

# CENTRAL REGIONAL OFFICE

*Managed by AIPSO*

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**January 31, 2019**

**SUBRES (IL AIP) 19-01**

## **Vote-Amendment to Section 40-Amendment of Plan Elimination of Subscriber Vote Procedure**

Attached for your consideration and approval is a proposal eliminating the subscriber voting process and introducing new language stating the Governing Committee may amend the Plan of Operation subject to the approval of the Illinois Department of Insurance.

**Response Required February 19, 2019**

Attachment(s) Ballot

Proposal Amending Section 40-Amendment of Plan/  
Elimination of Subscriber Vote Procedure



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Kimberly Cochran, Sr. Insurance Coordinator  
(888) 706-6100 ext. 1500

*Affiliated States*

Illinois • Iowa • Minnesota • Missouri • Nebraska • North Dakota • South Dakota

**Illinois Automobile Insurance Plan**

**FAX/MAIL VOTE**

**Amendment to Section 40-Amendment of Plan  
Elimination of Subscriber Vote Procedure**

We propose elimination of the subscriber vote requirement from the amendment approval process and the introduction of new language stating the Governing Committee may amend the Plan of Operation subject to the approval of the Illinois Department of Insurance, Financial Institution and Professional Registration. This proposal was approved by the Illinois Automobile Insurance Plan Governing Committee by fax/e-mail ballot.

Please record my vote as follows on the proposed amendment.

	Approve	Disapprove	Abstain
Amendment to Section 40-Amendment of Plan Elimination of Subscriber Vote Procedure			

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name: \_\_\_\_\_

Company: \_\_\_\_\_

**Please complete this ballot and return February 19, 2019 to:**

Illinois Automobile Insurance Plan  
Fax: 800-827-6260  
E-Mail: [CentralRegion@aipso.com](mailto:CentralRegion@aipso.com)

MEMORANDUM

TO: Nancy Banaczuk

FROM: Alicia Hanson

DATE: January 8, 2019

SUBJ: Illinois Automobile Insurance Plan  
Amendment to Section 40 – Amendment of Plan  
Elimination of Subscriber Vote Procedure

For presentation to the Illinois Governing Committee, I am forwarding an amendment to Section 40 that eliminates the subscriber voting process and introduces new language stating the Governing Committee may amend the Plan of Operation subject to the approval of the Illinois Department of Insurance.

Please let me know what action the Illinois Governing Committee takes on this proposal.

Attach.

Pc: F. Pensabene  
M. O’Leary  
K. Cochran

**SUBSCRIBER VOTE PROCEDURE****Defining the Issue**

The subscriber vote requirement for approval of amendments to the Plan of Operation may no longer be appropriate in a low volume automobile residual market.

**Action Needed**

Please review this proposal and, if appropriate, approve the amendment provided.

**Proposal**

We propose elimination of the subscriber vote requirement from the amendment approval process and the introduction of new language stating the Governing Committee may amend the Plan of Operation subject to the approval of the Illinois Department of Insurance.

**Impact**

This amendment has the following impact:

- Amendments to the Plan of Operation will require approval of the Governing Committee and the Illinois Department of Insurance.
- Subscriber votes will no longer be prepared and distributed by Plan staff.
- Subscriber companies will no longer receive e-mail alerts for electronic subscriber votes posted.
- As needed, the Plan will prepare and distribute announcements to subscriber companies pertaining to major changes that impact the automobiles residual market of that state.

**AIPSO Systems Impact:** There is no impact to AIPSO's systems.

**Background**

When the Plan subscriber vote procedure was introduced in the 1970s, its purpose was to provide all subscriber companies with the opportunity to comment and vote on changes that impacted the automobile residual market. Application volumes were large. Companies received direct assignments and wrote their own Plan policies. There was a great deal of company interest in the automobile residual market. Governing Committee composition limited the number of available company seats and there was competition among trade associations and companies to fill the seats. Companies not serving on the Governing Committee often attended meetings to offer their comments and suggestions on issues. In the late 1980s, the Commercial Automobile Procedure (CAIP) was introduced for commercial risks, eliminating direct assignment of commercial applications to companies. Under CAIP, a servicing carrier writes Plan commercial policies on behalf of member companies and the premiums, expenses, and losses of the business are pooled and shared by member companies.

Since 1990, application volumes in the personal and commercial automobile residual markets have declined. For states with low private passenger application volumes, companies found it no longer economically feasible to maintain systems to write and service their own Plan

assignments. Participation in Limited Assignment Distribution (LAD) Procedures increased substantially because companies sought an alternative means to meet their Plan obligations. Because companies no longer processed Plan policies, there was less company interest in the automobile residual market.

As the low application volume trend continued into the 2000s, company interest in the automobile residual market of many state Plans further declined. Many Plans have already eliminated the subscriber vote procedure to save the time and expense associated with the process. Companies with large voluntary market shares typically volunteer to serve on Governing Committees. Insurer trade associations find it difficult to locate companies to fill Governing Committee seats. Few companies, other than Governing Committee members, attend meetings. The Governing Committee has a fiduciary responsibility for oversight of the operation of the Plan and represents the industry in all matters.

The application volumes continue to be low in many Plans. The automobile residual market has little impact on companies writing in the state. Subscriber companies have no interest in receiving subscriber ballot circulars. The subscriber vote is no longer an effective step in the approval process for amendments to the Plan of Operation and should be eliminated.

## **Proposed Changes**

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### **Sec. 40. – Amendment of Plan**

New language is introduced stating the Plan of Operation may be amended by the Governing Committee subject to the approval of the Illinois Department of Insurance.

## **Attachments**

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Exhibit A—Proposed amendment to Section 40

## COMMON PROVISIONS

### Sec. 40. AMENDMENT OF PLAN

~~The Plan may be amended by the companies subscribing to the Plan by subscriber vote. The subscriber vote circular containing the proposed Plan amendments shall be placed on the Plan website. Notice of any proposed amendment subject to subscriber vote shall be transmitted to registered subscriber companies in accordance with the procedures established by the Plan not less than 20 days prior to the final date fixed for voting thereon.~~

~~An amendment shall become effective~~

~~A. **unless disapproved by 10%** or more of all the subscribing companies writing direct automobile liability insurance in the state, provided such dissenting subscribing companies wrote at least 20% of the net direct written automobile bodily injury and property damage and physical damage premiums in the state, during the calendar year ending December 31 of the second prior year, or~~

~~B. **unless disapproved by 20%** or more of the subscribing companies writing direct automobile insurance in the state, irrespective of the amount of such premiums written by such dissenting subscribing companies.~~

~~Amendments originating with the Governing Committee shall be submitted to the member companies for approval prior to their being filed with the Department of Insurance.~~

~~Approval or disapproval of such proposed amendments by the subscribers shall be in accordance with paragraphs A and B, above (if disapproved, such amendments may not be filed with the Department of Insurance.)~~

The Plan may be amended by the Governing Committee subject to approval by the Illinois Department of Insurance.