

July 1, 2003

TAIPA Bulletin No. 118

To: Member Companies

TEXAS LIMITED ASSIGNMENT DISTRIBUTION PROGRAM

Article 21.81 of the Texas Insurance Code created the Texas Automobile Insurance Plan Association (TAIPA). That statute requires that the TAIPA Plan of Operation include a competitive limited assignment distribution plan (LAD). This plan allows members to contract directly with a TAIPA approved servicing carrier to accept assignments on behalf of the excused member signing the agreement. Following approval of a contract by TAIPA, all future assignments which would otherwise be forwarded to the member would be forwarded to the servicing carrier. The servicing carrier assumes all of the members existing renewal obligations.

Currently TAIPA has two approved servicing carriers. The purpose of this bulletin is to determine whether any other member company is interested in becoming a servicing carrier in Texas.

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;
- e. write all classes of OTPP liability business without restriction if handling OTPP LAD assignments; and
- 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.

We ask that any interested member wishing to be considered as an approved LAD Servicing Carrier in 2004 please contact the undersigned to obtain a LAD Servicing Carrier application. The completed application must be submitted to the Association office by August 8, 2003 in order to be considered by the Governing Committee at their August 27, 2003 meeting.

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

Sincerely,

Margaret Alsobrook
Operations Manager