



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

SEVENTH REPORT

FOR THE PERIOD

JANUARY 1, 2000 THROUGH DECEMBER 31, 2000

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

MARCH 1, 2001

SEVENTH REPORT FOR THE PERIOD FROM JANUARY 1, 2000 THROUGH
DECEMBER 31, 2000

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Austin, Texas March 1, 2001

The Seventh Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held in the Omni Austin Hotel Downtown, beginning at 8:30 A.M., Thursday, March 1, 2001.

The meeting was called to order by the Chairman, Mike Gerik, who asked the Association Manager if a quorum was present. Once confirmed, the Chairman 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 TAIPA Plan of Operation. The trade association representatives selected were: Alliance of American Insurers – Liberty Mutual Insurance Company, American Insurance Association – Kemper Insurance Company, Association of Fire and Casualty Companies in Texas – Union Standard Insurance Company, and National Association of Independent Insurers – Allstate 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.

In keeping with Section 14.B.3, Chairman Gerik announced the nomination of Farmers Insurance Group of Companies, United Services Automobile Association, and Southern Farm Bureau Casualty Company, for the at-large member positions. Since no other nominations were received, a motion was made, seconded, and unanimously adopted, to elect the nominated representatives as follows:

Alliance of American Insurers
Liberty Mutual Insurance Company
Mary Frances Rash, Irving, TX

American Insurance Association
Kemper Insurance Company
Matt Liebgott, Dallas, TX

Association of Fire and Casualty Companies in Texas
Union Standard Insurance Company
Marie Tucker, Irving, TX

National Association of Independent Insurers
Allstate Insurance Company
Jon Smanz, Northbrook, IL

TAIPA Seventh Annual Report
Page 2 of 9

Non Affiliated Companies:
State Farm Insurance Company
Fred Marsh, Dallas, TX

At-Large Members
Farmers Insurance Group of Companies
Jim Snikeris, Austin, TX

Southern Farm Bureau Casualty Company
Mike Gerik, Waco, TX

United Services Automobile Association (USAA)
Jack Crisci, San Antonio, TX

The Chairman asked Association Manager, Bobby White, to read the Manager's Report. The report was read. TAIPA Chairman, Mike Gerik read the Chairman's Report.

The Chairman then inquired if there was any new or unfinished business to be laid before the members. There being no further business, the meeting was adjourned. Following the adjournment, the Governing Committee convened and elected Mr. Mike Gerik as Chair, Mr. Jon Smanz as Vice-Chair, Mr. Bill Jeter as Second Vice-Chair and Ms. Mary Frances Rash as Secretary.

Annual Meeting Attendees:
Margaret Alsobrook, TAIPA
Mary Carol Hopkins-Awalt
Carol Berthold, GEICO
Patrick Bonds; Hilb, Rogal & Hamilton Company of Dallas
Dianna Brooks, TAIPA
Jack Crisci, USAA
Grover Corum, TDI
Mike Escareno, State Farm
Richard Geiger; Thompson, Coe, Cousins & Irons, L.L.P.
Mike Gerik, Southern Farm Bureau Casualty Company
Laura Hausman, Public Member
Leslie Hurley, TDI
Becky Jackson-Birnbaum, OPIC
Jerry Johns, Southwest Insurance Information Service, Inc.
Michael Jones; Thompson, Coe, Cousins & Irons
Marilyn Kinsey, TAIPA
John Lusardi, Cal-Eagle
Terry Mack, State Farm Insurance Companies
Fred Marsh, State Farm Insurance Companies

Seventh Annual Report

Page 3 of 9

Mary Frances Rash, Liberty Mutual Insurance Company

Jon Smanz, Allstate Insurance Company

Bobby White, TAIPA

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

Allegiance Insurance Company

American Agricultural Insurance Company

American Alternative Insurance Corp. (AAIC)

American Central Insurance Company

American Contractors Insurance Company Risk Retention Group

American Employers' Insurance Company

American Guarantee & Liability Insurance Company

American Mercury Insurance Company

American Mercury Lloyd's Insurance Company

American National General Insurance Company

American National Property & Casualty Company

American Re-Insurance Company

American Risk Funding Insurance Company

American Zurich Insurance Company

Anthem Insurance Companies, Inc.

