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February 14, 2011

TAIPA BULLETIN 188

To: TAIPA Member Companies
TAIPA Certified Producers

AMENDMENT TO TAIPA PLAN OF OPERATION SECTIONS 5.B.2 AND 5.B.3, SECTION 14.A.2, SECTION 21.B.2. AND B.3, AND SECTION 32.A.2

At its meeting of August 17, 2010, the TAIPA Governing Committee approved amendments to Sections 5.B.2 and 5.B.3, Section 14.A.2; Section 21.B.2. and 21B.3. and Section 32.A.2 of the TAIPA Plan of Operation. These amendments were recommended to clarify certain provisions of the 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 granted under Commissioner's Board Order 11-0001, effective January 3, 2011.

When House Bill 586 was passed in 2009 during the 81st Texas Legislature, its purpose was to make changes to Section 601.262 of the Transportation Code procedures for securing the release of an automobile impounded for a second or subsequent conviction for failure to show proof of financial responsibility. The law requires the owner to show proof for a two year term. The statutory change allows a judge to set the two year duration in six month segments.

The amendments to the Plan of Operation are intended to update statutory citations and clarify existing terminology referring to the issuance of a two-year policy. These amendments:

- Delete erroneous references to the old "Texas Motor Vehicle Safety-Responsibility Act", which has been codified in Chapter 601 of the Transportation code,
- Remove the exception that requires a two-year policy term for a second subsequent conviction under 601.261, because the exception contradicts provisions of Sections 5.B.2, 14.A.2, 21.B.2 and 32.A.2. of the Plan, and
- Require insurers to issue a one-year policy with a certificate agreeing to renew it for one year.

Attached please find the pages that have been amended in the TAIPA Plan of Operation. A copy of the entire Plan of Operation including updates is available on our web site at www.taipa.org.

If you have any questions regarding these changes please contact TAIPA Customer Service at customer.service@taipa.org.

Sincerely,

A handwritten signature in cursive script that reads "James Langford".

James Langford, CPCU, AIM, ARP, ARe
Interim Association Manager

CHECKING SLIP – IMPORTANT

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
PLAN OF OPERATION

Revision Number 6.
Effective January 3, 2011

NEW PAGES ENCLOSED. P-3, P-7, P-8, C-2, C-6, a

REMOVE PAGES. P-3, P-7, P-8, C-2, C-6, a

AMENDMENTS. Stars (★) mark the amendment with the effective date shown on page. The latest amendment dates of Sections are listed on page (a) located at the back of this Plan of Operation.

ELECTRONIC VERSION. The Texas Automobile Insurance Plan Association, Plan of Operation is available in electronic format at www.taipa.org. You may view and search the current and archived electronic, interactive versions of the Plan of Operation or you may download the paper version in Adobe Acrobat PDF file format.

SUMMARY OF CHANGES

Sections 5.B.2, 5.B.3, 14.A.2, 21.B.2, 21.B.3 and 32.A.2. Amended to update statutory citations and clarify existing terminology referring to the issuance of a two-year policy.

Distributed by:
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www.taipa.org.

- ✦ 2. Policy Term
- All policies, new and renewal, shall be issued for a period of one year.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

3. Certified Risks – Financial Responsibility Laws

A policy for which an SR-22 must be made shall be amended to conform with the definition, if any, of motor vehicle liability policy in any applicable financial responsibility, Safety-Responsibility, or compulsory automobile liability law.

The insurer must attach the appropriate Financial Responsibility Certificate Endorsement. Policies certified under an SR-22 filing must describe the motor vehicle so certified. If a Non-Owner Policy is involved, the certificate must so indicate. Further, the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) requires with respect to an "owners policy of liability insurance" that such policy shall provide coverage for the insured named therein and any other person, as insured, using a vehicle so certified with the express or implied permission of such named insured.

- ✦ If this sub-section conflicts with Sec.7.A.6, this sub-section will control.

4. Policy and Endorsement Forms

The Association shall file policy forms and endorsements with the Department of Insurance to be approved by the Commissioner of Insurance for use with Association business. Insurers may use only those policy and endorsement forms adopted or approved by the Commissioner of Insurance as designed by the Association.

