
TEXAS AUTOMOBILE INSURANCE PLAN
ASSOCIATION

SECOND REPORT

FOR THE PERIOD

JANUARY 1, 1995 THROUGH DECEMBER 31, 1995

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TEXAS

MARCH 21, 1996

SECOND REPORT FOR THE PERIOD FROM JANUARY 1, 1995
THROUGH DECEMBER 31, 1995

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Austin, Texas March 21, 1996

The Second Annual Meeting of the members of the Texas Automobile Insurance Plan Association was held in the Doubletree Guest Suites in Austin, Texas, beginning at 9:00 A.M., Thursday, March 21, 1996.

The meeting was called to order by Chairperson Flynn 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 14.B. 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 14.B.2, 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 14.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
Ms. Judy Miklaw, San Antonio, Texas
ITT Hartford

National Association of Independent Insurers
Mr. Jon Smanz, Northbrook, Illinois
Allstate Insurance Company

Alliance of American Insurers
Mr. Michael Mott, Irving, Texas
Liberty Mutual Insurance Company

Association of Fire and Casualty Companies in Texas
Ms. Jill House, Dallas, Texas
Trinity Universal Insurance Company

Non Affiliated Companies

**Mr. Terry Mack, Bloomington, Illinois
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. Terry Mack as Chair, Mr. Jack Crisci as Vice Chair, Mr. Enrique Valdivia as Second Vice Chair and Mr. Mike Gerik as Secretary.

Annual Meeting Attendees:

**Gene Flynn, ITT Hartford
Terry Mack, State Farm Mutual Automobile Insurance Company
Carol Berthold, Government Employees Insurance Company
Jill House, Trinity Universal Insurance Company
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
Richard Geiger, Thompson, Coe, Cousins & Irons
Mike Gerik, Southern Farm Bureau Casualty Insurance Company
James Langford, Southern Farm Bureau Casualty Insurance Company
Bill Brooks, Southern Farm Bureau Casualty Insurance Company
John D. Windham, Southern Farm Bureau Casualty Insurance Company
Bonnie Loss, Safeco Insurance
Dianna Bush, Allstate Insurance Company
Jim Mallett, Public Member
Enrique Valdivia, Public Member
Philip Dawson, Prudential
Helen Morris, Travelers Insurance
Jack Crisci, United Services Automobile Association
John Pennington, Colonial Penn Insurance Company
Judy Miklaw, ITT Hartford
Michael Mott, Liberty Mutual Insurance Company
Jon Smanz, Allstate Insurance Company
John Lusardi, Eagle Insurance
Susan Slivinske, Insurance Information Institute
Rick Gentry, 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

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

Aetna Insurance Company
Alaska Pacific Assurance Company
Allegiance Insurance Company
All America Insurance Company
American Agricultural Insurance Company
American Continental Insurance Company
American Contractors Insurance Company RRG
American Economy Insurance Company
American & Foreign Insurance Company
American Reliable Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Amerisure Insurance Company
Amica Mutual Insurance Company
Argonaut Insurance Company
Association Casualty Insurance Company
Assurance Company of America
Athena Assurance Company
AVEMCO Insurance Company
Balboa Insurance Company
Bankers Multiple Line Insurance Company
Bankers Standard Fire and Marine Company
Bankers Standard Insurance Company
Bituminous Casualty Corporation
The Camden Fire Insurance Association
Carolina Casualty Insurance Company
Casualty Reciprocal Exchange
Central Mutual Insurance Company
Central States Indemnity Co. of Omaha
Century Indemnity Company
Charter Indemnity Company
Chilton Insurance Company
Chubb Indemnity Insurance Company
Chubb Lloyds Insurance Company of Texas
Church Mutual Insurance Company
CIGNA Fire Underwriters Insurance Company
CIGNA Insurance Company
CIGNA Insurance Company of Texas
CIGNA Property & Casualty Insurance Company
CIGNA Reinsurance Company
Cincinnati Casualty Company
Cincinnati Insurance Company
Clarendon National Insurance Company
Commercial Union Insurance Company
Connecticut Genral Fire and Casualty Insurance Company
Constitution Reinsurance Corporation
Continental Western Insurance Company