Argonaut Great Central Insurance Company

Argonaut Insurance Company

Argonaut-Midwest Insurance Company

Argonaut-Southwest Insurance Company

Armed Forces Insurance Exchange

Assurance Company of America

Athena Assurance Company

Atlas Assurance Company of America

Auto-Owners Insurance Company

AXA Reinsurance Company

Beacon Insurance Company of America

Berkley Regional Insurance

Carolina Casualty Insurance Company

Casualty Reciprocal Exchange

Cedar Hill Assurance Company

Central States Indemnity Company of Omaha

Centre Insurance Company

CGU Insurance Company

Chubb Indemnity Insurance Company

Chubb Lloyds of Texas

Chubb National Insurance Company

Church Mutual Insurance Company

Seventh Annual Report

Page 4 of 9

Cincinnati Casualty Company, The
Cincinnati Insurance Company, The
Cologne Reinsurance Company of America
Colonial American Casualty and Surety Company
Columbia Insurance Company
Commercial America Insurance Company
Commercial Union Insurance Company
Companion Commercial Insurance Company
Companion Property and Casualty Insurance Company
Continental Western Insurance Company
CU Lloyd's of Texas
Dairyland Insurance Company
Discover Property & Casualty Insurance Company
Eagle Insurance Company
Economy Fire & Casualty Company
Economy Preferred Insurance Company
Economy Premier Assurance Company
EMC Reinsurance Company
EMCASCOS Insurance Company
Empire Fire and Marine Insurance Company
Employers' Fire Insurance Company, The
Employers Mutual Casualty Company
Equity Mutual Insurance Company
Executive Risk Indemnity Incorporated
Fairfield Insurance Company
Farmers and Merchants Insurance Company
Farmers Insurance Exchange
Federal Insurance Company
Federated Mutual Insurance Company
Federated Service Insurance Company
Fidelity and Deposit Company of Maryland
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
Foremost Lloyds of Texas
GEICO General Insurance Company
GEICO Indemnity Company
General Accident Insurance Company of America
General Reinsurance Corporation
General Star National Insurance Company
Genesis Insurance Company
Government Employees Insurance Company
Great Divide Insurance Company
Great Northern Insurance Company

Great River Insurance Company
Harco National Insurance Company
Hawkeye Security Insurance Company
Healthcare Underwriters Mutual Insurance Company
Heritage Mutual Insurance Company
Home Insurance Company, The
Horace Mann Insurance Company
Horace Mann Lloyds
Houston General Insurance Company
Houston General Lloyds
KOA Fire & Marine Insurance Company, LTD. (U.S. Branch), The
Liberty Insurance Underwriters, Inc.
Manufacturers Alliance Insurance Company
Markel American Insurance Company
Markel Insurance Company
Maryland Casualty Company
Maryland Insurance Company
Maryland Lloyds
Merastar Insurance Company
Mercury Casualty Company
Metropolitan Casualty Insurance Company
Metropolitan Direct Property & Casualty Insurance Company
Metropolitan General Insurance Company
Metropolitan Group Property & Casualty Insurance Company
Metropolitan Lloyds Insurance Company of Texas
Metropolitan Property & Casualty Insurance Company
Mid-Century Insurance Company
Mid-Century Insurance Company of Texas
Middlesex Insurance Company
Mutual Insurance Corporation of America
National Farmers Union Property & Casualty Company
National Farmers Union Standard Insurance Company
National Indemnity Company
National Liability & Fire Insurance Company
National Reinsurance Corporation
National Standard Insurance Company
North Star Reinsurance Corporation
Northbrook Indemnity Company
Northbrook Property and Casualty Insurance Company
Northern Assurance Company of America, The
Northern Insurance of Company of New York
Northwestern Insurance Company
OHIC Insurance Company

Seventh Annual Report

Page 6 of 9

Ohio Farmers Insurance Company
Pacific Indemnity Company
Pathfinder Insurance Company
Patriot General Insurance Company
Peerless Insurance Company
Pennsylvania Manufacturers Indemnity Company
Pennsylvania Manufacturers Association Insurance Company
PMA Reinsurance Corporation
Potomac Insurance Company of Illinois
Proselect National Insurance Company, Inc.
Providence Lloyds
Providence Washington Insurance Company
Providence Washington Insurance Company of New York
Prudential Commercial Insurance Company
Prudential General Insurance Company
Prudential Property & Casualty Insurance Company
Quadrant Indemnity Company
Republic Insurance Company
Sentry Casualty Company
Sentry Insurance a Mutual Company
Sentry Lloyds of Texas
Sentry Select Insurance Company
Shelby Casualty Insurance Company
Signet Star Reinsurance Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Insurance Company, The
St. Paul Medical Liability Insurance Company
Starnet Insurance Company
Teachers Insurance Company
Texas Farmers Insurance Company
Texas Pacific Indemnity Company
Texas Select Lloyds Insurance Company
Titan Indemnity Company
Traders & General Insurance Company
Tri-State Insurance Company
Union Insurance Company
Union Insurance Company of Providence
Union Standard Insurance Company
Union Standard Lloyds
United States Fidelity and Guaranty Company
United States Liability Insurance Company
Universal Underwriters Insurance Company

Universal Underwriters of Texas Insurance Company
USAgenies Direct Insurance Company
USF Reinsurance Company
US International Reinsurance Company
Valiant Insurance Company
Vesta Lloyds Insurance Company
Victoria Fire & Casualty Insurance Company
Vigilant Insurance Company
Westfield Insurance Company
Westfield National Insurance Company
York Insurance Company
Zale Indemnity Company
ZC Insurance Company
ZC Specialty Insurance Company
Zurich American Insurance Company
Zurich American Insurance Company of Illinois
Zurich Reinsurance (North America) Inc.

