

TAIPA NEWSLINE

A QUARTERLY PUBLICATION OF THE TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
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PLAN COMPLETES TRANSITION TO ASSOCIATION

On Nov. 2, Texas Insurance Commissioner Robert Hunter approved the TAIPA Plan of Operation, finalizing the conversion of TAIP to TAIPA as of Jan. 1, 1995. The Plan of Operation was the culmination of a year of negotiations between insurer, producer, public and regulatory representatives. Until a decision on TAIPA rates is made and becomes effective, policies written through TAIPA will continue to use the same rates which were used for TAIP assignments.

JUDGES RECOMMEND 60.3 PERCENT RATE INCREASE FOR TAIPA

Administrative law judges who heard testimony in October on TAIPA rates issued a proposed order in December recommending that private passenger rates rise 60.3 percent overall and that commercial rates be set equal to rate-regulated commercial benchmark auto rates. The next step is for Texas Insurance Commissioner Elton Bomer, who was sworn in on Feb. 2, to schedule an open meeting to permit parties to make oral arguments. Bomer can take the oral arguments under advisement, accept the recommendation, revise the recommendation based upon evidence in the record, or send the case back to the State Office of Administrative Hearings for further evidence.

During the October rate hearing, the Office of Public Insurance Counsel (OPIC) said that there should be no change in TAIPA rates, despite testimony of OPIC's consulting actuary that the available data indicated a +34 percent rate need. That figure rose to approximately 40 percent when corrected for errors admitted to during the hearing process.

TAIPA's 73 percent rate request reflected the compounding effect of years of rate inadequacy, spiraling claims costs and explosive growth in the Plan's population. Although 60.3 percent, if granted, is less than TAIPA's request, insurers expect that an adjustment of this magnitude would return TAIPA to its proper role as the market of last resort.

PRODUCER CERTIFICATION REQUIREMENTS FINALIZED

Effective May 1, all producers must be certified by the Association in order to submit applications and receive compensation from insurers for TAIPA business. Uncertified producers may continue to submit applications after that date but will be ineligible for compensation.

The Association mailed a bulletin and application for certification on Jan. 17, along with a set of instructions. Producers who apply for certification must also submit a copy of their Texas Local Recording Agent or Group 2.2 (county mutual) license with the new 10-digit identification number which is issued by the Texas Department of Insurance. The producer must agree to comply with producer performance standards and Association rules and procedures, and to keep an updated Texas Auto Manual on the premises. The completed certification application and copy of agent's license must be sent to TAIPA by April 15.

Producer Certification Course: Group 2.2 producers must complete a TAIPA-sponsored producer certification course by May 1 in order to become certified by the Association. Producers may take the class at one of 25 locations statewide during the morning or afternoon session on March 31. Because the April 21 make-up session will only be available at about eight locations, individuals are asked to make every effort to attend one of the March 31 sessions. TAIPA has been working with the Texas Association of Insurance Agents to develop the course, which will be transmitted via satellite feed to community colleges and other locations with proper satellite connections. All locations will be connected via fax to the broadcast location for the question and answer segment of the program. Although only Group 2.2 producers are required to complete the course to be certified, local recording agents are also encouraged to attend. The Association is in the process of obtaining approval from the Texas Department of Insurance for three hours of continuing education credit. More information regarding dates and locations will be provided in mid-February.

Updating Producer Certification Records: To be compensated by the assigned insurance company, the producer's address, license information and tax identification number which are entered on the TAIPA application for insurance must match the Association's producer certification records. It is important that producers forward any address change or renewal license promptly to TAIPA.

ELECTRONIC SUBMISSION PROCEDURES ESTABLISHED

As a service to producers and consumers, the TAIPA Governing committee is instituting Electronic Submission Procedures (ESP), which will be on line June 1. This procedure will allow certified producers to bind new business applications by making a binding phone call to the Association. TAIPA will be among a very few auto residual markets in the nation to offer immediate binding capability.

Binding through ESP: Certified producers will be issued a confidential personal identification number (PIN) to access the system. Before placing the call and entering the PIN, the producer must collect all appropriate application information and deposit premiums. The system will verify whether the producer is certified and allow the individual to continue. After the producer enters minimal information, such as the number of vehicles, last five digits of the vehicle identification number, and the last four digits of the check number, the system will provide a reference number to be placed by the producer on the binder. The reference number must be entered in the upper right corner of the new application for insurance. The application is considered bound once the reference number is provided by the system.

Premium Payment: The producer must mail the application and premium deposit no later than the next working day. The payment must be made using one instrument — only one check or money order per application — and must be submitted without reduction for producer's compensation. TAIPA will not accept a producer's check or premium finance company check if either has been dishonored more than once in a one-year period.

The initial down payment for the TAIPA installment payment plan has been reduced from 25 to 20 percent, effective Jan. 1, 1995. The TAIPA pay plan is not available if any portion of the annual premium is financed by a premium finance company; nor is it available to an applicant who, within the last two years, has defaulted in the payment of premiums to an insurer, causing the policy to lapse.

Performance Standards, Complaint Procedures: There is a system for monitoring producers' deficien-

cies on applications, such as incomplete information, which become Association complaints. The Association will also monitor insurer and consumer complaints regarding producer behavior. If the level of complaints or violation of rules and procedures indicates a general business practice, the producer and/or affiliate producer may be brought before a review panel. The review panel — comprised of three producers, one insurer and one public member — makes recommendations to the TAIPA Governing Committee for disciplinary action. Excessive complaints in any category could result in producer certification being conditioned, suspended or revoked.

The cumulative deficiencies and complaints against an affiliated producer (one who is under the financial control or management of another producer) may result in conditioning, suspending or revoking the certification of all affiliates of that producer.

Insurance companies are also expected to maintain high standards of performance in the conduct of TAIPA business. Producers can report insurance company violations of performance standards by completing the TAIPA Company Performance Complaint Form, sending the original to the insurance company and a copy to the Association.

ASSIGNMENT QUOTA METHODOLOGY CHANGES

The method by which company quotas for TAIPA assignments are calculated is changing. Beginning in 1995, insurers will receive up to four credits on 1996 quota calculations for each eligible private passenger vehicle written voluntarily in certain zip codes which the commissioner has designated as "underserved." Eligible vehicles are those written at or below TAIPA rates. The Class 2 (youthful operator) and class 6 (operator 65 years or older) credits will be eliminated as of Dec. 31, 1995 and will not be included in 1996 quota calculations.

COMPANY SEMINAR SLATED FOR MARCH 15

To familiarize insurers with how implementation of the new TAIPA Plan of Operation will affect them, the Association has scheduled a company seminar to be held March 15 in Austin. The program, which will run from 9 a.m. to 2 p.m., includes a discussion of TAIPA rules and application processing procedures, quota calculation, agency/company relationships, producer certification program and electronic submission procedures. The Association has scheduled a reception with cash bar during the preceding evening at the Guest Quarters. For further information, contact Delores Reedy at the Association.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

2028 E. Ben White Blvd., Suite 400 • P.O. Box 149144 • Austin, Texas 78714-9144

Phone: 512/444-4441 Voice Response: 800/580-TAIP