



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN
ASSOCIATION

ELEVENTH REPORT

FOR THE PERIOD

JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TEXAS

FEBRUARY 24, 2005

ELEVENTH REPORT FOR THE PERIOD FROM JANUARY 1, 2004
THROUGH DECEMBER 31, 2004

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Austin, Texas February 24, 2005

The Eleventh Annual Meeting of the members of the Texas Automobile Insurance Plan Association was held in the Omni Austin Hotel South in Austin, Texas, beginning at 8:30 A.M., Thursday, February 24, 2005.

The meeting was called to order by Chair Jon Smanz 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 36.B.1. of the Plan of Operation. The trade association representatives selected were: American Insurance Association, The Hartford Insurance Company, Association of Fire & Casualty Companies in Texas, Republic Underwriters Insurance Company, Property & Casualty Insurers Association of America, Allstate Insurance Company.

The Non-Affiliated insurers ballot, as prescribed in Section 36.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 36.B.3. The following companies were nominated to represent the members at large: Farmers Insurance Group of Companies, Liberty Mutual Insurance Company, Southern Farm Bureau Casualty Insurance Company, and United Services Automobile Association.

Jon Smanz 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

Richard Feddersen
The Hartford Insurance Company

Association of Fire & Casualty Companies in Texas

Brad Duelks
Republic Underwriters Insurance Company

Property & Casualty Insurers Association of America

Jon G. Smanz
Allstate Insurance Company

Non Affiliated Companies

Terry L. Mack
State Farm Mutual Automobile Insurance Company

At Large Members

Mark Franciskovic
Farmers Insurance Group of Companies

Andy Tong
Liberty Mutual Insurance Company

James Langford
Southern Farm Bureau Casualty Insurance Company

Corise Morrison
United Services Automobile Association

The Chairperson asked Bobby White, Association Manager, to give his report. The report was read. Chair Jon Smanz then gave his report.

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. Brad Duelks as Chair, Mr. Terry Mack as Vice-Chair, Mr. Bill Jeter III as Second Vice-Chair and Ms. Corise Morrison as Secretary.

ANNUAL MEETING ATTENDEES:

Committee Members:

Mary Carol Awalt, Public Member
Pat Bonds, Producer Member
Brad Duelks, Republic Underwriters Insurance Company
Dick Feddersen, The Hartford
Mark Franciskovic, Farmers Insurance Group of Companies
Pete Hamel, Producer Member
Laura Hausman, Public Member
Carmelita Hogan, Public Member
James Langford, Southern Farm Bureau Casualty Insurance Company
Terry Mack, State Farm Mutual Automobile Insurance Company
Corise Morrison, United Services Automobile Association
Jon Smanz, Allstate Insurance Company
Andy Tong, Liberty Mutual Insurance Company

Counsel:

Michael Jones, Richard Geiger; Thompson, Coe, Cousins & Irons LLP

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TAIPA Staff:

Michael Alder, Margaret Alsobrook, Dianna Brooks, Dwight Brown, Doug Eastwood, Michael Green, Marilyn Kinsey, Carmen Mincy, Larry Peterson, Bobby White

Other Attendees:

Tom Assad, AIPSO
Carol Berthold, GEICO
Joyce Boriack, ICT
Lex Gerard, AIG
Grover Corum, TDI
Ed Holman, State Farm Mutual Automobile Insurance Company
Leslie Hurley, TDI
Jerry Johns, SIIS
Chuck Kwolek, AIPSO
Rick Liber, St Paul/Travelers
John Lusardi, Eagle Insurance
Erin Martins, OPIC
Camilla McDonald, TICO
Gary Miller, AIPSO
Sandra Ray, SIIS
Ben Walden, Pennsylvania General Insurance Company

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

AMH Insurance Company
Ace American Insurance Company
Ace American Lloyds
Ace Fire Underwriters Insurance Company
Ace Indemnity Insurance Company
Ace Insurance of Illinois
Ace Insurance of the Midwest
Ace Insurance of Ohio
Ace of Texas
Ace Property & Casualty Insurance Company
Ace Reinsurers
Advanta Insurance Company
All America Insurance Company
Allendale Mutual Insurance Company
American Agricultural Business Insurance Company
American Alternative Insurance Corporation
American Country Insurance Company
American Economy Insurance Company
America First Insurance Company
American Modern Home Insurance Company
American Modern Lloyds Insurance Company
American National Property & Casualty Company
American Safety Casualty Insurance Company

