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May 9, 2002

**TAIPA Bulletin No. 107**

To: Member Companies

**Plan of Operation Amendments**  
**Sections 6 and 16**

At its meeting of February 28, 2002, the Texas Automobile Insurance Plan Association (TAIPA) Governing Committee adopted amendments to Sections 6.B.2 and 16.K of the TAIPA Plan of Operation.

In accordance with the Plan of Operation, these amendments were submitted to the Commissioner of Insurance for his approval. That approval has been given under Board Order No. 02-0482 dated May 8, 2002. Attached please find a copy of the Board Order and the Plan of Operation amendments.

If you have any questions, please feel free to contact me at the above telephone number or email address.

Sincerely,



Margaret Alsobrook  
Operations Manager

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Enclosures

No. **02-0482**

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

Date: **MAY 08 2002**

Subject Considered:

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
AMENDMENTS TO SECTIONS 6 and 16  
OF THE PLAN OF OPERATION**

General remarks and official action taken:

On this day, under reference number A-0302-6, came on for consideration by the Commissioner of Insurance, amendments to Sections 6 and 16, of the Plan of Operation of the Texas Automobile Insurance Plan Association (TAIPA) as proposed by TAIPA's governing committee. Pursuant to the Insurance Code, Article 21.81, Sec. 3, the governing committee may make and amend the Plan of Operation, subject to the approval of the Commissioner. Notice of the proposed amendments was published in the Texas Register on April 19, 2002 (27 TexReg 3380).

One proposal is to amend the TAIPA Plan of Operation, Section 6.B.2. to provide for insurer members to accept requests for additional coverage through the use of facsimiles or electronic mail. The current Section 6.B.2. pertains only to the use of U.S. Mail, postage prepaid, for submission of requests for additional coverage, other than that which is granted by policy conditions. The purpose of this amendment is to establish effective dates for such additional coverage, regardless of whether the member insurer receives the request by U.S. Mail, postage prepaid, facsimile, or electronic mail.

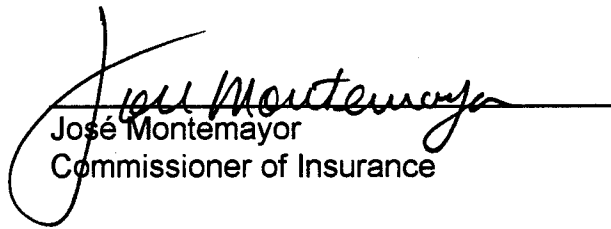
The other proposal is to amend the TAIPA Plan of Operation, Section 16.K.1.c., and to add a new Section 16.K.1.f., both regarding requirements for a company that is to be a Servicing Carrier under the Limited Assignment Distribution Program. Under this program a member company of TAIPA may elect to be excused from assignments by contracting with a Servicing Carrier to accept the appropriate share of risks that would otherwise have been assigned to the Excused Member.

Current Section 16.K.1.c. sets forth an eligibility requirement of at least \$15,000,000 Policyholder Surplus for a Servicing Carrier. The proposed amendment additionally requires such an insurer to have a ratio no greater than 3 to 1 Net Premiums Written to Policyholder Surplus, based on the most recent annual or quarterly financial statement.

Current Section 16.K. does not provide for financial monitoring of an approved Servicing Carrier. Proposed Section 16.K.1.f. provides a method for monitoring the financial status of an insurer that has been approved as a Servicing Carrier.

These amendments are found to be acceptable.

IT IS, THEREFORE, ORDERED that the amendments to Sections 6 and 16, TAIPA Plan of Operation, described above and attached hereto are hereby adopted, effective immediately.

  
José Montemayor  
Commissioner of Insurance

RECOMMENDED BY:



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David Nardecchia, CPCU, Director  
Personal and Commercial Lines Division

02-0482

Amended Rule  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

Amended Subsection 6.B.2 to read as follows:

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

B. Additional Vehicles or Coverages

2. Coverage for additional vehicles to an existing policy will become effective in accordance with policy conditions. No coverage will be 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. The additional coverage will become effective at 12:01 AM on the day following the written request or the effective date specified in the request, whichever is later, except when one of the following applies:

- a) the policy change request is not mailed within one working day after completion; or
- b) the request is not mailed U.S. mail, postage prepaid, or the request is received by fax or electronic mail. If a, or b applies coverage will become effective at 12:01 AM the day following the date such request is received by the insurer, or the effective date specified in the request, whichever is later.

02-0482

Amended Rule  
TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

Amended Subsection 16.K.1 to read as follows:

**Section 16. DETERMINATION AND FULFILLMENT OF QUOTAS**

1. Any member which satisfies the requirements of Art. 21.81 Insurance Code may elect to be a Servicing Carrier and thereafter receive assignments in addition to its normal premium quota under the other provisions of the Plan of Operation.

To be eligible as a Servicing Carrier, a member must:

- a. have been licensed in Texas to write automobile liability insurance for a minimum period of five (5) years, or be currently engaged as a Servicing Carrier for automobile insurance plan business in at least one other state;
- b. demonstrate to the satisfaction of the Governing Committee its successful performance servicing automobile insurance plan business and ability to perform satisfactorily as a Servicing Carrier in this state;
- c. have at least \$15,000,000 Policyholder Surplus and a ratio of Net Premiums Written to Policyholder Surplus of no greater than 3 to 1 based on the most recent annual or quarterly financial statement;
- d. have applied for Servicing Carrier status and been approved by the Governing Committee for a specified maximum premium volume which may be assumed as a Servicing Carrier; and
- e. write all classes of OTPP liability business without restriction (if handling OTPP LAD assignments);
- f. have maintained an A.M. Best financial rating not less than B+ for a continuous three-year period, and must reapply every five years. A Servicing Carrier that is rated less than a B+ based on the most recent A.M. Best financial rating, or has no A.M. Best rating or that has a ratio of Net Premiums Written to Policyholder Surplus greater than 3 to 1 based on the most recent annual or quarterly financial statement will be subject to review annually by the Governing Committee.

The Governing Committee may prospectively modify the limit on the volume of assignments to be assumed by an approved Servicing Carrier in order to assure the ability to perform satisfactorily as a Servicing Carrier.