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FORTY-THIRD REPORT  
FOR THE PERIOD  
JANUARY 1, 1994 THROUGH DECEMBER 31, 1994  
AND  
MINUTES OF ANNUAL MEETING  
AUSTIN, TEXAS  
MARCH 16, 1995

FORTY-THIRD REPORT FOR THE PERIOD FROM JANUARY 1, 1994  
THROUGH DECEMBER 31, 1994

TEXAS AUTOMOBILE INSURANCE PLAN

Austin, Texas    March 16, 1995

The Forty-Third Annual Meeting of the subscribers to the Texas Automobile Insurance Plan was held in the Guest Quarters Hotel in Austin, Texas, beginning at 9:00 A.M., Thursday, March 16, 1995. The Texas Automobile Insurance Plan officially changed its name to Texas Automobile Insurance Plan Association on January 1, 1995. This organization was created in 1952 as the Texas Motor Vehicle Assigned Risk Plan(TMVARP). The name was changed in 1968 to Texas Automobile Insurance Plan(TAIP), and is now the Texas Automobile Insurance Plan Association(TAIPA).

The meeting was called to order by Chairperson Held who asked the Association Manager if a quorum was present. Once confirmed, the Chairperson requested that the Anti-Trust Statement be read. The Association Manager read the statement.

The Association Manager was asked to report on the selection of the trade association representatives, as prescribed in Section 15. B.1. of the Plan of Operation. The trade association representatives selected were: American Insurance Association-ITT Hartford, National Association of Independent Insurers-Allstate Insurance Company, Alliance of American Insurers-Liberty Mutual Insurance Company, Association of Fire and Casualty Companies in Texas-Trinity Universal Insurance Company. The Non-Affiliated insurers ballot, as prescribed in Section 15.B.3, resulted in the election of State Farm Mutual Automobile Insurance Company.

The Chairperson asked for the report of the Nominating Committee for the At Large representatives, in keeping with Section 15.B.3. Those representatives nominated were: United Services Automobile Association, Farmers Insurance Group of Companies and Southern Farm Bureau Casualty Insurance Company. Mr. Eugene Flynn made a motion to elect the nominated representatives; the motion was seconded, and voted upon. The companies nominated were elected.

Governing Committee representation for the designated companies is as follows:

**American Insurance Association**

Mr. Eugene Flynn, Hartford, Connecticut  
ITT Hartford

**National Association of Independent Insurers**

Mr. Roger Parker, The Woodlands, Texas  
Allstate Insurance Company

**Alliance of American Insurers**

Mr. Michael Mott, Irving, Texas  
Liberty Mutual Insurance Company

**Association of Fire and Casualty Companies in Texas**

Mr. Ray McLane, Dallas, Texas  
Trinity Universal Insurance Company

**Non Affiliated Companies**

Mr. Richard Shellito, Dallas, Texas  
State Farm Insurance Companies

**At Large Members**

Mr. Jack Crisci, San Antonio, Texas  
United Services Automobile Association

Mr. John Hageman, Austin, Texas  
Farmers Insurance Group of Companies

Mr. Mike Gerik, Waco, Texas  
Southern Farm Bureau Casualty Company

The Chairperson then inquired if there was any new or unfinished business to be laid before the meeting. There being no further business, the meeting was adjourned. Following the adjournment, the Governing Committee convened and elected Mr. Eugene Flynn as Chairperson, Mr. Richard Shellito as Vice Chairperson, and Mr. Jack Crisci as Secretary.

**Annual Meeting Attendees:**

**Ed Held, Allstate Insurance Company  
Terry Mack, State Farm Mutual Automobile Insurance Company  
Richard Shellito, State Farm Mutual Automobile Insurance Company  
Carol Berthold, Government Employees Insurance Company  
Jill House, Trinity Universal Insurance Company  
Earl Collins, Texas Association of Insurance Agents  
Herb Frison, Frison Insurance Agency  
Lanny Blaine, Safeco Insurance Company of America  
Pete Hamel, Hamel Insurance Agency  
Tom Assad, Automobile Insurance Plans Service Office  
John Hageman, Farmers Insurance Group of Companies  
Vern Jorgenson, Farmers Insurance Group of Companies  
Dick Geiger, Thompson, Coe, Cousins & Irons  
Mike Gerik, Southern Farm Bureau Casualty Insurance Company  
Fred Lewis, Public Member  
Keryl Smith, Public Member  
Victoria Benitez, Public Member  
Jim Mallett, Public Member  
Jack Crisci, United Services Automobile Association  
John Pennington, Colonial Penn Insurance Company  
Terry Lorenz, Colonial Penn Insurance Company  
John O'Donnell, Colonial Penn Insurance Company  
Gene Flynn, ITT Hartford  
Michael Mott, Liberty Mutual Insurance Company  
Becky Jackson, Office of Public Insurance Counsel  
Janet Dewey, Office of Public Insurance Counsel  
John Lusardi, Eagle Insurance  
David Mears, Policy Management Systems Corporation  
Sandra Gogan, Policy Management Systems Corporation  
Charles Mansfield, American States Insurance Company of Texas  
Roger Parker, Allstate Insurance Company  
Susan Slivinske, Insurance Information Institute  
Bobby W. White, TAIPA Manager  
Margaret Alsobrook, TAIPA Operations Manager  
Marilyn Kinsey, TAIPA Administrative-Plan Services Manager  
Dianna Brooks, TAIPA Secretary  
Douglas Eastwood, TAIPA Accountant  
Lary Peterson, TAIPA Plan Services Supervisor**

