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TAIPA Bulletin No. 27

To All Producers:

Take-Out Plans

The Plan of Operation of the Texas Automobile Insurance Plan Association (TAIPA) has been amended by the adoption of a new **Section 17. Take-Out Plans**. This section provides for mandatory and voluntary take-out plans. The new section is effective for eligible policies assigned through TAIPA **expiring December 1, 1995, and later**.

The text of the entire **Section 17, Take-Out Plans**, is included. You are encouraged to review this new section thoroughly and become familiar with its provisions.

Below are the highlights of the mandatory and voluntary take-out plans:

Mandatory Take-Out Plan

- An insured is **eligible** for mandatory take-out if, during the **three successive** years prior to the end of the three year assignment period, the **named insured** and **all other persons** who usually operate the vehicle:
 - A. have been **licensed** to operate an automobile for at least **three consecutive** years, and
 - B. have **not** been involved in an accident or convicted of a traffic violation for which premium surcharges are imposed in accordance with Rule 42 of the Texas Automobile Rules and Rating Manual.
- The assigned insurer shall offer to write the coverage previously afforded by the assigned policy for a period of one year. The coverages and limits of liability to be offered for such insureds shall not be less than those afforded by the assigned policy. The rates offered shall be below those in effect for TAIPA at the time the new policy becomes effective. The offer may also include any other coverages offered by the assigned insurer.
- **The assigned insurer has the option to continue to service the policy through the same producer of record or through a producer of their own company. To alleviate the chance of losing the policy, you are encouraged to place the insured with one of your authorized insurers.**
- **The offer to write coverage by the assigned insurer must be in a rate regulated company (excluding county mutuals).**
- Companies are **required** to use the attached prescribed form when advising the insured of a mandatory offer. This form must be mailed to the insured with a copy to the producer of record at least 60 days prior to the policy expiration date. The letter

will contain a premium comparison between TAIPA premium and insurer premium. The insured is instructed to contact their current producer to exercise one of the following options for their automobile insurance coverage: (1) accept the coverage offer, (2) reapply to TAIPA, or (3) obtain coverage with another insurance company.

The prescribed form mailed to the insured is in English and Spanish.

Voluntary Take-Out Plan

- An insured is eligible for voluntary take-out if the insured has been **insured through TAIPA for at least one year.**
- The coverage and limits of liability to be offered shall not be less than those afforded by the assigned policy. The rates offered shall be below those in effect for TAIPA at the time the new policy becomes effective. The offer to write may also include any other coverages offered by the assigned or other insurer.
- **The assigned insurer or other insurer has the option to service the policy through the same producer of record or through a producer of their own company.**
- The assigned insurer or other insurer shall provide the insured with notice of intent to offer coverage. A copy of the notice shall be simultaneously provided to the producer of record.
- **The offer to write coverage by the assigned or other insurer must be in a rate regulated company (excluding county mutuals).**
- The assigned or other insurer writing the voluntary policy will receive a credit to be applied against their TAIPA quota if the voluntary policy remains in effect for 60 days.

The Governing Committee, working with the Commissioner and staff of the Texas Department of Insurance, has formulated these take-out plans in the hope of reducing the number of risks written through TAIPA. These take-out plans will benefit the insured in cost savings and the opportunity to obtain broader coverages than those offered through TAIPA.

TAIPA Customer Service Unit

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