



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

EIGHTH REPORT

FOR THE PERIOD

JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 28, 2002

EIGHTH REPORT
FOR THE PERIOD FROM
JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Austin, Texas February 28, 2002

The Eighth Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held in the Omni Austin Hotel South, beginning at 8:30 A.M., Thursday, February 28, 2002.

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 – The Hartford Insurance Company, Association of Fire and Casualty Companies in Texas – Republic Underwriters 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 Insurance 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
The Hartford Insurance Company
Todd Richardson, Austin, TX

Association of Fire and Casualty Companies in Texas
Republic Underwriters Insurance Company
Brad Duelks, Dallas, TX

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

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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 Insurance Company
Mike Gerik/James Langford, 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. Jon G. Smanz as Chair, Mrs. Mary Frances Rash as Vice-Chair, Mr. Bill Jeter as Second Vice-Chair and Mr. Jack Crisci as Secretary.

Annual Meeting Attendees:
Margaret Alsobrook, TAIPA
Tom Assad, AIPSO
Mary Carol Awalt, Public Member
Carol Berthold, GEICO
Dianna Brooks, TAIPA
Jack Crisci, USAA
Grover Corum, TDI
Richard Geiger; Thompson, Coe, Cousins & Irons, L.L.P.
Sally Greene, Information Systems & Services
Mike Gerik, Southern Farm Bureau Casualty Insurance Company
Dave Harrop, State Farm Insurance Companies
Laura Hausman, Public Member
Becky Jackson-Birnbaum, OPIC
Jerry Johns, Southwest Insurance Information Service, Inc.
Marilyn Kinsey, TAIPA
James Langford, Southern Farm Bureau Casualty Insurance Company
Terry Mack, State Farm Insurance Companies
Fred Marsh, State Farm Insurance Companies
Erin Martins, OPIC

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Cheryl McDonald, Information Systems & Services
Mary Frances Rash, Liberty Mutual Insurance Company
Jon Smanz, Allstate Insurance Company
Larry Welborne, State Farm Insurance Companies
Bobby White, TAIPA

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

Aegis Security Insurance Company (313)
Aberdeen Insurance Company (1116)
Acuity, A Mutual Insurance Company (289)
All America Insurance Company (36)
American Contractors Insurance Company Risk Retention Group (594)
American Casualty Company of Reading, Pennsylvania (218)
American National General
American Central Insurance Company (44)
American Continental Insurance Company (164)
American Employers' Insurance Company
American Fire and Casualty Company (148)
American Hardware Mutual Insurance Company (291)
American Merchants Casualty Company
American Professionals Insurance Company
American Risk Funding Insurance Company
American Safety Casualty Insurance Company (1346)
American Sentinel Insurance Company
American National Property and Casualty Company
Amex Assurance Company (4)
Argonaut Great Central Insurance Company (457)
Argonaut Insurance Company
Argonaut-Midwest Insurance Company
Argonaut-Southwest Insurance Company
Armed Forces Insurance (0)
Association Casualty Insurance Company (587)
Athena Assurance Company
Atlantic Lloyd's Insurance Company of Texas (24)
Atlantic Mutual Insurance Company
Atlantic Specialty Insurance Company
Avomark Insurance Company
Bituminous Casualty Corporation (150)
Bituminous Fire and Marine Insurance Company
Boston Old Colony Insurance Company
Canal Insurance Company (262)
Central Mutual Insurance Company

