

**CHECKING SLIP – IMPORTANT****TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION****Revision Date: December 13, 2005****Number 1.**

NEW PAGES ENCLOSED. P-2, P-3, C-2, A-3

REMOVE PAGES P-2, P-3, C-2, A-3

AMENDMENTS Stars (★) mark the amendment. 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](http://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****Effective March 1, 2006.**

Sections 5 and 21 EXTENT OF COVERAGE Since under the provisions of the Texas Motor Vehicle Safety Responsibility Act there is not a provision that would allow TAIPA to make mandatory to all insurers the use of the Limited Mexico Coverage endorsement, and since all insurers should offer the same coverage through TAIPA, the option to add this extension of coverage has been removed.

**Effective December 2, 2005.**

Sections 6 and 22 PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS Since the EASi applications are available to TAIPA electronically, a copy of the EASi application is not required. The original EASi application with signatures and premium deposit should be forwarded to TAIPA. Other type applications must continue to be submitted in duplicate.

Section 38 DUTIES OF THE GOVERNING COMMITTEE A provision has been added to provide guidelines addressing consecutive absences of a Governing Committee member or an alternate for that member from scheduled Governing Committee meetings.

Section 41 DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER QUOTAS The provision for the sale of territorial credits between members has been deleted.

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PERSONAL

provisions of Section 14.A.4. of this Plan of Operation, may re-apply for assignment if the applicant is otherwise eligible and the application is accompanied by the deposit prescribed in Section 6.

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 41.

**Sec. 3. RESERVED FOR FUTURE USE**

**Sec. 4. RESERVED FOR FUTURE USE**

**Sec. 5. 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 (currently \$20,000/ \$40,000 Bodily Injury and \$15,000 Property Damage).
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. Personal Auto Policy Coverage

1. Personal Auto Policy
  - a. A Personal Auto Policy shall be used to afford coverage, or personal auto coverage shall be afforded, to private passenger autos and motor vehicles considered a private passenger auto or trailers if:
    - (1) they are written on a specified auto basis, and
    - (2) they are owned or hired under a long-term contract by an individual or by husband and wife who are residents in the same household or jointly by relatives other than husband and wife or jointly by resident individuals.
  - b. A Personal Auto Policy shall be used to afford coverage or personal auto coverage shall be afforded to vehicles referred to in Section 2.B except 2.B.1, 4.c and 5, if

- (1) they are written on a specified auto basis, and
- (2) they are owned or hired under a long-term contract by an individual or by husband and wife who are residents in the same household or jointly by relatives other than husband and wife or jointly by resident individuals.
- (3) they are not used in a business of rental or leasing, and
- (4) coverage is limited in accordance with the Miscellaneous Type Vehicle Endorsement.

**Exception:** Exposures in Section 5.B.1.a or b above may be written under a Commercial Auto Policy when combined with a commercial risk or when an auto is used in business. The insurer must attach the Individual Named Insured Endorsement.

- c. The Personal Auto Policy shall be used to afford coverage to a named individual who does not own an auto. The applicable endorsement must be attached.
- d. "Owned" as used in this Section includes an auto leased under written contract for a continuous period of at least six months. If an auto lease contract requires the lessee to provide primary insurance for the lessor, attach the applicable endorsement.
- e. The Personal Auto Policy may be used to afford coverage to joint named insureds who are residents of the same household even if such joint named insureds do not jointly own the automobile(s).

The Personal Auto Policy may be used to afford coverage to joint named insureds who are related by blood, marriage or adoption, including a ward or foster child; and who are not residents of the same household, even if such joint named insureds do not jointly own the auto, if:

- (1) the auto is owned by one or more of the joint named insureds who are residents of the household address shown in the policy, and
- (2) the joint named insured who is a resident of the different household is the primary operator of the auto.

**Note:** The name of each named insured must be shown in the policy Declarations. The address of the first named insured shall be the address shown in the policy and shall be the address used by the insurer for notice purposes.

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 1.F. (e) of the Texas Motor Vehicle Safety-Responsibility Act, 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. In the event Section 5.B.3 conflicts with Section 7, Section 5.B.3 will control.

Exception: Policies written to provide proof of financial responsibility, after a second subsequent conviction under Section 601.262, Texas Transportation Code, must be written for a term of 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.

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. 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

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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 (currently \$20,000/ \$40,000 Bodily Injury and \$15,000 Property Damage).
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. Truckers Policy

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

3. 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 1.F. (e) of the Texas Motor Vehicle Safety-Responsibility Act, 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. In the event subsection 21.B.4 conflicts with Section 23, subsection 21.B.4 will control.

Exception: Policies written to provide proof of financial responsibility, after a second subsequent conviction under Section 601.262, Texas Transportation Code, must be written for a term of two years.

4. 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.

5. 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

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liability insurance other than for Association insureds during the period for which the assessments are based.

**Sec. 38. DUTIES OF GOVERNING COMMITTEE**

The Governing Committee shall meet as often as may be required to perform the general duties of administration of the Association. The presence of nine members of the Governing Committee, which includes at least one public member, constitutes a quorum.

- ★ In the event a member of the Governing Committee or an alternate for that member does not attend two consecutive meetings of the Governing Committee the appropriate insurer, association or agency that made the appointment will be notified.

All meetings of the Governing Committee are to be conducted in accordance with Chapter 551, Government Code.

