

# TAIPA NEWSLINE

A PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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## COMPETITIVE MARKET FOR TAIPA TAKEOUTS

The TAIPA governing committee adopted mandatory and voluntary takeout plans last year in response to a request by Commissioner Bomer. The commissioner proposed the plans as a mechanism to make it easier for TAIPA insureds who establish a clean driving record to enter the voluntary market where rates may be lower and broader coverages are available.

When an assigned insurer makes a mandatory takeout offer to a TAIPA insured, it has the option of offering to service the voluntary policy through the producer of record. The offer to write must be mailed to the insured at least 30 days prior to the expiration of the three-year assignment period.

Anytime a takeout offer is made to the insured, the assigned insurer will simultaneously send a copy of that notice to the producer of record.

This notice gives producers of record who wish to retain the client the opportunity to shop their markets for competitive coverage and prices from other rate-regulated companies.

**Mandatory Takeout Plan:** The assigned insurer or any authorized insurer within the company group is required to offer coverage to the TAIPA insured for one year in its rate-regulated carrier (not a county mutual) at its voluntary rates. The premium must be less than that charged through TAIPA on the effective date of the policy.

To be eligible, the named insured and all other persons who usually operate the vehicle:

must have completed a three-year assignment through TAIPA with no lapse in coverage

- \* may not have been involved in an accident or received a conviction for a traffic violation which is subject to a Rule 42 (Texas Automobile Rules and Rating Manual) premium surcharge

The takeout offer may not be for less coverage than the insured had purchased through TAIPA. However, it is permissible for the insurer to offer broader coverage.

The insurer may require payment of a membership fee if it is a uniform requirement of the insurer throughout the state; however, the total of the premium and membership fee must still be less than TAIPA rates. No other membership qualifications may be imposed for this one-year takeout offer.

The insurer must accept that risk for one year, regardless of whether it meets the insurer's underwriting guidelines.

After one year, the insurer is permitted to apply its underwriting guidelines in deciding whether to offer to renew the policy.

An insurer receives no credits against its TAIPA assignment quota under the mandatory program.

**Voluntary Takeout Plan:** Any insurer may offer to take the risk out voluntarily after one year, but not within the last six months of the three-year assignment period, regardless of whether the assigned insurer has made a voluntary takeout offer or not.

The only eligibility requirement is that the insured has been insured through the Association for at least one year immediately preceding issuance of the voluntary policy.

If the consumer accepts the voluntary takeout offer, the company must retain that business for a minimum of 60 days and notify both TAIPA and the Texas Department of Insurance and provide verification that it was a voluntary takeout to receive 2 for 1 credits against TAIPA assignments.

The credits are available to the company which successfully bids for that individual's business. If an insurer earns excess credits and wants to sell them, it should notify TAIPA which in turn will so advise companies which have expressed an interest in buying credits.

#### **SECURING NEW COVERAGE TRIGGERS AUTOMATIC TERMINATION PROVISIONS**

The Association reminds producers that any prior coverage terminates when an applicant is assigned through TAIPA's Electronic Submission Program (ESP) unless a future effective date is specifically indicated during the ESP phone call when coverage is bound.

Because automatic termination is specified in the personal auto policy by Endorsement 544C, TAIPA cannot honor subsequent requests to change the effective date of any private passenger assignment because that would cause a lapse in the consumer's coverage.

In the event that the producer erred by not specifying a future effective date, he should contact the prior company to request a refund of the unearned premium.

#### **TIMELY SUBMISSION OF APPS PROTECTS EFFECTIVE DATE**

TAIPA staff reminds producers that applications which are electronically bound must be mailed to TAIPA within one working day, or they will lose the effective date.

Also, the ESP reference number must be provided in the upper right-hand corner of both the application form and the binder form.

#### **PROCEDURES FOR FILING PRODUCER COMPLAINTS AGAINST INSURERS**

Producers filing complaints reporting noncompliance of insurers with performance standards shall submit the original complaint to the insurer and a copy to the Association.

Section 13.C.1 of the Plan of Operation has been amended effective June 1 to specify that the insurer must respond to the producer and to TAIPA within 20 days of receipt of the complaint.

#### **NEW DOT PHONE NUMBER FOR FORM E2 INQUIRIES**

As reported in the last TAIPA Newsline, commercial motor vehicles (excluding carriers for hire) can receive minimum limits bodily injury liability and property damage liability coverage through TAIPA.

Before submitting an application to the Association, producers should contact the Texas Department of Transportation (DOT) to confirm whether it will accept a Form E2 filing for underlying coverage.

DOT now has a new phone number for these inquiries, 1-800-299-1700.