

# TAIPA NEWSLINE

— A QUARTERLY PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION —  
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## **TAIPA RATE ADJUSTMENTS TO TAKE EFFECT AUG. 1**

Texas Insurance Commissioner Elton Bomer approved a 25.9% overall increase in TAIPA rates for all coverages combined for policies written or renewed on or after Aug. 1, 1996. For those purchasing liability only, the increase will be 20.1%.

TAIPA had requested a 46.5% overall statewide increase when the hearing began before administrative law judges on Oct. 31. The Office of Public Insurance Counsel had recommended -1.9% to +4.2% overall, the difference being due to use of different profit provisions.

After evaluating the testimony, the judges recommended that the commissioner increase TAIPA rates by 30.8% overall. The commissioner, on the basis of his judgment, reduced it further.

Bomer also adopted a 3.2% overall statewide increase in private passenger auto benchmark rates, also effective Aug. 1.

Changes to commercial assigned risk rates will mirror the 3.7% overall reduction Bomer ordered for voluntary commercial auto business.

## **FORM E2 FILINGS PROCESSED FOR COMMERCIAL RISKS**

The Association will assign applications for minimum limits bodily injury and property damage liability coverage on commercial motor

vehicles (excluding carriers for hire) which require a form E2 filing. Prior to submitting the application to TAIPA, the producer must confirm with the Texas Department of Transportation (DOT) that it will accept an E2 for underlying coverage. The DOT phone number, 1-800-299-1770, can be found in the front of the Producer's Guide.

The Association assigns on a random basis. TAIPA will type in the limits on the E2 and forward it to the insurance company. If the producer also attaches the E2 filing fee, TAIPA will forward both the E2 filing and filing fee to the company. The insurer must issue the filing within two working days from the date of receipt in its offices.

## **NOTICE PERIOD FOR TAKEOUT OFFERS REDUCED**

The Plan of Operation has been amended to reduce the amount of notice an insurer must provide when offering to renew or when making a mandatory takeout offer from at least 60 days to at least 30 days prior to the expiration of the policy.

This change applies to private passenger classed vehicles written on a Texas Personal Auto Policy form which expire Aug. 1, 1996 and later. At least 60 days notice continues to be required for risks written on a commercial auto policy.

If an insurer is unable to quote rates to be effective on renewal, it must notify the insured of a possible rate change using language authorized by the Association.

## **RULE CHANGES RELATED TO ADDITIONAL VEHICLES, COVERAGES**

Coverage for additional vehicles to an existing policy will become effective in accordance with policy conditions. No coverage will become effective if a substitution or additional vehicle is of a different type or class than those eligible for coverage on the existing policy. To obtain coverage in this situation, a new application must be submitted to the Association.

Additional available coverage may be added to an existing policy and will become effective at 12:01 a.m. on the day following the written request sent by U.S. Mail, postage prepaid. If no specific effective date is requested, or if the policy change request is not mailed within one working day after completion, coverage will become effective at 12:01 a.m. on the day following the date such written request is received by the insurer.

## **APPLICANT SIGNATURE REQUIREMENTS CLARIFIED**

Applications submitted to TAIPA must be signed by the applicant, otherwise they will be rejected. TAIPA will not accept applications signed by the producer as power-of-attorney for the applicant.

## **PRODUCER REVIEW PROCESS RESULTS IN SANCTIONS**

On May 23, the TAIPA governing committee heard the Producer Review Panel's recommendations on the adverse performance record of five producers. The producers had accumulated an unacceptably high number of deficiency points based upon incorrect or incomplete applications and/or complaints.

After hearing the recommendations of the Producer Review Panel, the governing committee voted to condition the certification of one producer, suspend for six months the certification of another producer, and revoke the certification of the other three for one year. The producers whose certification was revoked

may not submit new business, nor receive compensation on old business or endorsements. All five must take a producer training course at Association offices before certification can be reactivated at the end of their disciplinary period.

All producers should be aware that deficiency codes indicating errors in the application are noted in the lower lefthand corner of the assignment card. The number of points for a particular deficiency can be determined by consulting the TAIPA Producer's Guide, which lists all deficiencies and points. Producers who do not have a copy of the guide can order one by contacting Association offices.

Producers who receive notification from TAIPA that they have exceeded their monthly norm are required to respond within 15 days to avoid possibly being referred to the TAIPA Producer Review Panel.

Producers must appear before the Producer Review Panel when they exceed their norm during three months of a six-month period.

## **STATE FARM CONSOLIDATES SERVICING OF TEXAS AUTO BUSINESS**

Effective July 1, all of State Farm's new TAIPA assignments will be serviced at its Austin location. In the past, policies were assigned to either State Farm's Dallas or Austin service centers. All policies assigned prior to July 1 will continue to be serviced where they originated, as indicated on the assignment card. On July 1, all new State Farm assignment cards will reflect that servicing will be done at its Austin location.

## **TAIPA TO BECOME ONLY SOURCE OF BINDER CARDS, APPS**

In a measure taken by the TAIPA Governing Committee to mitigate abuse or fraud, TAIPA will become the sole source of applications and binder forms on Sept. 1, 1996. They will no longer be available from other vendors as of that date.