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CGU Insurance Company
CGU Insurance Company of New Jersey
CMI Lloyds
CNA Lloyd's of Texas
Casualty Reciprocal Exchange (56)
Centennial Insurance Company
Chubb Indemnity Insurance Company (38)
Chubb Lloyds Insurance Company of Texas
Chubb National Insurance Company
Cincinnati Casualty Company, The (244)
Cincinnati Insurance Company, The
Colonial Penn Franklin Insurance Company (350)
Colonial Penn Insurance Company
Commercial America Insurance Company (1257)
Commercial Insurance Company of Newark, New Jersey
Commercial Union Insurance Company
Coregis Insurance Company
Continental Casualty Company
Continental Insurance Company, The
Continental Lloyd's Insurance Company
Continental Reinsurance Corporation
Country Casualty Insurance Company (50)
Country Mutual Insurance Company
Country Preferred Insurance Company
Crum & Forster Indemnity Company (158)
Discover Property & Casualty Company
Economy Fire & Casualty Company (241)
Employers General Insurance Company
Employers' Fire Insurance Company, The
Economy Preferred Insurance Company
Economy Premier Assurance Company
Employers Reinsurance Corporation
Equity Mutual Insurance Company
Executive Risk Indemnity Inc.
Fairmont Insurance Company
Farmers Alliance Mutual Insurance Company (214)
Farmers & Merchants Insurance Company
Federal Insurance Company
Federated Mutual Insurance Company (7)
Federated Service Insurance Company
Fidelity and Casualty Company of New York, The
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.

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Firemen's Insurance Company of Newark, New Jersey
GE Auto & Home Assurance Company
GE Reinsurance Corporation
Georgia Casualty & Surety Company
Farmers & Merchants Insurance Company
General Accident Insurance Company
Germania Fire & Casualty Company (171)
Germania Insurance Company
Glens Falls Insurance Company, The
Grain Dealers Mutual Insurance Company (82)
Great West Casualty Company
Great Northern Insurance Company
Hawkeye-Security Insurance Company
Heartland Lloyds Insurance Company (681)
Heritage Indemnity Company
Highlands Casualty Company
Highlands Insurance Company
Highlands Lloyds
Highlands Underwriters Insurance Company
IDS Property Casualty Insurance Company
Indiana Lumbermens Mutual Insurance Company (246)
International Business & Mercantile Reassurance Company
International Insurance Company
Kansas City Fire and Marine Insurance Company
LMI Insurance Company
Lone Star National Insurance Company
Lumbermen's Underwriting Alliance (0)
Markel American Insurance Company (785)
Markel Insurance Company
Mayflower Insurance Company, LTD., The
Medical Liability Mutual Insurance Company (1210)
Metropolitan Casualty Insurance Company
Metropolitan Direct Property and Casualty Insurance Company
Metropolitan General Insurance Company
Metropolitan Group Property and Casualty Insurance Company
Metropolitan Lloyds Insurance Company of Texas
Metropolitan Property and Casualty Insurance Company
Montgomery Ward Insurance Company
Midwestern Insurance Company
Millers Mutual Insurance Association (855)
National American Insurance Company (0)
National-Ben Franklin Insurance Company of Illinois
National Building Material Assurance Company

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National Farmers Union Property and Casualty Company
National Farmers Union Standard Insurance Company
National Fire Insurance Company of Hartford
Niagara Fire Insurance Company
Nipponkoa Insurance Company of America (2558)
Nipponkoa Insurance Company, Limited (U.S. Branch)
NN Insurance Company
North American Elite Insurance Company (181)
North American Specialty Insurance Company
North River Insurance Company, The
Northbrook Property and Casualty Insurance Company
Northern Assurance Company of American, The
Northwestern National Casualty Company
Northwestern Pacific Indemnity Company
Odyssey America Reinsurance Corporation
Ohio Casualty Insurance Company, The
Ohio Security Insurance Company
OHIC Insurance Company
Old Republic Insurance Company
Old Republic Lloyds of Texas Pacific Specialty Insurance Company (2898)
Optimum Property & Casualty Company (1167)
Pacific Indemnity Company
Partner Reinsurance Company of the U.S.
Partnerre Insurance Company of New York
Pathfinder Insurance Company (0)
Penn-Star Insurance Company (1218)
Pharmacists Mutual Insurance Company (775)
Planet Indemnity Company (783)
Potomac Insurance Company of Illinois
Proselect National Insurance Company, Inc (1154)
QBE Insurance Corporation (796)
QBE Reinsurance Corporation
Quadrant Indemnity Company
Ranger Insurance Company
Ranger Lloyds
Reciprocal of America (0)
RLI Insurance Company
Safety National Casualty Corporation (74)
Selective Insurance Company of America (242)
Selective Insurance Company of the Southeast
Seneca Insurance Company, Inc.
Service Casualty Insurance Company
Service Lloyds Insurance Company