Sec. 6. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

The application for assignment, other than EASi applications, must be submitted to the Association on a prescribed form in duplicate accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

If the application for assignment is submitted through EASi, the original application with signatures, must be submitted to the Association on a prescribed form accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

A. Full Annual Premium Option

No deposit

- B. **Advance Premium Payment Option**—where the total annual premium is to be paid within 30 days of the date of the premium notice, a deposit of at least 25% of the annual premium, or \$40 per vehicle, whichever is greater, is required.

C. **Installment Premium Payment Option**

This option is available to all risks assigned through the Association unless any portion of the annual premium is financed by a premium finance company. If any portion of the annual premium is financed after the Installment Premium Payment Option is elected, the insurer may bill the insured immediately for the unpaid balance of the annual premium. If an applicant requests an SR-22A with an SR-22, the full annual premium must accompany the application.

1. Deposit

A deposit of at least 20% of the total annual premium, or \$40 per vehicle, whichever is greater, is to accompany the new application and as the initial payment on renewal policies. No installment charge may be made on the deposit premium.

2. Installments

The first installment is due no sooner than 30 days after the inception of the policy. The first bill shall show the current annual premium plus the installment charge minus the deposit. Each installment bill thereafter shall display the status of the account showing the minimum amount payable.

One-eighth of the remainder of the premium, plus an installment charge of \$3 on each installment, will be due monthly thereafter. The installment charge shall be increased by \$0.50 for each \$250 or fraction thereof by which the annual premium exceeds \$500.

The application form shall contain a statement signed by the applicant and producer certifying that the installment payment option above has been offered and explained by the producer.

At any point during the installment billing period, should the insured elect to pay the outstanding balance, the installment charge only for the current bill would apply.

3. Additional Premium—Changes

Additional premium resulting from changes to the policy requested by the insured shall be spread over the remaining installments, if any. Compensation on the additional premium is payable by the insurer to the producer within 40 days after receipt of the requested change.

4. Return Premium—Changes

Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or, if the outstanding balance is eliminated, any amount remaining from the return premium will be returned immediately. If any outstanding balance remains, the number and amounts of the remaining installments will be

the assigned insurer is also the offering insurer.

C. Right of Insured to Reapply to Association

This Section does not render the insured ineligible for coverage through the Association. The insured has the option to continue the policy with the assigned insurer, unless the three-year assignment period has expired. In that case, the insured may reapply for assignment.

D. Failure to Comply with the Provisions of this Section

If the Governing Committee finds that any insurer without good cause is not complying with the provisions of this Section, it shall notify the Commissioner of Insurance.

E. Reporting Take-Out Credits

Refer to Administrative Provisions Section 45 for the procedures outlining insurer reporting of all take-out credits

Sec. 11. CANCELLATION/TERMINATION

A. If the premium remittance which accompanies the application is dishonored, the insurer must resubmit the check to the institution before proceeding with termination of the policy.

B. An insurer which has issued a policy or binder under this Plan of Operation has the right to cancel the insurance by following the terms of the policy.

Cancellation is effective on the date specified in the notice of cancellation and coverage ceases on that date.

C. At the option of the insurer, the nonpayment cancellation date may be the date at which all collected premium is earned as computed pro rata.

D. If default occurs in the payment of premium upon any policy subject to interim adjustment, the policy is subject to cancellation in accordance with the cancellation condition in the policy.

Sec. 12. RESERVED FOR FUTURE USE

Sec. 13. COMPENSATION TO PRODUCER OF RECORD

Compensation shall be paid to the licensed producer designated by the insured in the application as follows:

- A. 10% of the policy premium.
- B. Compensation is to be paid by the insurer on the full annual premium.
- C. A producer accounting system may be utilized by an insurer in its payment of producer compensation.
- D. Compensation will not be paid on installment charges.
- E. In the event of cancellation or a policy change involving return or additional premium, compensation will be adjusted directly with the producer. The producer is to refund unearned compensation within 40 days from policy adjustment or cancellation. The insurer shall pay

the additional compensation on policy changes within 40 days of the effective date of the endorsement.

F. Should the producer fail to provide his or her tax identification number, the insurer may defer payment of compensation until the proper identification is provided.

Sec. 14. PERFORMANCE STANDARDS FOR INSURERS WRITING ASSOCIATION PRIVATE PASSENGER ASSIGNMENTS

A. Performance Standards

Insurers will provide insureds assigned under this Plan of Operation with the same level of service provided to customers in the voluntary market. The Performance Standards listed below set forth the specific time during which insurers must perform in accordance with the rules of this Plan of Operation.