**The following member companies were represented by proxy at the Annual Meeting:**

**Acstar Insurance Company  
Aetna Casualty & Surety Company  
Alaska Pacific Assurance Company  
All American Insurance Company  
Atlantic Mutual Insurance Company  
American Employers' Insurance Company  
American Central Insurance Company  
American Fire & Indemnity Company**

American Indemnity Company  
American Indemnity Lloyds  
American Modern Lloyds  
American Policyholders' Insurance Company  
American National Property & Casualty Company  
Amica Mutual Insurance Company  
Avemco Insurance Company  
AXA Reinsurance Company  
Bankers Multiple Line Insurance Company  
Bankers Standard Insurance Company  
Bankers Standard Fire & Marine  
Capital Enterprise Insurance Company  
Capital Landmark Insurance Company  
Casualty & Reciprocal Exchange  
C. E. Heath Compensation and Liability Insurance Company  
Centennial Insurance Company  
Central Mutual Insurance Company  
Central States Indemnity Company of Omaha  
Century Indemnity Company  
Century Reinsurance Company  
Chubb Group of Insurance Companies  
Church Mutual Insurance Company  
CIGNA Fire Underwriters Insurance Company  
CIGNA Insurance Company  
CIGNA Property & Casualty Insurance Company  
CIGNA Reinsurance Company  
Cincinnati Insurance Company  
Cincinnati Casualty Company  
Commercial Union Insurance Company  
Companion Insurance Company  
Constitution Reinsurance Corporation  
Continental Insurance Companies  
Country Preferred Insurance Company  
Cumberland Casualty & Surety Company  
Dairyland Insurance Company  
Employers' Fire Insurance Company  
Equity Mutual Insurance Company  
Evergreen National Indemnity Company  
Federated Mutual Insurance Company  
Federated Service Insurance Company  
FFG Insurance Company  
Finmar Reinsurance Corporation  
Financial Indemnity Company  
Foremost Insurance Company  
Foremost Lloyds Insurance Company  
Fremont Indemnity Company  
Gan National Insurance Company  
Gan North American Insurance Company  
Gateway Insurance Company  
General Accident Insurance Company  
General Accident Insurance Company of America  
General Casualty Company of Illinois  
General Casualty Company of Wisconsin

Great Divide Insurance Company  
Highlands Insurance Group  
Horace Mann Companies  
Indemnity Insurance Company of North America  
Indiana Lumbermens Mutual Insurance Company  
Insurance Company of North America  
Integon Indemnity Corporation  
Kemper National Companies  
Metropolitan Property and Casualty Insurance Company  
Metropolitan Group  
Millers Group  
Millers Mutual Insurance Association  
New South Insurance Company  
North American Specialty Insurance Company  
Northern Assurance Company of America  
Old United Casualty Company  
Omaha Indemnity Company  
Omaha Property and Casualty Insurance Company  
Pacific Employers Insurance Company  
Protection Mutual Insurance Company  
Recor Insurance Company, Inc.  
Reciprocal Exchange  
Regent Insurance Company  
Reinsurance Corporation of New York  
Reliance Insurance Company  
Republic Insurance Company  
RLI Insurance Company  
Royal Insurance Group  
Safeco Insurance Companies  
Sentry Insurance Group  
Scottsdale Indemnity Company  
Sirius Reinsurance Corporation  
Star insurance Company  
Sun Alliance USA, Inc.  
Texas General Indemnity Company  
TIG Insurance Group  
Titan Indemnity Company  
Tokio Marine and Fire Insurance Company, Ltd.  
The Travelers Insurance Company  
Ulico Casualty Company  
United Americas Insurance Company  
United States Liability Insurance Company  
USF&G Companies  
Utica Mutual Insurance Company  
Vesta Fire Insurance Corporation  
Vesta Lloyds Insurance Company  
Ranger Insurance Company  
Windsor Insurance Company  
Winterthur Reinsurance Corporation of America  
Zale Indemnity Company

## ASSOCIATION MANAGER'S REPORT

Thank you, Ed, ladies and gentlemen. You can relax, my report will be brief and to the point.

In 1993, the Plan processed 723,165 new applications with 73 employees (average range 63 to 83), at the cost of \$3,356,048. For 1994, we processed 716,036 applications with 66 (range 60 to 71), employees at a cost of \$3,413,427.

