

MARGARET ALSOBROOK
OPERATIONS MANAGER2028 E. BEN WHITE BLVD. • SUITE 400 • AUSTIN, TX 78741-7197
P.O. BOX 149144 • AUSTIN, TX 78714-9144
TELEPHONE 512/444-5999
FAX 512/444-4562

December 31, 1996

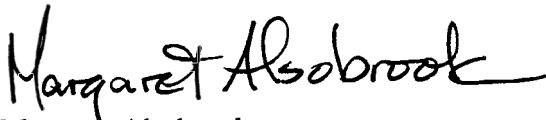
TAIPA Bulletin No. 48**To All Member Companies:****Plan of Operation Amendments**

At its meeting of November 13, 1996, the Texas Automobile Insurance Plan Association (TAIPA) Governing Committee adopted amendments to Sections 16 and 12.A of the TAIPA Plan of Operation. Copies of the amendments are attached.

In accordance with the Plan of Operation these amendments were submitted to the Commissioner for his approval. That approval has now been given under Board Order No. 96-1495 dated December 20, 1996.

If you have any questions, please contact the undersigned.

Very truly yours,



Margaret Alsobrook
Operations Manager

MDA:dr

Amendment to
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
PLAN OF OPERATION
(adopted at November 13, 1996 meeting)

Amend Section 16 by deleting the current provisions and substituting the following:

Section 16. DETERMINATION AND FULFILLMENT OF QUOTAS

A. Private Passenger. The Association shall assign eligible applicants classified as private passenger in a random manner so that each member will receive its assignment quota. For purposes of calculating the assignment quota, the Texas Private Passenger Automobile Statistical Plan Quarterly Market Report provided by the Texas Department of Insurance is the source of information for the "eligible vehicles on policies in force" and "territorial credits." Records provided to the Association are used to determine take-out credits and credits sold between members.

"Private passenger" also includes "named non-owner" and miscellaneous personal vehicles written on a Texas Personal Auto Policy form such as:

- (1) Motor homes, (self-propelled)
- (2) Campers and travel trailers
- (3) Dune buggies
- (4) All-terrain vehicles
- (5) Antique autos
- (6) Golf carts
- (7) Motorcycles, mopeds, motorscooters, motorbikes, go carts and other similar motor vehicles

The assignment quota for each member shall be calculated quarterly as follows:

1. Determine the total of the member's average eligible vehicles on policies in force for the most recent four calendar quarters. "Eligible vehicles" means vehicles for which voluntary market bodily injury coverage was written at rates at or below the Bodily Injury coverage rates for the Association in effect at the time the insurance policy issued by a member becomes effective. "Average eligible vehicles on policies in force" means the average of the eligible vehicles on policies in force at the end of a quarter and the eligible vehicles on policies in force at the end of the previous quarter. The total of the average eligible vehicles on policies in force is the sum of the average eligible vehicles on policies in force for each of the previous four quarters.

2. Determine the total of the member's territorial credits for the most recent four calendar quarters. For each quarter, multiply the member's average eligible vehicles in each underserved ZIP code category by the applicable credits for that ZIP code category as set out below. The sum of the credits of all categories is the total credits for that quarter. The sum of the credits for each of the most recent four calendar quarters is the "territorial credits."

By rule, the Commissioner will maintain a listing of all Texas ZIP codes indicating a category based on the degree to which a ZIP code area is "underserved". Each member will receive credits for all eligible vehicles according to the following schedule:

<u>Commissioner's ZIP Code Designation</u>	<u>Number of Credits</u>
Category 0	0
Category 1	1
Category 2	2
Category 3	3
Category 4	4

3. Determine the member's total credits for voluntary take-out activity for the most recent four quarters.
4. Determine the net total of credits bought or sold by the member for the previous four calendar quarters.
5. Calculate the credit-adjusted vehicle count for the most recent four calendar quarters. The member's credit-adjusted vehicle count is the average eligible vehicles on policies in force minus territorial credits, take-out credits, and credits purchased from other members, plus credits sold to other members.
6. Repeat steps 1-5 for the aggregate of all members to obtain state-wide totals.
7. Calculate the credit-adjusted quota. The credit-adjusted quota is the ratio of the member's credit-adjusted vehicle count to the credit-adjusted vehicle count for all members.
8. Calculate the adjusted new business quota. Determine the member's new business quota by modifying the credit-adjusted quota to recognize the renewal premium a member is expected to write. Adjust this quota to reflect prior over or under assignments to determine the adjusted new business quota, which is the quota of state-wide new premium that is to be assigned to a member.

