

January 17, 1995

TAIPA BULLETIN NO. 7

Introduction of the Texas Automobile Insurance Plan Association's
Producer Certification Program (PCP) and Electronic Submission Procedure (ESP)

Introduction

Effective May 1, 1995, the Texas Automobile Insurance Plan Association (TAIPA) will require producers who submit applications to the Association be certified by the Association's Governing Committee. This applies to all Local Recording Agents and Group 2.2 (County Mutual) producers licensed to transact property and casualty insurance in Texas on behalf of their clients.

The Certified Producer requirement was established by the TAIPA Governing Committee under Section 11 of the Association's Plan of Operation. The Commissioner of Insurance for the State of Texas approved the Producer Certification Program on December 16, 1994.

Enclosed is an application and instructions for completing the application for Producer Certification. Any producer wishing to continue to do business with the TAIPA should fully complete and sign the application as required therein. Return the application to the Association together with a copy of the producer's Texas Local Recording Agent or Group 2.2 (County Mutual) license.

Please be advised that the implementation of this program does not, in any way, affect the Association's authority to conditionally assign an application. The program does not restrict the Association's authority to otherwise reject applications for insurance submitted to the Association by a particular producer and/or affiliation.

Benefits of Certification

All respondents to this bulletin who are subsequently certified, will receive a starter package consisting of: order forms for supplies and instructions for using the Electronic Submission Procedure (described next).

In conjunction with the Producer Certification Program, the Governing Committee has approved an Electronic Submission Procedure (ESP) which will become effective June 1, 1995. The ESP sets the effective date and time of coverage. ESP permits certified producers to obtain immediate binding on certain new business applications by making a telephone call to the Association's ESP telephone line.

After being certified by TAIPA, the producer will receive a confidential Personal Identification Number (PIN) which will allow her/him to access the ESP system. The rules and procedures applicable to the electronic submission process are included in the Rules of Operation for the Producer Certification Program that are enclosed.

The PCP is designed to better serve and protect the consumer by:

- * Assuring the consumer and insurance companies that the producer is knowledgeable of TAIPA rules and procedures, by making the producer accountable for consumers and insurance company(s) complaints.
- * Assuring the consumer and their producer that insurers are knowledgeable of TAIPA rules and procedures by making them accountable for consumers and producer(s) complaints.
- * Providing immediate coverage through ESP and the new TAIPA Binder Forms.

Requirements of the Producer Certification Program

1. Eligibility for Certification

All producers requesting certification must certify in writing that:

- They hold a valid Texas property and casualty license. The producer MUST provide a copy of their property and casualty license with the Application for Producer Certification.
- They will abide by the Performance Standards for Producers and the rules and procedures of the TAIPA.
- The producer has on premises an updated Texas Auto Manual.

2. Education

A Producer Certification course, providing Continuing Education Credits will be held during the months of March, April and May. Group 2.2 Producers must attend the Producer Certification Course in order to obtain Association certification status.

Failure by a Group 2.2 producer to complete the course will result in the assignment of their subsequent TAIPA applications to the insurers with no recognition of the producer, in affect, no compensation or ownership of the business. *The Producer Certification Course Schedule will be mailed to producers during the month of February.*

3. Address Changes & License Renewals

TAIPA must be informed, in writing, of all address changes of producers and the producers must submit copies of their revised TDI ID numbers (even if the License number has not changed).

All future changes of address and renewal licenses shall be submitted to the Association. A Producer whose information on an application for insurance (TAIPA 1000, TAIPA 1000A or TAIPA 1001) that does not match the Association's Producer Certification records may result in the Producer's loss of commission for that application. The application will be assigned to an insurer without recognition of the producer

4. Affiliated Producers

If the licensed producer is under the same financial ownership, arrangement or control as a certified producer such affiliation must be indicated on the producer's Application for Certification. Also, if the producer is designated by a certified producer as an affiliate on another Application for Certification, such affiliation must be indicated on the producer's Application for Certification. All producers who are affiliates (partnership(s) and/or are corporations) should indicate this on the application. The producer must also provide information on any other producer on the application.