1. Issuance of Original Policy

Upon receipt from the Association of the Notice of Designation and the premium deposit prescribed by Section 6 the designated insurer shall:

a. within two working days following the effective date of coverage or receipt of Notice of Designation, whichever occurs last, make filings on policies and Financial Responsibility Certificates (for states other than Texas) as may be required, provided all information necessary is contained in the application form. Such filings will indicate the effective date specified by the Association in the Notice of Designation.

However, if the applicant or spouse is required to file a form SR-22A with the Texas Department of Public Safety, the insurer will issue the SR-22 and SR-22A only upon receipt of the full annual policy premium.

The day the Notice of Designation and premium or deposit are received from the Association is deemed the first working day, regardless of the time of such receipt. No Saturday, Sunday or legal holiday in the place of receipt, shall be deemed a working day.

b. within 30 days issue a policy if all information necessary for the insurer to fix the proper rate is contained on the application form. The policy will become effective in accordance with the provisions of Section 7.

2. Policy Term

Policies assigned through the Association shall be written for a 12 month period only.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

PERSONAL

3. Policy Fee

A policy fee may not be charged by an insurer.

4. Renewal Policies Or Certificates

At least 30 days prior to the inception date of renewals the designated insurer shall notify the insured that:

- a. a renewal will be issued, provided the premium as outlined in Section 6 is received on or before the inception date;
- b. a renewal will not be issued for the reason that the insured is not entitled to insurance under the Plan of Operation.

If an insurer is unable to quote rates to be effective on renewal, it must notify the insured of a possible rate change. Using language authorized by the Association shall be deemed sufficient notice.

A copy of such notice shall be sent to the producer.

Renewal policies must be mailed within 30 days of the insurer's receipt of the renewal premium specified under subsection 14.A.4 above.

Note: Policies may be renewed by renewal certificates. When renewal certificates are used, they must conform in every respect with current rules, rates, and forms at the time of renewal.

5. End of Assignment Period

At least 30 days prior to the expiration date of the final renewal of the assignment period, the insurer shall notify the insured that the period of assignment under the Plan of Operation will terminate on said expiration date. A copy of such notice shall be sent to the producer.

6. Endorsements

Any endorsement requested by the insured shall be issued and mailed within 30 days.

7. Return Premium

Within 30 days of receipt of a request for either cancellation or an endorsement resulting in return premium, the insurer must mail the return premium check.

8. Collection Of Premium

Insurers are to follow rules outlined in Section 6 of this Plan of Operation.

9. Producer Compensation

Within 40 days of receipt of the gross premium, the insurer must issue the proper compensation check unless the producer fails to provide his/her proper identification number. Compensation shall be paid on the full annual premium. A producer accounting system may be utilized by an insurer in its payment of producer compensation. Compensation will not be paid on installment charges. Final compensation adjustment will be in accordance with Section 13. Only an insurer which issues producer compensation statements on personal auto policies reporting all activity for that producer for no more than the preceding 31 days may file producer complaints concerning repayment of unearned compensation.

10. Claim Handling

Insurers shall provide policyholders and producers with information on how and where to report claims. Claim adjustment practices and procedures of each insurer shall correspond with those followed for voluntary business.

11. Additional Charges

At the time of the initial application of an additional charge based on a driving record, the insurer will furnish to the insured and producer a listing of the undisclosed accidents/convictions which determined the additional charge(s).

12. Miscellaneous

The Manager may evaluate a complaint not clearly within any of the preceding standards to determine whether the action complained of was reasonable within the purpose and intent of the Plan of Operation. If the action is deemed unreasonable, it may be considered as a valid complaint against the insurer.

B. Procedures for Compliance with Performance Standards

1. A copy of the complaint mailed to the insurer is to be sent to the Association. Such complaint is to be based upon non-compliance with Insurer Performance Standards.

The insurer must give a written response to the producer and the Association within 20 days of receipt of the complaint.

2. Upon receipt by the Association of the producer complaint:
 - a. the type of complaint for each insurer is logged;
 - b. the Association copy is to be filed; and
 - c. a copy shall be forwarded to the insurer with a request for a written response within 20 days.
3. If the complaint is determined to be invalid, the Association shall so record it and advise the insurer and the producer.