Coregis Insurance Company
Economy Fire & Casualty Company
Economy Preferred Insurance Company
Economy Premier Assurance Company
Electric Insurance Company
Employers Insurance Company of Wausau
Evergreen National Indemnity Company
Fairmont Insurance Company
Farmers Alliance Mutual Insurance Company
Farmers Insurance Exchange
Federal Insurance Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Corporation
Federated Service Insurance Company
Fidelity & Guaranty Insurance Underwriters, Inc.
Financial Indemnity Company
First General Insurance Company
Foremost Group
Frankona Reinsurance Company-US Branch
GHS Property & Casualty
General Accident Insurance
General Accident Insurance Company of America
Germania Fire & Casualty Company
Germania Insurance Company
Globe Indemnity Company
Great Divide Insurance Company
Great Northern Insurance Company
Hochheim Prairie Casualty Insurance Company
Hochheim Prairie Insurance Company
Horace Mann Insurance Company
INA Group
Insurance Company of North America
J. C. Penney Casualty Insurance Company
Landmark American Insurance Company
Lincoln National Health & Casualty Insurance Company
Linsco Reinsurance Company
The London Assurance of America, Inc.
Lumbermens Mutual Casualty Company
Lumbermen's Underwriting Alliance
Markel Insurance Company
Maryland Casualty Company
Maryland Insurance Company
Meritplan Insurance Company
Metropolitan Casualty Insurance Company
Metropolitan General Insurance Company
Metropolitan Group Property and Casualty Insurance Company
Metropolitan Property and Casualty Insurance Company
Michigan Mutual Insurance Company
Mid-Century Insurance Company of Texas
Middlesex Insurance Company
Millers Mutual Insurance Association
NAU Group
National Standard Insurance Company

Newark Insurance Company
Northern Insurance Company of New York
Northland Casualty Company
Northland Insurance Company
Northwestern Pacific Indemnity Company
Old Republic Insurance Company
Old United Casualty Company
The Omaha Indemnity Company
Omaha Property and Casualty Insurance Company
Pacific Employers Insurance Company
Pacific Indemnity Company
Peak Property & Casualty Company
Pennsylvania General Insurance Company
Pennsylvania Manufacturers' Association Insurance Company
Phoenix Assurance Company of New York
Potomac Insurance Company of Illinois
Preferred Risk Mutual Insurance Company
Providian Fire Insurance Company
Providian Property and Casualty Insurance Company
RLI Insurance Company
The Reinsurance Corporation of New York
Reliance Insurance Company
Reliance Lloyds
Reliance National indemnity Company
Reliance Surety Company
Royal Indemnity Company
Royal Insurance Company of America
Royal Special Risks Insurance Company
SN Insurance Company
Safeguard Insurance Company
St. Paul Guardian Insurance Company
St. Paul Insurance Company
St. Paul Lloyds
St. Paul Mercury Insurance Company
The Sea Insurance Company of America
Seaboard Surety Company
Sentry Insurance a Mutual Company
Sirius Reinsurance Corporation
Sun Insurance Office of America, Inc.
Sydney Reinsurance Corporation
TIG Countrywide Insurance Company
TIG Indemnity Company
TIG Insurance Company
TIG Insurance Company of Michigan
TIG Insurance Company of Texas
TIG Insurance Corporation of America
TIG Premier Insurance Company
Teachers Insurance Company
Texas Pacific Indemnity Company
Truck Insurance Exchange
Underwriters Indemnity Company
Union Standard Insurance Company
US Lloyds Insurance Company

Unisun Insurance Company
United Americas Insurance Company
United Pacific Insurance Company
United States Fidelity and Guaranty Company
Universal Underwriters Insurance Company
Valiant Insurance Company
Vigilant Insurance Company

ASSOCIATION MANAGER'S REPORT

The Texas Automobile Insurance Plan processed 716,036 applications during 1994. During 1995, the Texas Automobile Insurance Plan Association processed 461,059 applications, which represents a thirty-six percent (36%) reduction.

During this same time period, the staff was reduced forty-one (41%), from sixty-one (61) full time employees in 1994 to forty-one (41) in 1995.

I want to take this opportunity to thank the TAIPA staff. On behalf of myself and the staff, I would like to thank the Governing Committee members for their support.

CHAIRPERSON'S REPORT

PCP/ESP:

Effective May 1, 1995, all producers submitting applications to TAIPA were required to be certified by the Association. Several bulletins were sent to producers to introduce them to the provisions of the Texas Automobile Insurance Plan Association's Producer Certification Program (PCP) and the Electronic Submission Procedure (ESP). Effective June 1, 1995, producers certified with TAIPA were offered the privilege of utilizing the ESP to effect coverage for losses on the day and time of the ESP call, and allowed to issue a Binder Form to the insured immediately.