Association Manager's Report

As we move toward Texas Auto Residual Markets 50th Anniversary in 2001, we continue to have good news. The new application count for 2000 was 44,945, down 5% from 1999. Application volume was down for the seventh consecutive year and was the lowest since 1964. Monies spent by TAIPA in 2000 were \$1,705,563, which is down 7% from 1999 and 7% under the annual budget.

In the past year it was a pleasure working with a tenured and dedicated staff, with progressive and enthusiastic officers, and a knowledgeable and committed Governing Committee.

This concludes my report.

Chairperson's Report

Good Morning.

The new millennium began at TAIPA without any data processing events. I commend staff on their diligence to ensure TAIPA processing systems were 2000 compliant.

Year 2000 has been a calm year for TAIPA. Application assignment in 2000 was 44,945 compared to 47,108 in 1999. This represents a 4.5% decrease over 1999 and the seventh year in a row TAIPA assignments have decreased. TAIPA assignments in 2000 actually were at its lowest level since 1964. I feel strongly that the depopulation of TAIPA has been accomplished because of two (2) reasons:

Seventh Annual Report

Page 8 of 9

1. TAIPA has maintained a rate based on sound actuarial principles, and
2. The competitive automobile market place in Texas

During the nineties, TAIPA private passenger rates were modestly adjusted upward until June 1, 1995 when the Texas Commissioner of Insurance adopted a 48.8% increase. This increase was followed with a 25.9 increase August 1, 1996. A moderate increase April 1, 1998 of 4.5% was followed by a 27.4% decrease March 1, 1999 and a 6.1% decrease December 1, 2000. As we begin the rate hearing process in 2001, I feel confident TAIP Attorneys and actuary will be successful in the rate hearing persuading the Insurance Commissioner to adopt an actuarially sound rate for risks assigned through TAIPA.

TAIPA staff has made many accomplishments over 2000, but I would like to speak to three accomplishments specifically:

1. The governing committee became aware of the necessity to change health insurance carriers in early 2000. Staff (specifically Bobby and Marilyn including the governing committee) has worked extremely diligently in 2000 to secure appropriate bids and make recommendations to the governing committee to accomplish this task. This process has been an education to say the least for staff and the governing committee, but hopefully it will be completed by mid 2001. The determination by all involved will result in a much better insurance benefit package for TAIPA employees. I want to thank all staff and the governing committee for your patience and hard work on this issue.
3. TAIPA staff began the process in 2000 working with their capable data processing vendor (AIPSO) to enhance the processing systems utilized by TAIPA. Any time a company embarks on enhancing processing systems, there must be an environment to work together to accomplish the task. This effort should be completed in 2001 and every indication is TAIPA will have a much-improved processing system due to staff and AIPSO's excellent work.
4. The last part of 2000, TAIPA went on-line with their web site. The web site is outstanding and will be beneficial to consumers, producers, and insurers. TAIPA web site contains valuable information that will assist all parties concerned in answering questions about TAIPA. As our communications methods change over the upcoming years, the web site will be essential in educating consumers, producers, and insurers on TAIPA business. I would like to commend the web site team members; Dianna Brooks, Dwight Brown, Larry Peterson, Michelle Ascerno, Michael Green, and Michael Alder on a job well done.

In closing, the TAIPA governing committee continues to work well representing various interests. I appreciate your efforts and especially commend the public and producer members who take time out of their schedules to help administer the affairs of TAIPA. The operations subcommittee chaired by Carol Berthold of GEICO; and members Terry Mack, State Farm; Bill Jeter, public member; Pete Hamel, producer member; and Cathy Beavers, USAA

Seventh Annual Report

Page 9 of 9

provide the needed technical knowledge to assist the governing committee in making informed decisions. I thank you for your efforts.

I would like to thank the Office of Public Insurance Council and the Texas Department of Insurance for your participation in TAIPA. Your cooperation is essential for TAIPA to effectively serve all interested parties.

I commend our outside vendors, Dick Geiger and Mike Jones, TAIPA Counsel, and Mike Miller, TAIPA Actuary, on the excellent representation you provide to TAIPA.

Finally, TAIPA staff continues to provide excellent service to consumers, producers, and insurers. Bobby White and his staff continue to do an excellent job planning and administering TAIPA business. I thank you on behalf of the governing committee.

This concludes my report.