Shelby Casualty Insurance Company (958)
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Insurance Company, The
St Paul Medical Liability Insurance Company
St. Paul Mercury Insurance Company
Swiss Reinsurance America Corporation
Texas Pacific Indemnity Company
Texas Select Lloyds Insurance Company
TIG American Specialty Insurance Company
TIG Indemnity Company
TIG Insurance Company
TIG Insurance Company of Texas
TIG Insurance Corporation of America
TIG Lloyds Insurance Company
TIG Premier Insurance Company
Tokio Marine and Fire Insurance Company, Limited, The (950)
Transcontinental Insurance Company
Trans Pacific Insurance Company
Transportation Insurance Company
Tri-State Insurance Company
Underwriters Indemnity Company
Underwriters Insurance Company
Underwriters Reinsurance Company
United Americas Insurance Company (0)
United States Fire Insurance Company
Universal Surety of America
United States Fidelity and Guaranty Company
Valley Forge Insurance Company
Vesta Fire Insurance Company
Vesta Fire Insurance Corporation
Vigilant Insurance Company
West American Insurance Company
Western General Insurance Company
Westport Insurance Corporation
Zenith Star Insurance Company

Association Manager's Report

The year 2002 is the fiftieth year of the auto residual market in the state of Texas. Whether it is called TMVARP, TAIP, or TAIPA, more than seven million applications have been processed in these fifty years.

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In 2001, 53,477 applications were processed compared to 44,945 in 2000 for a 19% increase. This is the first year since 1993 that there has been an application increase when compared to the prior year.

TAIPA incurred an expense of \$1,761,109 in 2001 compared to 1,705,563 in 2000 or an increase of 3%. TAIPA operated 4% under our 2001 budget.

Making 2001 a successful year was the hard work of TAIPA staff, Governing Committee and in particular, the officers.

This concludes my report.

Chairperson's Report

This is the first year in the last seven (7) we have experienced an increase in TAIPA assignments. My colleagues tell me this is a trend the industry is experiencing in other state residual markets.

I feel confident TAIPA will not experience the accelerated growth in the early 1980s and 90s because:

1. TAIPA has maintained a rate based on sound actuarial principles, and
2. The competitive automobile marketplace 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. Year 2001 the Insurance Commissioner adopted a 9.2% rate increase effective December 31, 2001.

TAIPA will experience one (1) change in 2002 from the recent legislative session in Texas. The Texas legislature passed legislation changing the rate hearing process for TAIPA rates. This process will be beneficial to TAIPA and consumers because it streamlines the hearing process and should result in the faster implementation of TAIPA rates. I commend our attorneys, Dick Geiger and Mike Jones, on their work on this legislation.

TAIPA staff continues to enhance the process of assigning applications to companies. This process has been enhanced by working with their data processing vendor, AIPSO, to revise their processing system. This effort has taken about eighteen (18) months and now is operational. I commend TAIPA staff and AIPSO on their work.

TAIPA staff will have two (2) issues, among others, to accomplish in 2002.

1. The first issue is to negotiate a new lease for their office by July 1, 2002. This most likely will require office space renovation or possibly relocation.
2. Implement a project to revise TAIPA application retention guidelines to reduce office space.

I appreciate the Governing Committee efforts to work together on various issues while representing various interests. I 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, for providing 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; Mike Miller, TAIPA actuary; and Jerry Johns, SIIS, on the excellent representation you provide to TAIPA.

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.

Finally, I would like to close by saying this will be my last Governing Committee meeting. James Langford will take my place as our company representative and I know you will enjoy working with him as I have during my career at Texas Farm Bureau Insurance Companies.

This concludes my report.