

TAIPA NEWSLINE

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ANNUAL TAIPA RATE HEARING PROCESS UNDER WAY

Hearings on rates for the residual auto insurance market began on Oct. 31 at the State Office of Administrative Hearings. During three days of testimony, the Texas Automobile Insurance Plan Association (TAIPA) presented evidence in support of its recommended 46.5% overall statewide increase in assigned risk private passenger auto insurance rates.

The Office of Public Insurance Counsel (OPIC) recommended a range of rates from -1.9% to +4.2% overall, based upon the use of different profit provisions. Broken down by coverage, the rate recommendations are:

	TAIPA	OPIC
BI Liability	+46.8	-4.6 to -1.8
PD Liability	+27.4	+0.2 to +3.1
PIP	+108.4	+43.7 to +47.9
UM-BI	+50.9	-21.8 to +7.2
UM-PD	+55.7	+12.7 to +32.8

Treatment of the fixed expense provision accounted for the greatest difference between the recommendations, followed by selection of underwriting profit provision, loss trending and OPIC's inclusion of an adjustment to reflect tort law changes.

Also, OPIC's recommendation was based upon a Feb. 1, 1996 effective date rather than the July 1, 1996 effective date TAIPA's actuary used in his derivation of rate level indications. As has been the practice in the past, TAIPA

recommended that adjustments to commercial assigned risk rates parallel any adjustment the commissioner makes to voluntary commercial auto benchmark rates.

The administrative law judges who heard the case will review the evidence and issue a proposal for decision for consideration by Commissioner Bomer.

Bomer can accept the proposal, modify it based upon evidence which was made a part of the hearing record, or send the case back to the judges for further evidence.

It is anticipated at this time that the rate changes will become effective on Aug. 1, 1996.

ADDITIONAL VEHICLES, COVERAGES TO BE NOTED ON POLICY CHANGE FORM

Section 6B of the TAIPA Plan of Operation establishes the guidelines and mailing requirements for additional vehicle and coverage requests. Because of some misunderstanding, we ask that you carefully review and comply with the following submission requirements when adding vehicles or coverages for current TAIPA insureds.

Do not send a fully completed application to TAIPA when adding vehicles or coverages for a current TAIPA insured. Requests for additional vehicles or coverages for a current TAIPA insured should be submitted on a completed policy change request form directly to the designated insurer.

ASSOCIATION ADVISES PRODUCERS ON PERFORMANCE

After an initial trial period to allow producers to familiarize themselves with the electronic submission program procedures, Association staff has begun monitoring producers' performance by assigning deficiency points for incomplete or improperly submitted applications and by tracking Association, insurer and consumer complaints. In October, the Association notified 1,700 producers whose deficiencies exceeded their "norm," or 25% of the producer's monthly volume of applications submitted to TAIPA.

In its October Association Advisory Letters, TAIPA provided those producers with a snapshot of their performance during the month of August, indicating the number and type of deficiencies and complaints.

The purpose of the review was:

- * to educate producers as to the types of application errors for which they have been responsible, permitting them to take corrective action to avoid further errors, loss of commission or disciplinary action
- * to notify producers of the number and nature of Association, insurer and consumer complaints
- * to test the Association's computer system

One common error which will result in deficiency points in the future, is failure to include the correct reference number in the upper right-hand corner of the application. The reference number (ESP number) must match that shown on the binder.

To prevent forfeiture of commission, the information entered on item 1 of the application must match the producer certification record information contained in TAIPA's files. Producers are reminded to notify TAIPA's Producer Certification

Procedure Unit in writing anytime there is a change in the producer's name, address, DBA or other pertinent records.

Additionally, producers must send a copy of their TDI license renewal to TAIPA. TAIPA routinely notifies individuals upon the expiration date of their license if TAIPA has not received a copy of the producer's TDI license renewal. Producers will lose commission on TAIPA business if they have not forwarded a copy of the renewal license to the Association within 60 days of the expiration date of their old license.

Although none of the producers who received Association Advisory Letters in October will be subject to disciplinary action for exceeding their August norm, the initial trial period is now over. Producers who receive notification from TAIPA that they have exceeded their monthly norm in the future 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.

Through the feedback the Association received from producers who contacted staff following receipt of their advisory letters, TAIPA discovered computer programming errors which led to some miscalculations in the number of applications submitted for the month, miscalculation of norms and conflicting information between what appeared on the detailed "screen snap" and advisory letter. (The "screen snap" is the printout of deficiencies as they appear on the computer screen.)

TAIPA appreciates and encourages producer comments. Implementation of the electronic submission program has been an ongoing learning process for producers, insurers, TAIPA committee members and staff. Through continued exchange of information and fine-tuning, it is the Association's goal to provide producers with the tools they need to better serve consumers.