By comparing 1993 to 1994, the application count was down 1%, employee level down by 10%, and expenses up 2%; however, if expenses for new computer hardware and programming were not included, a decrease would have been shown.

The Association staff would like to thank our Governing Committee for their continued support, and would like to wish Good Luck and Godspeed to Eldon Farek of Trinity, Clint Gardner of Farmers, and Chairperson Ed Held of Allstate. You three gentlemen are special to us and you will be missed and remembered fondly.

## CHAIRPERSON'S REPORT

At last year's annual meeting I made the statement that "this past year, without a doubt, has been the most challenging year TAIP has ever experienced". I further predicted "that we'd leave '94 in better shape than we entered". While much was accomplished in 1994, TAIP did not end the year in better financial condition. Many would also argue '94 has been the most challenging in our history.

I'll start this brief report with some statistics and accomplishments. At the close, I'll discuss our outstanding challenges.

### TAIP Volume

TAIP volume averaged 60,000 assignments per month, down only slightly from 1993 (-6.2%)

The sustained high volume has necessitated that we keep Plan staff at near record level number of employees.

### Governing Committee Meetings

A record high number of Governing Committee meetings in 1994- total of 9. Subcommittee meetings also produced a record of 19.

### LAD Program

Excellent success in 1994 with 56 companies "buying out" with a total premium of \$52 million.

### Data Processing

We replaced our DP system in April of last year. We are seeing improved efficiencies, more reliability and a projected reduction in cost.

### New Quota System

Effective 1/1/95, we instituted a new quota system which we hope will not only be more responsive, but someone will actually be able to explain how it works.

### Plan of Operation

Perhaps the most difficult task we faced in 1994 was the drafting of the TAIPA Plan of Operation. Gene Flynn of the Hartford chaired this subcommittee which met what seemed like weekly, to accomplish this task. As you all are aware, we finally received approval of the Plan in the 4th quarter.

### Reorganization of TAIPA Plan Staff

This was necessary to improve efficiencies and reduce cost of operating the Plan.

### Private Passenger Rates

Our biggest challenge was in obtaining an adequate private passenger rate increase. For the past three years, the statistics have been:

'92	a 54% increase request was filed	9.9% approved
'93	a 47% increase request was filed	4.7% approved
'94	a 73% increase request was filed	UNDER CONSIDERATION

Our biggest disappointment was the failure to obtain a rate increase.

### Our challenges in 1995

The challenges facing the Association in 1995 are: to finally receive relief with a private passenger rate increase, fully implement the producer certification program (PCP), see the electronic submission program( ESP), fully operational, allowing producers to determine effective date of coverage and issue immediate binder cards to insureds, provide a company seminar for insurers, offer education for producers in the form of several producer procedures courses, from March through April of 1995, and finally, implement the producer and company complaint procedures.

In closing, I would like to thank the entire Plan staff for their strong support in 1994. Bobby White, Marilyn Kinsey, Margaret Alsobrook and Susan Epperson did an excellent job under somewhat stressful conditions in '94.

Our learned attorneys Dick Geiger and Phyllis Pollard also accomplished much for us last year.

Thank you for attending today; we appreciate your support. I only hope that we'll soon be able to report that TAIPA has received a justified rate increase and that TAIPA can once again be returned to its rightful position as a true market of last resort.



**TEXAS AUTOMOBILE INSURANCE PLAN  
STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN FUND BALANCE  
YEARS ENDED DECEMBER 31,**

	<u>1994</u>	<u>1993</u>
<b>Revenue</b>		
Members assessments	\$2,991,877	\$3,455,229
Assessment penalties	1,716	283
Interest income	23,896	35,548
Other income	<u>141</u>	<u>21,576</u>
	<u>3,017,630</u>	<u>3,512,636</u>
<b>Expenses</b>		
Salaries	1,428,641	1,407,316
Postage and telephone	403,008	463,903
Legal	312,819	327,341
Computer and programming expense	51,887	112,826
Actuarial fees	165,291	97,877
Employee benefits:		
Pension plan	52,242	54,165
401A benefit plan	19,857	13,815
Dues and subscriptions	26,471	27,007
Educational seminars	65,509	46,861
Governing committee	154,589	98,214
Insurance	12,309	12,728
Insurance, group	96,892	90,928
Auditing	5,100	9,760
Office supplies and expense	58,813	78,117
Rent	161,687	135,203
Service Contracts	13,618	19,209
Taxes	92,484	86,050
Travel and entertainment	14,256	9,530
Other	<u>5,922</u>	<u>50,403</u>
Total expenses before depreciation and amortization	3,141,395	3,141,253
Depreciation and amortization	<u>85,763</u>	<u>56,035</u>
Total expenses	<u>3,227,158</u>	<u>3,197,288</u>
Excess of (expenses of revenue) revenue over expenses	(209,528)	315,348
Fund balance, beginning of period	<u>809,375</u>	<u>494,027</u>
Fund balance, end of period	\$ 599,847 =====	\$ 809,375 =====