



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

NINTH REPORT

FOR THE PERIOD

JANUARY 1, 2002 THROUGH December 31, 2002

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 27, 2003

TEXAS AUTOMOBILE INSURANCE PALN ASSOCIATION
NINTH REPORT
FOR THE PERIOD FROM
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ANNUAL MEMBERSHIP MEETING
Austin, Texas
February 27, 2003

The Ninth Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held at the Omni Austin Hotel South, beginning at 8:30 AM, Thursday, February 27, 2003.

The meeting was called to order by Governing Committee Chairman, Jon G. Smanz, who asked the Association Manager if a quorum was present. Once confirmed, the Chairman requested that the Anti-trust Statement be read. Association Manager, Bobby White, 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 Insurance – 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 Smanz 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
Peggy Kawamura, Houston 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

Non Affiliated Companies:

State Farm Insurance Company
Patricia Royal, Dallas TX

At-Large Members:

Farmers Insurance Group of Companies
Mark Franciskovic, Austin TX

Southern Farm Bureau Casualty Company
James Langford, Waco TX

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

The Chairman asked the Association Manager to give the Managers' Report. The report was read. Chairman Smanz then gave the Chairman's Report.

The Chairman 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. Smanz as Chairman, Mrs. Mary Frances Rash as Vice-Chair, Mr. Bill Jeter as Second Vice-Chairman and Mr. Jack Crisci as Secretary.

Annual Meeting Attendees:

Margaret Alsobrook, TAIPA
Tom Assad, AIPSO
Mary Carol Awalt, Public Member
Carol Berthold, GEICO
Pat Bonds, Producer Member
Dianna Brooks, TAIPA
Jack Crisci, USAA
Carroll Curry, Information Systems & Services Corporation
Mario Dominguez, State Farm Insurance Agency
Marc Fracisokovic, Farmers Insurance Group of Companies
Dave Harrop, State Farm Insurance Company
Bill Jeter, Public Member
Mike Jones; Thomspson, Coe, Cousins & Irons, LLP
Laura Hausman, Public Member
Jerry Johns, Southwestern Insurance Information Service, Inc.
Marilyn Kinsey, TAIPA
Terry Mack, State Farm Insurance Companies
Larry Peterson, TAIPA
Mary Frances Rash, Liberty Mutual Insurance Company
Sandra Ray, Southwestern Insurance Information Service, Inc.
Jon Smanz, Allstate Insurance Company
Larry Welborne, State Farm Insurance Company
Bobby White, TAIPA

The following member companies were represented by proxy:

Acuity, A Mutual Insurance Company
Aegis Security Insurance Company
All America insurance Company
American Alternative Insurance Corporation
American and Foreign Insurance Company
American Hardware Mutual Insurance Company
American Merchants Casualty Company
American National General Insurance Company
American National Property and Casualty Company
American Re-insurance Company
American Sentinel Insurance Company
Athena Assurance Company
Auto-Owners Insurance Company
CMI Lloyds Insurance Company
Central Mutual Insurance Company
Chubb Indemnity Insurance Company
Chubb National Insurance Company
Cincinnati Casualty Company, The
Cincinnati Insurance Company, The
Commercial America Insurance Company
Companion Commercial Insurance Company
Companion Property and Casualty Insurance Company
Connecticut Indemnity Company, The
Coregis Insurance Company
Country Casualty Insurance Company
Country Mutual Insurance Company
Country Preferred Insurance Company
Crum & Forster Indemnity Company
Design Professionals Insurance Company
Discover Property & Casualty Insurance Company
EMC Reinsurance Company
ECASCO Insurance Company
Economy Fire & Casualty Company
Economy Preferred Insurance Company
Economy Premier Assurance Company

Employee Benefits Insurance Company
Employers Reinsurance Corporation
Employers Mutual Casualty Company
Executive Risk Indemnity Inc.
Fairmont Insurance Company
Farmers Alliance Mutual Insurance Company
Federal Insurance Company
Federated Mutual Insurance Company
Federated Service Insurance Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters
Fire and Casualty Insurance Company of Connecticut, The
GE Auto & Home Assurance Company
GE Casualty Insurance Company
GE Property & Casualty Insurance Company
GE Reinsurance Corporation
Globe Indemnity Company
Grain Dealers Mutual Insurance Company
Great Northern Insurance Company
Guaranty National Insurance Company
Heritage Indemnity Company
International Insurance Company
Marine Indemnity Insurance Company of America
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
Millers Mutual Insurance Association
Montgomery Ward Insurance Company
Mountain States Mutual Casualty Company
Mutual Casualty Company
NIPPONKOA Insurance Company of America
NIPPONKOA Insurance Company, Limited (US Branch)
North River Insurance Company, The
Northbrook property and Casualty Insurance Company
Northwestern Pacific Indemnity Company