A member's credit-adjusted vehicle count may not go below zero for the purpose of calculating credit-adjusted quotas. A member may earn credits in excess of total eligible vehicles and may sell credits to any other member. The Association may not place restrictions on the sale of credits other than to require that the sale of such credits be within a period of time sufficient to allow the timely calculation of quarterly quotas. A member may sell any or all credits. The terms of the sale of credits sold are to be reported by members to the Texas Department of Insurance.

The Association will provide a quarterly report of private passenger quota calculation to members. The report to a member will list the total average eligible vehicles on policies in force and total credits by type of available credit for the member and the total for all members. The report will also list each member's credit-adjusted quota, new business quota, adjustments for over/under assignments and adjusted new business quota. The Association will also make available to all

members and producers upon request a list of all valid Texas ZIP Codes separated by Category as determined by the Commissioner of Insurance.

B. Other Than Private Passenger. The Association shall assign eligible applicants other than private passenger ("OTPP") in a random manner so that each member will receive the same portion of the OTPP premiums of the Association that its net direct "voluntary OTPP premiums" bear to the total of such "voluntary OTPP premiums" of all authorized insurers in the state.

No applicant in any of the following classifications is to be assigned to a member which did not, during the calendar year ending December 31 of the prior year, and currently does not, write as voluntary business in this state any automobile liability insurance in such classification:

1. public automobiles other than school or church buses;
2. motor vehicles of truckers operating beyond a radius of 200 miles from the limits of the city or town of principal garaging.

Assignment of buses, interstate and long haul truckers and public automobiles will be made with due regard to the state insurance licenses held by the member.

"Net direct written premium means gross direct premiums, less return premiums and premiums on policies not taken, without including reinsurance assumed and without deducting reinsurance ceded, but include premiums for OTPP excess of loss policies except in the case of a member which writes no basic limits automobile liability insurance. Policyholder dividends are not deemed to be return premiums.

"Voluntary OTPP premiums" means the net direct written premiums for commercial automobile bodily injury and property damage liability, personal injury protection and uninsured/underinsured motorists coverages shown on the Exhibit of Premiums and Losses of the members' Annual Statement minus the OTPP direct written premiums for those coverages written by the member through the Association during the calendar year ending December 31 of the second prior year.

C. The Association will adjust the current estimated assignment quota of each member quarterly to reflect the amount of Association premium which was less than or in excess of its proportionate share of the total Association premium for such quarter.

D. Except as provided in sub-sections B and K, distribution will be made on the basis that any applicant may be assigned to any member. The assignment of applicants with more than five motor vehicles is subject to the following restrictions:

due consideration will be given to the ability of the respective member to provide service to the applicant;

2. no applicant will be assigned to more than one member unless it is inequitable to assign it to one member by reason of the unusual hazard or unusual accident record of the applicant;

3. if the unusual hazard or unusual accident record of an applicant requires assignment to more than one member, no member is obligated to accept an assignment of more than five motor vehicles of that applicant.

E. There are no exceptions to the type or class of insurance assigned to a member other than as provided in this section. The Association may not agree with a member to refrain from making assignments in any territory or area of the state.

F. Any eligible reapplicant to the Association is to be reassigned to the prior member in accordance with usual Association procedures.

G. Assignments to a member may not be suspended for any period of time for any reason without approval by the Manager and notice to the Governing Committee.