American States Insurance Company
American States Insurance Company of TX
American States Lloyds Insurance Company
American States Preferred Insurance Company
Anthem Insurance Companies
Balboa Insurance Company
Bituminous Casualty Corporation
Bituminous Fire & Marine
Bristol West Specialty Insurance Company
Brotherhood Mutual Insurance Company
CMI Lloyds Insurance Company
Canal Insurance Company
Central Mutual Insurance Company
Century National Insurance Company
Chubb Indemnity Insurance Company
Chubb Lloyds of Texas
Chubb National Insurance Company
Church Mutual Insurance Company
Cincinnati Indemnity Company
Cincinnati Insurance Company
Columbia Insurance Company
Commercial America Insurance Company
Companion Property & Casualty
Country Casualty Insurance Company
Country Mutual Insurance Company
Country Preferred Insurance Company
Economy Fire & Casualty Company
European Re Corp. of America
Executive Risk Indemnity Inc.
FFG Insurance Company
Farmers Alliance Mutual Insurance Company
Federal Insurance Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Exchange
Federated Service Insurance Company
First National Insurance Company of America
Frankemuth Mutual Insurance Company
GAN National Insurance Company
Gateway Insurance Company
General Insurance Company of America
Gramercy Insurance Company
Great Northern Insurance Company
Guarantee Insurance Company
GuideOne Elite Insurance
Harleysville Insurance Company
Harleysville Mutual Insurance Compan
Heritage Mutual Insurance Company
Horace Mann Insurance Companies
Illinois Union Insurance Company
Indemnity Insurance Co. of North America

Indiana Lumbermens Mutual Insurance Company
Industrial Underwriters Insurance
Insurance Company of North America
Insurance Corporation of Hannover
Markel Insurance Company
Medical Liability Mutual Insurance Company
Merastar Insurance Company
Metropolitan Casualty Insurance Company
Metropolitan Direct Property & Casualty Insurance Company
Metropolitan General Insurance Company
Metropolitan Group Property and Casualty Insurance Company
Metropolitan Lloyds Insurance Company of TX
Michigan Mutual Insurance Company
Mid-Continent Casualty Company
Modern Service Insurance Company
Mutual Service Casualty Insurance Company
National Building Material Assurance
Nipponkoa Insurance Company of America
Northwestern Insurance Company
Northwestern Pacific Indemnity Company
Oakbrook County Mutual Insurance Company
Ohio Casualty Insurance Company
Old United Casualty Company
Pacific Employers Insurance Company
Pacific Indemnity Company
Pacific Specialty Insurance Company
Proselect National Insurance Company Inc
Protection Mutual Insurance Company
Quadrant Indemnity Company
RLI Insurance Company
Rampart Insurance Company
Ranchers & Farmers Insurance Company
Response Insurance Company
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Lloyds Insurance Company
Safeco Surplus Lines Insurance Company
Safety National Casualty Corporation
Sentry Insurance a Mutual Company
Stonebridge Casualty Insurance Company
Stratford Insurance Company
Sunbelt Insurance Company
TNUS Insurance Company
Texas Pacific Indemnity Company
Texas Hospital Insurance Exchange
United Americas Insurance Company
United States Liability Insurance Company
Vesta Fire Insurance Corporation
Vesta Lloyds Insurance Company

Vigilant Insurance Company
Virginia Surety Company, Inc.
Westchester Fire Insurance Company
Westchester Surplus Insurance Company

Association Manager's Report

In 2004 TAIPA assigned 47,544 new applications compared to 74,506 in 2003 for a 36% reduction in new applications processed. TAIPA's staff was reduced to 14 employees from 17 and we were 8% under our 2004 Budget.

From the numbers I have just mentioned it would appear that it was a slow year at TAIPA. As is sometimes the case, numbers are deceiving. TAIPA's staff conducted 6 seminars to introduce EASI's rating package; at year end 39% of applications submitted were using EASI. While this is short of our goal of 50%, we will continue to work with the Texas Agents and AIPSO to accomplish our goal.

In 2004, our staff attended more educational seminars and classes than any other year and we plan to exceed that in 2005. Our WEB page was upgraded and updated in 2004 and we continue to believe that it is second to none.

I believe that our staff is the best in the business and continues to surprise me with their ingenuity and dedication. With the leadership of Margaret Alsobrook and Marilyn Kinsey and the direction of Dianna Brooks, I'm sure they will continue to amaze me in the future.

The guidance of TAIPA's Governing Committee and Operations Sub-Committee has kept us on a true path of excellent service. Special mention should be made of Carol Berthold, Chair of our Ops Committee, and a 5 Star mention of our Chairman, Jon Smanz, who is completing his third year as our Chair. Jon's special leadership and counseling has been an inspiration and guiding light to myself and TAIPA's staff. We would like to thank all of our vendors for their continued help, and would like to particularly thank Tom Assad, Joyce Boriak, Dick Geiger, Jerry Johns, Bill Lawler, Gary Miller and Sandra Ray.

Mr. Chairman, that concludes my Report.