Producer Complaint Procedures were established and included in the TAIPA Plan of Operation. Procedures for the determination of members of the Producer Review Panel were also approved by amendment to the Plan of Operation.

Through December 31, 1995, a total of 8,095 producers had been certified with the Association. Certification of these producers provides for better qualified producers serving the general public.

Credit Programs for Insurers:

By TAIPA bulletin, insurers were notified that effective in January 1996 they would be eligible to receive credits against their TAIPA quota by writing voluntary business in designated "underserved" ZIP code areas. Commissioner Elton Bomer designated the four classes of underserved ZIP codes and their credit values.

In May, the Governing Committee approved a Take-Out Program after being addressed by Commissioner Bomer. In June, the TAIPA Plan of Operation was amended by the adoption of a new Section 17 providing for a mandatory and a voluntary Take-Out Plan. TAIPA informed member companies that these provisions would become effective on 12-1-95 for policies expiring on and after that date. The prescribed form, which companies must use to make the mandatory offer, was produced in English/Spanish versions by TAIPA.

Educational Seminars:

On March 15, 1995, TAIPA held a company seminar with seventy-five in attendance. The seminar covered background information on TAIPA, rules for processing of applications, quota information and an explanation of the impact the new Producer Certification and Electronic Submission Programs would have on the companies.

On March 31, 1995 and April 21, 1995, a Producers Procedure Course was presented for producers certified with TAIPA. All Group 2.2 producers were required to take the course; it was optional for others. The Texas Association of Insurance Agents produced these courses via satellite at twenty-six (26) community colleges throughout the state. Producers earned three hours of Continuing Education credits for attending. A total of 1,687 producers attended the course.

TAIPA Rates:

On June 1, 1995, TAIPA received a Private Passenger Rate Increase. The increase approved by Commissioner Bomer produced TAIPA rates that were 61% above the private passenger benchmark rates. Other than Private Passenger rates were kept at the Commercial Auto benchmark rate level.

Hearings on rates for the residual auto insurance market began once again on October 31, 1995 at the State Office of Administrative Hearings. During the three days of testimony, TAIPA presented evidence in support of its recommended 46.5% overall statewide increase for Private Passenger insurance rates.

As in the past, TAIPA recommended that the adjustments to commercial assigned risk rates parallel any adjustment the Commissioner makes to voluntary commercial auto benchmark rates.

The Administrative Law Judges who heard the case will review the evidence and issue a proposal for decision for consideration by Commissioner Bomer. He may then accept the proposal, modify it, or send the case back to the judges for further evidence.

It is anticipated at this time that the rates changes will become effective on August 1, 1996, or possibly July 1.

Amendments to TAIPA Plan of Operation- Sections 5, 6,11,12,13,14,16, and Adoption of New Section 17:

Members of the Operations Subcommittee worked in conjunction with the TAIPA Governing Committee to finalize and submit amendments for the TAIPA Plan of Operation. The following amendments were filed with the Commissioner of Insurance in 1995 and approved:

June 7, 1995: Amendments to the following sections were approved by Commissioner Bomer:

Section 6 Application for Assignment, Designation of Insurer, Effective Date of Coverage and Evidence of Insurance

Section 11 Producer Certification Program

July 26, 1995: Amendments to the following sections were approved by Commissioner Bomer:

Section 3.A.3. Eligibility

Section 7 Assignment Period

Section 12.B.6 Performance Standards for Producers

Section 13.B.3 Performance Standards for Insurers

Section 16.K.4. Determination and Fulfillment of Quotas

Section 17 Take-Out Plans

September 7, 1995: Amendment to the following section was approved by Commissioner Bomer:

Section 5 Premium Deposit Requirements and Payment Options

September 20, 1995: Amendments to the following sections were filed with Commissioner Bomer:

Section 13.B.2. Performance Standards for Insurers

Section 17 Take-Out Plans

December 12, 1995: Amendments to the following sections were filed with Commissioner Bomer:

Section 14.A.2. Administration

Section 6.B.2. Application for Assignment, Designation of Insurer, Effective Date of Coverage and Evidence of Insurance.

