninsured vehicle in the household or if the non-owner is excluded from the owner's policy on a vehicle he is likely to drive, the applicant will be rated as if he owned the vehicle.

Since companies have the option of charging both policies with the Class 2 rate, it may be to the parents' advantage to simply add their son as an occasional driver to their policy.

(While TAIP strives for accuracy in answering your technical questions, there is the possibility that insurance carriers or courts will interpret the policy differently.)

TEXAS AUTOMOBILE INSURANCE PLAN

2028 E. Ben White Blvd., Suite 400 • P.O. Box 149144 • Austin, Texas 78714-9144
Phone: 512/444-4441 • Voice Response: 800/580-TAIP