Chairman's Report

What a year!

- A 27.7% rate increase effective February 1st
- A 36% drop in applications

- On-line applications with a rating engine.....and six producer seminars on how to use the system

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- Our very own Plan of Operation
- A new look to our website....with more interactive functions and downloads
- County Mutuals become members of TAIPA
- A company seminar
- And to top it off, our Plan Manager of some 37 odd years, officially announces his intention to retire in 2006

IT WAS.....QUITE A YEAR !!!

As I started to write this report and jotted down this list of accomplishments I asked myself the question, "How did we get all of this done?"

I began to realize the amount of time, effort and cooperation it takes to get anything accomplished in an organization such as this. It is truly amazing how many entities are involved in the successful running of TAIPA, and how many should be thanked.

Let's start with the entire TAIPA staff. A tremendous amount of time and effort goes into the systems testing and training if these technological advances are to be implemented successfully.

Producers need to be trained to a comfort level on how and when to use the products, or no benefits are gained. The system needs to be maintained and kept running to assure availability.

You don't just add a group of County Mutuals without the development of an effective communication system for answering questions and training. Everyone wants to know how his or her respective company's quota will be affected.

Developing seminars takes a sound knowledge base and skills to keep them on point and interesting.

Current year budgets and expenses require monitoring and the next years budget must be put together. I would like to point out that the 2005 budget is a decrease over what was spent in 2004, and the assessment will be less.

So often in these reports we only identify a few staff members by name, but as we all know, if all of the parts of the machinery aren't working properly, not much gets accomplished. I have included a list of all 14 employees that helped make this a successful year. I thank all of you.

Michael Alder, Senior Plan Services Rep
Margaret Alsobrook, Operations Manager

Michelle Ascerno, Plan Services Rep II
Dianna Brooks, Assistant to the Association Manager
Dwight Brown, Systems Administrator
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Wanda Crayton, Plan Services Clerk
Doug Eastwood, Accounting Supervisor
Susan Epperson, Senior Plan Services Rep
Michael Green, Plan Services Supervisor
Marilyn Kinsey, Human Resource/Plan Services Manager
Carmen Mincy, Plan Services Rep I
Larry Peterson, Special Projects Coordinator
Bobby White, Association Manager

I would like to thank the Governing Committee members. Whether you are an industry representative, a producer or a public member, TAIPA is not your full time job. Yet I have witnessed your commitment to attend these meetings and your involvement with thoughts, ideas and opinions during the meetings. I have seen the cooperation necessary to balance efficiency in the operation of the plan, with the important service we provide to the citizens of Texas.

The Governing Committee would not function well without the input of our subcommittees. Thank goodness that we have Carol Berthold, Terry Mack, Cathy Beavers, Pete Hamel and Bill Jeter who have all volunteered to serve on the Operations Subcommittee.

Last year I mentioned that the spirit of cooperation between TAIPA and the Department of Insurance was as high as it has been since I joined this committee. 2004 was no exception. The addition of the County Mutuals has created a need for even more communication between TAIPA and the Department. Their effort to provide a quick turnaround on the filing for our new Plan of Operation was greatly appreciated. Let's not forget the needed rate increase that was approved earlier in the year.

My thanks to our esteemed counsel, Dick Geiger and Mike Jones for their help in running the TAIPA meetings and participation in the rate-hearing process.

Our partnership with AIPSO continued to grow and prosper, with their involvement in the EASi phase II enhancements, systems maintenance, commercial rates, pension review and the Plan of Operation.

This year, as every other, brings a new set of challenges.

- Once we are assured of the quality of our data, we will need to take another look at both private passenger and commercial rates.
- We need to keep an eye on how the assimilation of County Mutuals into TAIPA is progressing and be prepared to react to any issues that arise.

- Application counts are continuing to drop and we need to make sure that the TAIPA operation continues to run at maximum efficiency to control the budget and further reduce the industry assessment.

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- EASi enhancements, including VIN retrieval, are scheduled for later this year. We are also in the process of prioritizing the on-line transfer of data, endorsement handling and MVR retrieval. And of course, there is all of the communication and training that accompanies these changes.
- Possibly the single most important decision that has faced the committee in the 10 years that I have been associated with TAIPA is the selection of the new plan manager to replace Bobby White.

Which brings me to my final point; I have not yet thanked our current manager, Mr. Bobby White, for his efforts this past year. If we agree that we have had another successful year at TAIPA, then Bobby needs to get some of the credit for keeping the operation on course. As I close out my third and final year as the chair of this committee, I do want to publicly thank Bobby for all of his help and support. There have been times we have disagreed on what course of action to take. Yet, I find it admirable that there has always been a singlemindedness about Bobby, to do what his experience tells him is best for the Association, and more importantly, its employees.