TAIPA Operation:

While a reduction in the new application volume signals insurance availability elsewhere—certainly a positive result, its impacts created management challenges within the TAIPA office. The office downsized eight positions and terminated all temporary employee positions during the year. In spite of the reduction in staff, we were able to offer job enrichment and career advancement to employees showing capability. We started up the PCP and ESP units and fulfilled our commitment to further develop our supervisory and management staff.

Preparations for 1996

We enter 1996 optimistic for more adequacy in rates, greater efficiency in operation and better service to our member companies and the general public. We should see rates approved effective in the summer and continued refinement of the Plan of Operation. Staff will continue to monitor and act on expense control and for building capability to offer more services to producers. The Producer Review Panel will begin its work and the Operations Subcommittee will no doubt maintain a full plate throughout the year.

My personal thanks go to Bobby White for his fine management of the TAIPA office and to his "right hands"—Margaret Alsobrook and Marilyn Kinsey. All three and the rest of their management team traveled well on the roller coaster during 1995. It takes real skill to manage a downsizing, implement new programs and manage an ongoing operation as well as they have. Dick Geiger and Mike Miller have also been instrumental in educating all of us on their disciplines and for providing clear, practical guidance and advice.

Thanks also go to the Operations Subcommittee for their intensive efforts supporting PCP, ESP and the rest of the operational and Plan of Operation issues that they tackled last year. This group has proven itself to be quite adept at working out difficult issues and providing good insights and recommendations to the Governing Committee. Speaking of which, the Governing Committee also deserves special mention in supporting the variety of issues that we managed in 1995. As a group, we handled policy, strategic and operational issues at least as well as any governing committee in prior years.

Finally, special thanks go to Commissioner Bomer, Birny Birbaum, Becky Jackson-Birbaum, Janet Dewey and representatives from other (non-governing committee) member companies who brought different perspectives to our discussions and helped to create the well rounded products that we developed and introduced in 1995.

Eugene E. Flynn, CPCU
Chair

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31,

	<u>1995</u>	<u>1994</u>
Changes in unrestricted net assets:		
Revenues		
Members assessments	\$3,409,535	\$2,991,877
Binders	129,402	-----
Registration fees	43,490	-----
Interest income	37,980	23,896
Assessment penalties	11,225	1,716
Other income	<u>5,787</u>	<u>141</u>
Total Revenues	<u>3,637,419</u>	<u>3,017,630</u>
Expenses		
Salaries	1,353,546	1,428,641
Postage and telephone	323,449	403,008
Legal	229,944	312,819
Computer and programming expense	81,454	59,638
Actuarial and consulting	176,859	165,291
Employee benefits:		
Pension plan	56,730	52,242
401A benefit plan	26,469	19,857
Dues and subscriptions	1,711	26,471
Educational seminars	6,008	65,509
Governing committee	102,279	154,589
Insurance	15,074	12,309
Insurance, group	117,382	96,892
Auditing	5,300	5,100
Office supplies and expense	49,236	58,813
Rent	161,476	161,687
Service Contracts	8,281	5,867
Payroll taxes	97,819	89,179
Property taxes	7,214	3,305
Travel and entertainment	10,552	14,256
Other	89,275	5,922
Binders	107,802	-----
Seminars	<u>117,400</u>	-----
Total expenses before depreciation and amortization	3,145,260	3,141,395
Depreciation and amortization	<u>114,988</u>	<u>85,763</u>
Total expenses	<u>3,260,248</u>	<u>3,227,158</u>
Change in net assets	377,171	(209,528)
Net Assets, beginning of period	<u>599,847</u>	<u>809,375</u>
Net assets, end of period	977,018 =====	599,847 =====

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31,

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$377,171	\$(209,528)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	114,988	85,763
(Increase) decrease in accounts receivable	(7,836)	1,116,008
(Increase) decrease in deferred income	(261,756)	262,051
(Increase) decrease in prepaid expenses	15,201	(4,898)
Increase (decrease) in accounts payable	<u>43,692</u>	<u>(1,105,258)</u>
Net cash provided by operating activities	<u>281,460</u>	<u>144,138</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(59,923)</u>	<u>(329,335)</u>
Net cash used in investing activities	<u>(59,923)</u>	<u>(329,335)</u>
Net increase (decrease) in cash	221,537	(185,197)
Cash at beginning of period	<u>265,444</u>	<u>450,641</u>
Cash at end of period	<u>\$ 486,981</u> =====	<u>\$ 265,444</u> =====