Odyssey America Reinsurance Corporation
Odyssey Reinsurance Corporation
Old United Casualty Company
Pacific Indemnity Company
Pacific Specialty Insurance Company
Phoenix Assurance Company of New York
Planet Indemnity Company
Platinum Underwriters Reinsurance, Inc.
Proselect National Insurance Company, Inc.
QBE Insurance Corporation
QBE Reinsurance Corporation
Quadrant Indemnity Company
RLI Insurance Company
Ranger Insurance Company
Ranger Lloyds
Royal and Sun Alliance Personal Insurance Company
Royal Indemnity Company
Royal Insurance Company of American
Safeguard Insurance Company
Sea Insurance Company of America, The
Seneca Insurance Company, Inc.
Shelby Casualty Insurance Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St Paul Medical Liability Insurance Company
St. Paul Mercury Insurance Company
Stonington Insurance Company
Stonington Lloyds Insurance Company
TIG American Specialty Insurance Company
TIG Indemnity Company
TIG Insurance Company
TIG Insurance Company of Michigan
TIG Insurance Company of Texas
TIG Insurance Corporation of America
TIG Lloyds Insurance Company
TIG Premier Insurance Company
Texas Pacific Indemnity Company
Texas Select Lloyds Insurance Company
Underwriters Indemnity Company

Union Insurance Company of Providence
United States Fidelity and Guaranty Company
United States Fire Insurance Company
Vesta Fire Insurance Corporation
Vesta Insurance Corporation
Vigilant Insurance Company
Westport Insurance Corporation
Zale Indemnity Company

Association Manager's Report

TAIPA assigned 66, 153 new applications in 2002 and 53,477 new applications in 2001 for a 24% increase in new applications assigned. TAIPA incurred \$1,675,286 in expenses in 2002 compared to \$1,761,109 in 2001 for a 5% reduction in expenses. TAIPA was 8% under budget in 2002.

As in the past the successful operation of TAIPA is due to a combination of hard working staff, dedicated committee members, and knowledgeable vendors.

Mr. Chairman that concludes my report.

Chairman's Report

Good Morning! My name is Jon Smanz and I have had the pleasure of chairing the Texas Automobile Insurance Plan Association (TAIPA) over this past year. As TAIPA Manager Bobby White stated, we are beginning to feel the impact of a tightening auto market in Texas and the results from the first month and a half of 2003 indicate that this trend is continuing.

That being said, 2002 was a rather quiet year for TAIPA that allowed us to stop being firefighters for a while, and take care of some of the non-emergency, key business issues that needed our attention.

First of all, we were able to move our operations into new offices in the Escalade Building on Westbank Drive in Austin. The move was accomplished without a hitch.

2002 was the first year under a new rate filing process. We anticipated that the new legislation would streamline the process and reduce the amount of time between the filing and implementation of rates. Little did we know that our actuaries would run into some data quality issues that delayed the rate hearing until January of this year. We currently await the results of this hearing.

The TAIPA management staff began a succession planning exercise for all management and other essential positions within TAIPA at the direction of the Governing Committee. This exercise has included the identification, needs assessment and training of all identified individuals.

Our Operations Subcommittee, working with counsel and TAIPA staff, established record retention guidelines that freed up a considerable amount of office space prior to our move, and should serve us well into the future.

Finally, none of the above activities I have just listed, including the volume increases, interfered with our goal of timely application processing, courteous phone handling, and professional quality service to our customers.

While there is always the unexpected, 2003 brings some known issues to the table that will generate their share of challenges.

There is a concern that some of the ongoing legislative work will further tighten the market and drive additional business into the Plan.

Rate adequacy remains a challenge that continues to need our attention, especially if there is a significant volume increase.

We will need to begin the process of finding a new manager for the plan, as Mr. White has given us his intention of retiring at some time in the not so distant future.

The computer age is upon us and the Governing Committee has set aside some money to fund an electronic application submission system with the eventual capabilities of rating and tape to tape transfer of data to the servicing companies. This process begins in 2003.

We are putting the finishing touches on a three year ongoing Human Resources review that has resulted in updated HR guidelines, salary and job description plan changes, and a benefits review with corresponding adjustments.

I would like to end this report by thanking Bobby White along with the TAIPA staff, the Governing Committee members, our subcommittees, counsel, AIPSO and other outside vendors, and the Department of Insurance for their willingness to work together as a team in solving the challenges that have faced TAIPA, and will continue to, throughout the upcoming year.