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otherwise eligible and the application is accompanied by the deposit prescribed in Section 22.

E. Re-Application to the Association

Any re-application to the Association shall be considered a new application and the applicant shall be assigned to an insurer in accordance with the provisions of Section 42.

Sec. 19. RESERVED FOR FUTURE USE

Sec. 20. RESERVED FOR FUTURE USE

Sec. 21. EXTENT OF COVERAGE

A. Coverages and Limits

Bodily Injury, Property Damage,
Uninsured/Underinsured Motorists Coverage, and
Personal Injury Protection

1. The assigned insurer is required to write a policy for the minimum limits required by the Texas Motor Vehicle Safety-Responsibility Act.
2. In addition, the policy shall include the following coverage unless rejected in writing by the applicant:
 - a. Uninsured/Underinsured Motorists Coverage at minimum limits of liability;
 - b. Personal Injury Protection Coverage at a limit of \$2,500.
3. Personal Injury Protection and Uninsured/Underinsured Motorist coverages are available to an applicant only in conjunction with a policy written in accordance with this Plan of Operation affording Bodily Injury and Property Damage coverage.

B. Standard Policy Coverage

1. Business Auto Policy

Business autos shall be provided coverage under the policy forms and endorsements approved by the Commissioner of Insurance for use with Association business.

2. Policy Term

All policies, new and renewal, shall be issued for a period of one year.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

3. Certified Risks – Financial Responsibility Laws

A policy for which an SR-22 must be made shall be amended to conform with the definition, if any, of motor vehicle liability policy in any applicable financial responsibility, Safety-Responsibility, or compulsory automobile liability law.

The insurer must attach the appropriate Financial Responsibility Certificate Endorsement. Policies certified under an SR-22 filing must describe the motor vehicle so certified. If a Non-Owner Policy is involved, the certificate must so indicate. Further, the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) requires with respect to an "owners policy of liability insurance" that such policy shall provide coverage for the insured named therein and any other person, as insured, using a vehicle so certified with the express or implied permission of such named insured.

If this sub-section conflicts with Sec. 23.A.6 this sub-section will control.

4. Policy and Endorsement Forms

The Association shall file policy forms and endorsements with the Department of Insurance to be approved by the Commissioner of Insurance for use with Association business. Insurers may use only those policy and endorsement forms adopted or approved by the Commissioner of Insurance as designated by the Association.

**Sec. 22. PREMIUM DEPOSIT REQUIREMENTS
AND PAYMENT OPTIONS**

The application for assignment, other than EASi applications, must be submitted to the Association on a prescribed form in duplicate accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

If the application for assignment is submitted through EASi, the original application with signatures, must be submitted to the Association on a prescribed form accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

A. Full Annual Premium Option

No deposit

- B. Advance Premium Payment Option**—where the total annual premium is to be paid within 30 days of the date of the premium notice, a deposit of at least 25% of the annual premium, or \$40 per vehicle, whichever is greater, is required.

C. Installment Premium Payment Option

This option is available to all risks assigned through the Association unless any portion of the annual premium is financed by a premium finance company. If any portion of the annual premium is financed after the Installment Premium Payment Option is elected, the insurer may

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COMMERCIAL

- F. Should the producer fail to provide his or her tax identification number, the insurer may defer payment of compensation until the proper identification is provided.

**Sec. 32. PERFORMANCE STANDARDS FOR
INSURERS WRITING ASSOCIATION
COMMERCIAL ASSIGNMENTS**

A. Performance Standards

Insurers will provide insureds assigned under this Plan of Operation with the same level of service provided to customers in the voluntary market. The Performance Standards listed below set forth the specific time during which insurers must perform in accordance with the rules of this Plan of Operation.

1. Issuance Of Original Policy

Upon receipt from the Association of the Notice of Designation and the premium deposit prescribed by Section 22 the designated insurer shall:

- a. within two working days following the effective date of coverage or receipt of Notice of Designation, whichever occurs last, make filings on policies and Financial Responsibility Certificates (for states other than Texas) as may be required, provided all information necessary is contained in the application form. Such filings will indicate the effective date specified by the Association in the Notice of Designation.

However, if the applicant or spouse is required to file a form SR-22A with the Texas Department of Public Safety, the insurer will issue the SR-22 and SR-22A only upon receipt of the full annual policy premium.

