

BULLETIN 20

To: Attendees of the TAIPA Company Seminar and Others
From: TAIPA Staff
Date: 4-12-95
Subject: Uncertified, Suspended or Revoked producers----Insurer responsibilities and compensation distribution.

Dear Sir/Madam,

The TAIPA Governing Committee and Staff would like to thank you for attending the TAIPA Company Seminar. The questions and concerns expressed at the seminar will certainly help us in our continued effort to make TAIPA one of the best plans in the United States.

We would like to take this opportunity to respond to the question on producer compensation. The question was: "How much of the compensation from the gross premium payment does the company receive if the TAIPA assignment is from an Uncertified producer, or a producer whose certification has been Suspended or Revoked?"

It is the Governing Committee's opinion that the intent of the language in the Producer Certification Program, Rules of Operation (C.R.Op.) is to designate all such compensation to the insurer.

Also, we have designed two tables that we hope will help clarify sections of the C.R.Op., identified at the seminar, as difficult to follow. These sections involve actions that may be taken by the Governing Committee against a producer with an unacceptable performance record and procedures to be followed by the insurer after such action.

Table I is titled "Governing Committee Action Table". This table (across the top) depicts the various categories into which the Governing Committee may place a producer who has an adverse performance record. The left side of the table lists the type of restrictions that may be imposed upon the producer. The body of the table refers the reader to the sections of the C.R.Op. that discuss the status and restrictions.

Table II is titled "Insurer Activities After Governing Committee's Action on a Producer's Certification. Across the top of the table are the entities involved after such action has been implemented. The Governing Committee's actions against the producer are indicated down the left side of the table. In the body of the table you will find key information on the insurer's activities after notification from TAIPA of the Governing Committee's action on a producer's certification. The activities vary according to the actual producer status. The last column of this table indicates distribution of the compensation between the insurer and the producer.

As always, if you have questions on any of TAIPA rules or procedures, you may contact us at the address or telephone number in this letterhead.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tod Peterson". The signature is written in black ink and is positioned above the printed name.

Larry Tod Peterson
Plan Services Supervisor

Table I
Texas Automobile Insurance Plan Association
Producer Certification Program
Governing Committee Action Table

			Decertified	
	Uncertified	Conditional Certification	Suspended	Revoked
Prohibited from using ESP	YES see section (E)	YES see section (E)	YES see section (J.4.b.)	YES see section (J.4.a.)
Prohibited from ordering and issuing binders	YES see section (L.1.)	POSSIBLE	YES see sections (J.4.b.) and (E)	YES see section (J.4.a.)
No new applications and no compensation on appls submitted	YES see section (M)	NOT APPLICABLE	YES see sections (J.4.b.)	YES see sections (J.4.a.)
No in force servicing and no compensation on renewal policies	YES see section (N)	NOT APPLICABLE	NOT APPLICABLE	YES see sections (J.4.a.)
Mandatory producer procedures course for Group 2.2 producer or for (re)certification of all producers	YES see section (B.1.)	POSSIBLE	YES see section (A)	YES see section (A)

Sections identified in () are found in the Producer Certification Rules Of Operation (C.R.Op.)

Table II

Insurer Activities after Governing Committee's Action on a Producer's Certification

Category of action	Status of assignment or policy	TAIPA Notification	Insurer acts by:	Insurer action	Compensation
Uncertified	New:	Assignment card, cover letter. Monthly PCP Bulletin to insurer listing new assignments from uncertified producers	Policy issuance (30 days after receipt)	Notice on PCP ¹ and need for insured to select a certified producer for future servicing.	None for initial full annual premium. A subsequently appointed, certified producer can receive compensation on future transactions.
	In force:	NOT AVAILABLE FROM TAIPA.	Insurer will continue policy in force.	1. Send notice on PCP to insured on need to select certified producer 2. 30 days later—if no response, remove uncertified producer from policy and service policy directly.	None for any transactions processed while no certified producer on file. None payable on past transactions even if new producer selected.
Conditioned		While not completely defined, this category will likely have more of a procedural impact on submission of applications to TAIPA.			
Suspended	New:	Assignment card and cover letter.	Policy issuance (30 days after receipt)	1. Send notice on PCP to insured on need to select certified producer. 2. 30 days later—if no response, remove suspended producer from policy and service policy directly.	None for initial full annual premium.
	In force:	Suspension has no effect on inforce business.			
Revoked	New:	Assignment card and cover letter. Monthly PCP Bulletin to insurer listing new assignments from revoked producers.	Policy issuance (30 days after receipt)	1. Send notice on PCP to insured on need to select certified producer 2. 30 days later—if no response, remove revoked producer from policy and service policy directly.	None for initial full annual premium. None for any transactions processed while no certified producer on file.
	In force:	Monthly PCP Bulletin to insurer listing new assignments from revoked producer.	Same as above.	Same as above.	None. None payable on past transactions even if new producer selected.

¹ PCP = Producer Certification Program