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December 8, 1997

**TAIPA Bulletin No. 64****To: Member Companies****RULE CHANGE**

Attached please find a copy of the Commissioner of Insurance Board Order number 97-1219 approving changes to the TAIPA Plan of Operation.

Under Section 16.J of the revised Plan of Operations, a company may elect to have the data for the group of companies combined for quotas only and continue to have the assessments billed by individual company. Having assessments billed by individual company will allow for easier verification of private passenger data, since data for quotas is based on "average eligible vehicles on policies in force" and assessments are based on "average vehicles on policies in force."

TAIPA will bill the 1998 assessment in January 1998 under the current method as individual companies. However, if beginning in 1999 you wish to have assessment data combined by group, please advise the undersigned.

If you have any questions, please contact the undersigned.

Sincerely,

Margaret Alsobrook  
Operations Manager

No. 97-1219

Official Order  
*of the*  
**Commissioner of Insurance**  
*of the*  
**State of Texas**  
Austin, Texas

Date: DEC 04 1997

**Subject Considered:**

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
AMENDMENTS TO SECTIONS 6.A.1., 6.A.5., 16.B., AND 16.J.  
THE PLAN OF OPERATION**

**General remarks and official action taken:**

On this day, under reference number A-1197-35, came on for consideration by the Commissioner of Insurance, amendments to Sections 6.A.1., 6.A.5., 16.B., and 16.J. of the Plan of Operation of the Texas Automobile Insurance Plan Association (TAIPA) pursuant to the authority and jurisdiction granted to the Commissioner by the Insurance Code, Article 21.81. The amendments are attached hereto and incorporated by reference.

In the Plan of Operation's Section 6, Subsection A.1 is amended and Subsection A.5 is deleted. These changes will eliminate TAIPA's practice of not making assignments until all conditions have been met. In other words, after an agent forwards an application, TAIPA will assign it to an insurer and notify the agent and applicant of such action. If the application is incomplete or is not accompanied by the correct deposit premium, it will be the insurer's responsibility to resolve the problem, even if termination is the only way to do so.

In Section 16.B., the first paragraph is amended, and a final paragraph is added, to specify that data for calculation of "Other Than Private Passenger" quotas will be obtained from the statistical agent designated by the Texas Department of Insurance. TAIPA's petition declares this is consistent with current practice, but that it will provide the member companies with the assurance of the source for data.

In Section 16.B., a fifth paragraph is inserted to restore a credit program to be applied to quotas for insurers writing policies that cover public automobiles and long haul truckers. This credit program was inadvertently omitted when Section 16 was rewritten and later approved on December 20, 1996. This program is characterized by TAIPA's petition as "an appropriate incentive to write these hard-to-place risks."

Regarding Section 16.J., TAIPA's petition explains that apparently each insurer group is now under the same ownership and management, so wording that formerly, applied in the case of management by a non-owner is deleted. A group may elect to be treated as a single member to receive assignments and assessments under the revised wording of this subsection.

IT IS THEREFORE ORDERED that the amendments to Sections 6.A.1., 6.A.5., 16.B., and 16.J. of the TAIPA Plan of Operation described above and attached hereto are hereby adopted effective as of December 3, 1997.

  
ELTON BOMER  
COMMISSIONER OF INSURANCE

97-1219

Proposed Amendment to  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION  
(adopted at September 25, 1997 meeting)

Amend Subsection 6.A.1 to read as follows:

**Section 6. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EFFECTIVE DATE OF COVERAGE AND EVIDENCE OF INSURANCE**

**A. Original Application Under the Assignment Mechanism**

1. ~~[Upon receipt of an original, properly completed, eligible application for insurance and the deposit premium specified in Section 5, t]~~ The Association will designate an insurer to which the application shall be assigned and advise the producer and applicant of the designated insurer. The notice of designation shall state that coverage becomes effective on 12:01 A.M. on the effective date shown on such notice.

Delete Subsection 6.A.5 in its entirety and renumber the remaining subsections:

~~5. In no event shall an assignment be made:~~

~~a. unless the application includes the name and address of the applicant, drivers license information, complete vehicle information including VIN, a complete coverage section, and signatures of the applicant and producer (vehicle information is not required for named non owner policy); and,~~

~~b. unless the required deposit premium is submitted with the application.]~~

97-1219

Proposed Amendment to  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION  
(adopted at September 25, 1997 meeting)

Amend Section 16.B of the Plan of Operation to read as follows:

16. 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.

A member is entitled to a credit of two dollars of premium for every dollar of premium for an assignment which meets the description in 1. or 2. above.

"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.

For purposes of calculating other than private passenger assignment quota, the Association shall utilize statistical data provided by the statistical agent designated by the Texas Department of Insurance as the source of information for the "net direct written premium" and "voluntary OTPP premiums" and any other information necessary to calculate the assignment quota in accordance with this section.

97-1219

Proposed Amendment to  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION  
(adopted at September 25, 1997 meeting)

Amend Subsection 16.J to read as follows:

16. J. ~~A group [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[-] to receive assignments and assessments.~~