The day the Notice of Designation and premium or deposit are received from the Association is deemed the first working day, regardless of the time of such receipt. No Saturday, Sunday or legal holiday in the place of receipt, shall be deemed a working day.

- b. within 30 days issue a policy if all information necessary for the insurer to fix the proper rate is contained on the application form. The policy will become effective in accordance with the provisions of Section 23.

2. Policy Term

Policies assigned through the Association shall be written for a 12-month period only.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

3. Policy Fee

A policy fee may not be charged by an insurer.

4. Renewal Policies Or Certificates

At least 60 days prior to the inception date of renewals the designated insurer shall notify the insured that:

- a. a renewal will be issued, provided the premium as outlined in Section 22 is received on or before the inception date, except for insureds subject to certified filings on Business Auto Coverage forms which may be due 30 days prior to renewal;
- b. a renewal will not be issued for the reason that the insured is not entitled to insurance under the Plan of Operation.

If an insurer is unable to quote rates to be effective on renewal, it must notify the insured of a possible rate change. Using language authorized by the Association shall be deemed sufficient notice.

A copy of such notice shall be sent to the producer.

Renewal policies must be mailed within 30 days of the insurer's receipt of the renewal premium specified under subsection 32.A.4 above.

Note: Policies may be renewed by renewal certificates. When renewal certificates are used, they must conform in every respect with current rules, rates, and forms at the time of renewal.

5. End of Assignment Period

At least 60 days prior to the expiration date of the final renewal of the assignment period, the insurer shall notify the insured that the period of assignment under the Plan of Operation will terminate on said expiration date. A copy of such notice shall be sent to the producer.

6. Endorsements

Any endorsement requested by the insured shall be issued and mailed within 30 days.

7. Return Premium

Within 30 days of receipt of a request for either cancellation or an endorsement resulting in return premium, the insurer must mail the return premium check.



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
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ADMINISTRATION

EFFECTIVE DATE OF AMENDMENT

PERSONAL AUTOMOBILE PART

Sec. 1	December 1, 2004
Sec. 2	February 15, 2008
Sec. 3	Reserved for future Use
Sec. 4	Reserved for Future Use
Sec. 5	January 3, 2011
Sec. 6	December 2, 2005
Sec. 7	February 26, 2009
Sec. 8	Reserved for Future Use
Sec. 9	February 9, 2006
Sec. 10	December 1, 2004
Sec. 11	December 1, 2004
Sec. 12	Reserved for Future Use
Sec. 13	December 1, 2004
Sec. 14	January 3, 2011
Sec. 15	February 26, 2009
Sec. 16	Reserved for Future Use

ADMINISTRATIVE PROVISIONS

Sec. 35	February 26, 2009
Sec. 36	February 26, 2009
Sec. 37	December 1, 2004
Sec. 38	December 2, 2005
Sec. 39	December 1, 2004
Sec. 40	Reserved for Future Use
Sec. 41	April 9, 2010
Sec. 42	April 9, 2010
Sec. 43	December 1, 2004
Sec. 44	December 1, 2004
Sec. 45	December 1, 2004
Sec. 46	Reserved for Future Use
Sec. 47	February 9, 2006
Sec. 48	December 1, 2004
Sec. 49	December 1, 2004
Sec. 50	December 1, 2004
Sec. 51	Reserved for Future Use
Sec. 52	December 1, 2004
Sec. 53	February 26, 2009
Sec. 54	February 15, 2008
Sec. 55	Reserved for Future Use

COMMERCIAL AUTOMOBILE PART

Sec. 17	December 1, 2004
Sec. 18	December 1, 2004
Sec. 19	Reserved for Future Use
Sec. 20	Reserved for Future Use
Sec. 21	January 3, 2011
Sec. 22	December 2, 2005
Sec. 23	February 26, 2009
Sec. 24	Reserved for Future Use
Sec. 25	February 9, 2006
Sec. 26	Reserved for Future Use
Sec. 27	Reserved for Future Use
Sec. 28	December 1, 2004
Sec. 29	Reserved for Future Use
Sec. 30	Reserved for Future Use
Sec. 31	December 1, 2004
Sec. 32	January 3, 2011
Sec. 33	December 1, 2004
Sec. 34	Reserved for Future Use