The Governing Committee is to appoint a Manager, budget expenses, levy assessments, disburse funds and perform all duties essential to the proper administration of the Association. The Manager shall perform the duties under the supervision and control of the Governing Committee, and shall employ personnel, secure office space, equipment and supplies necessary to the administration of the Association.

Annually, the Manager shall prepare an operating budget for Governing Committee review and approval. The budget shall be furnished to member companies upon request. No expenditure in excess of an approved budgeted amount or which has not been included in the budget may be made without Governing Committee approval.

The Governing Committee shall furnish to all members of the Association a written report annually in such form and detail as the Governing Committee shall determine.

**Sec. 39. AMENDMENT OF PLAN**

Any interested party may file amendments to this Plan of Operation in writing with the Manager, who shall submit each amendment to the membership of the Governing Committee prior to the meeting at which the amendment is to be considered.

Amendments to the Plan of Operation become effective when approved by a majority of the Governing Committee members present and voting, with a quorum present, and approved by the Commissioner of Insurance.

If the Commissioner of Insurance at any time believes that any part of the Plan of Operation is not in keeping with the purposes of the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code), the Commissioner of Insurance shall notify the Governing Committee in writing so that the Governing Committee may take corrective action.

**Sec. 40. RESERVED FOR FUTURE USE**

**Sec. 41. DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER QUOTAS**

**A. Assignment of Private Passenger Applications**

The Association shall assign eligible applicants classified as private passenger in a random manner so that each member will receive its assignment quota. For purposes of calculating the assignment quota, the Texas Private Passenger Automobile Statistical Plan Quarterly Market Report provided by the Texas Department of Insurance is the source of information for the "vehicles on policies in force" and "territorial credits." Records provided to the Association are used to determine take-out credits and take-out credits sold between members.

"Private passenger" also includes "named non-owner" and miscellaneous personal vehicles, individually owned and written on a Personal Auto Policy form such as:

1. Motor homes, (self-propelled)
2. Campers and travel trailers
3. Dune buggies
4. All-terrain vehicles
5. Antique autos
6. Golf carts
7. Motorcycles, mopeds, motorscooters, motorbikes, go-carts and other similar motor vehicles

**B. Quota Determination**

Using data for voluntary business, the assignment quota for each member shall be calculated quarterly as follows:

1. Determine the total of the member's average vehicles on policies in force for the most recent four calendar quarters. "Average vehicles on policies in force" means the average of the vehicles with bodily injury liability coverage on policies in force at the end of a quarter and the vehicles on policies in force at the end of the previous quarter. The total of the average vehicles on policies in force is the sum of the average vehicles on policies in force for each of the previous four quarters.
2. Determine the total of the member's territorial credits for the most recent four calendar quarters. For each quarter, multiply the member's average vehicles in each underserved ZIP code category by the applicable credits for that ZIP code category as set out below. The sum of the credits of all categories is the total credits for that quarter. The sum of the credits for each of the most recent four calendar quarters is the "territorial credits." Members may not buy or sell "territorial credits."

By rule, the Commissioner of Insurance will maintain a listing of all Texas ZIP codes indicating a category based on the degree to which a ZIP code area is "underserved".

Each member will receive credits for all vehicles according to the following schedule:

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EFFECTIVE DATES

**PERSONAL AUTOMOBILE PART**

Sec 1	December 1, 2004
Sec 2	December 1, 2004
Sec 3	December 1, 2004
Sec 4	December 1, 2004
★ Sec 5	March 1, 2006
★ Sec 6	December 2, 2005
Sec 7	December 1, 2004
Sec 8	December 1, 2004
Sec 9	December 1, 2004
Sec 10	December 1, 2004
Sec 11	December 1, 2004
Sec 12	December 1, 2004
Sec 13	December 1, 2004
Sec 14	December 1, 2004
Sec 15	December 1, 2004
Sec 16	December 1, 2004

**COMMERCIAL AUTOMOBILE PART**

Sec 17	December 1, 2004
Sec 18	December 1, 2004
Sec 19	December 1, 2004
Sec 20	December 1, 2004
★ Sec 21	March 1, 2006
★ Sec 22	December 2, 2005
Sec 23	December 1, 2004
Sec 24	December 1, 2004
Sec 25	December 1, 2004
Sec 26	December 1, 2004
Sec 27	December 1, 2004
Sec 28	December 1, 2004
Sec 29	December 1, 2004
Sec 30	December 1, 2004
Sec 31	December 1, 2004
Sec 32	December 1, 2004
Sec 33	December 1, 2004
Sec 34	December 1, 2004

**ADMINISTRATIVE PROVISIONS**

Sec 35	December 1, 2004
Sec 36 A.1.a	December 1, 2004
Sec 37	December 1, 2004
★ Sec 38	December 2, 2005
Sec 39	December 1, 2004
Sec 40	December 1, 2004
★ Sec 41	December 2, 2005
Sec 42	December 1, 2004
Sec 43	December 1, 2004
Sec 44	December 1, 2004
Sec 45	December 1, 2004
Sec 46	December 1, 2004
Sec 47.e	December 1, 2004
Sec 48	December 1, 2004
Sec 49	December 1, 2004
Sec 50	December 1, 2004
Sec 51	December 1, 2004
Sec 52	December 1, 2004
Sec 53	December 1, 2004
Sec 54	December 1, 2004
Sec 55	December 1, 2004