H. If a member discontinues writing automobile liability insurance in this state but retains its license to write such business, it must continue to pay assessments and receive assignments until its quota established by its writings prior to discontinuance of business has been filled. If the automobile liability business of a member discontinuing the writing of automobile liability insurance in this state is purchased by, transferred to, or assumed by another member, the latter is to receive the assignments and assessments of the former until the quota of the former as established by its writings prior to such transfer has been filled, unless another member has agreed, in a manner satisfactory to the Governing Committee, to assume such obligation.

I. If a member merges with another member or there is a consolidation of members, the continuing member is to receive the assignments and assessments of the member merged or consolidated until the quota of such merged or consolidated member as established by its writings prior to such merger or consolidation has been filled. The continuing member may be relieved from such obligations if another member agrees, in a manner satisfactory to the Governing Committee, to assume such obligations.

J. Groups of members under the same ownership and management are to be treated as a single member under this section. Groups of members under either the same ownership or management, but not both, may elect to be treated either separately or as a single member.

K. This sub-section sets forth the Limited Assignment Distribution Program (LAD) which applies to private passenger automobile liability and other than private (OTPP) passenger automobile liability insurance. A member which elects to be excused from assignments and thereby become an "Excused Member" must enter into a written agreement with an approved Servicing Carrier. The agreement must be approved by the Manager and will be subject to the provisions of that agreement and this program. Non-participating companies are not subject to this program and will continue to receive their normal assignments under the other provisions of this Section.

1. Any member which satisfies the requirements of Art. 21.81 Insurance Code may elect to be a Servicing Carrier and thereafter receive assignments in addition to its normal premium quota under the other provisions of the Plan of Operation.

To be eligible as a Servicing Carrier, a member must:

- a. have been licensed in Texas to write automobile liability insurance for a minimum period of five (5) years, or be currently engaged as a Servicing Carrier for automobile insurance plan business in at least one other state;
- b. demonstrate to the satisfaction of the Governing Committee its successful performance servicing automobile insurance plan business and ability to perform satisfactorily as a Servicing Carrier in this state;
- c. have at least \$15,000,000 Policyholder Surplus;
- d. have applied for Servicing Carrier status and been approved by the Governing Committee for a specified maximum premium volume which may be assumed as a Servicing Carrier; and
- e. write all classes of OTPP liability business without restriction (if handling OTPP LAD assignments).

The Governing Committee may prospectively modify the limit on the volume of assignments to be assumed by an approved Servicing Carrier in order to assure the ability to perform satisfactorily as a Servicing Carrier.

2. The terms of the LAD agreement, including the buy-out fee, shall be determined by negotiations between the Excused Member and the Servicing Carrier. The Governing Committee shall adopt reasonable standards for the agreement.

3. Upon receipt of a signed LAD agreement from the Servicing Carrier, the Association will transfer to the Servicing Carrier the assignment quota of the Excused Member covered under the agreement. Annually, the Association will indicate how much of the Servicing Carrier's contract business was needed to fulfill each Excused Member's quota. Any over/under assignment of the Excused Member will be attributed to the Servicing Carrier.

4. The Servicing Carrier must assume each policy of the Excused Member at the renewal date. At least 30 calendar days (60 calendar days for risks written on a Business Auto Coverage form) prior to the renewal date of each policy, the Excused Company shall give notice to the insured that the Servicing Carrier will provide coverage at the renewal date for the balance of the three year assignment period. Such notice is to be given in the form prescribed by the Governing Committee. The Servicing Carrier shall provide a renewal offer in accordance with Section 13.B.2.

When there is a termination of participation by an Excused Member, each Servicing Carrier shall continue its policies in force under this program for the remainder of the assignment period provided in Section 7.

5. This program does not limit in any manner the authority of the Governing Committee to make assessments on an Excused Member or a Servicing Carrier for operations of the Association.

Amendment to
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
PLAN OF OPERATION
(adopted at November 13, 1996 meeting)

Amend Section 12.A. by adding a new subsection 8 to read as follows:

8. Take-out Offers

When an insured receives a take-out offer pursuant to Section 17 of this plan of operation and contacts the producer, the producer shall inform the insured of his or her options pursuant to the take-out offer. No producer shall engage in misrepresentation with regard to the contents of the take-out offer letter or the take-out program.