Note: PLEASE BE ADVISED, UNDER TAIPA RULES ALL PRODUCERS CERTIFIED AS INDIVIDUALS AND/OR UNDER AN AFFILIATION (PARTNERSHIP OR CORPORATION) WILL BE SUBJECT TO RESTRICTIONS AND /OR DECERTIFICATION. SUCH RESTRICTIONS OR DECERTIFICATION MAY OCCUR IF THE CERTIFIED PRODUCER IS FOUND TO VIOLATE ASSOCIATION RULES AND PROCEDURES WITH SUCH FREQUENCY AS TO INDICATE A GENERAL BUSINESS PRACTICE.

Examples of Affiliated Producers include:

- *a producer who shares an office with, or
- *a producer who shares supplies or operational expenses with, or
- *a producer who reports to, in a management sense, or
- *a producer who shares commissions with, or
- *a producer who is controlled by another Local Recording Agent or Group 2.2 producer.

Electronic Submission Procedure PINs

Since the PIN number is the only method by which a producer will be allowed to utilize the ESP System, it is important that you keep your assigned number CONFIDENTIAL. If you request PIN numbers for your staff, a PIN will be issued to each person under separate cover marked CONFIDENTIAL.

Producer Violations Brought Before Review Panel

Producers and/or their affiliates who violate Association rules with such frequency as to indicate a general business practice will be brought before the Review Panel.

The Review Panel, consisting of three producers, one insurer representative and one public member will be established to hear and determine the action to be taken against a producer. The Review Panel may recommend to the TAIPA Governing Committee several actions that may be implemented against a producer, which include but are not limited to: taking no action in the matter, allowing the producer only conditional certification privileges, or suspension or revocation of the producer's and/or affiliate's certification. Conditional certification privileges would result in limited supplies or access to the ESP System. A suspension or revocation would preclude the producer and/or affiliates from using the ESP for a determined amount of time.

While a suspended producer is entitled to commissions on renewal premium, a decertified producer is not entitled to any commission. For a suspended or decertified producer who continues to submit applications to the Association, the applications will be assigned. However the producer will not be recognized as the producer of record and will not be entitled to any commissions payable under such assignments.

Examples of producer violations that may result in the producer being brought before the Review Board include:

- * Issuing Binder Forms without first, completing a TAIPA application for insurance, collecting the premium payment and/or not submitting the application to the Association.
- * Accumulating an excessive number of deficiencies on applications for insurance submitted to the Association, e.g. illegible applications and/or incomplete applications.
- * Accumulating an excessive number of complaints from the assigned insurers.
- * Submitting an excessive number of applications for insurance with insufficient funds

Submitting Applications for Certification

To apply for certification, complete the enclosed Application for Producer Certification and forward to the address below not later than April 15, 1995. Instructions for completing the Application for Certification are attached to the application. If you have any questions regarding the completion or submission of the form, contact the TAIPA Producer Certification Unit.

Texas Automobile Insurance Plan Association
PRODUCER CERTIFICATION UNIT
PO Box 18447
Austin, TX 78760
(512) 444-4441

Very truly yours,

(Mrs.) Marilyn Kinsey
Administrative-Plan Services Manager

Remember:

- *The producer Certification Program is effective May 1, 1995.
 - *Only Certified producers will be allowed to submit applications for insurance to the Association as of May 1, 1995.
 - *Group 2.2 producers must complete the Producer Certification Course before they receive an Acknowledgment of Certification and receive compensation for applications submitted to the Association.
 - *All Certified producers will receive a confidential Personal Identification Number. This is an important number because it is the only number by which the ESP can be utilized. The number is also used to track complaints to a producer.
 - *To be eligible for certification, you must submit the Application for Certification to the Association along with a copy of your valid Texas property and casualty license,
 - *The producer must enter on the application her/his ten digit TDI-ID number.
 - *By signing the statement of Application for Certification the producer acknowledges they will abide by the Performance Standards and the rules and procedures of the TAIPA and that the producer will have on premises an updated Texas Auto Manual.
 - *The producer must report all future changes of and license renewals to the Association.
 - *The producer must report all affiliations on the application.
 - *Producers and/or their affiliates who violate Association rules with such frequency to indicate a general business practice may be brought before the Review Panel. The Review Panel may condition, suspend or revoke a producer and/or affiliates producer certification privileges.
- *Electronic Submission Procedure (ESP) will become effective June 1, 1995.

attach. Application for Certification
Instructions for Completing the Application for Certification
Rules of Operation