



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)

TWELFTH REPORT

FOR THE PERIOD

JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 17, 2006

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
TWELFTH REPORT
FOR THE PERIOD FROM
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005
ANNUAL MEMBERSHIP MEETING
Austin, Texas
February 17, 2006

The Twelfth 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 17, 2006.

The meeting was called to order by Governing Committee Chairman Brad Duels, 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 36.B.1. of the TAIPA Plan of Operation. The trade association representatives selected were: American Insurance Association (AIA)-Hartford Insurance, Property & Casualty Insurers Association of America (PCI)-Allstate Insurance Company, and Association of Fire & Casualty Companies in Texas (AFACT)-Republic Underwriters.

In keeping with Section 36.B.3, Chairman Duels announced the nomination of Farmers Insurance Group of Companies, GEICO, Liberty Mutual Insurance Company, Southern Farm Bureau Casualty Insurance Company, and United Services Automobile Association (USAA) 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:

American Insurance Association
The Hartford Insurance Company
Richard Feddersen, Southington CT

Association of Fire and Casualty Companies in Texas
Republic Underwriters Insurance Company
Ron Lawson, Dallas TX

Property and Casualty Insurers Association
Allstate Insurance Company
Jon G. Smanz, Northbrook IL

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Non Affiliated Companies:
State Farm Insurance Company
Terry Mack, Bloomington IL

At-Large Members:
Farmers Insurance Group of Companies
Bonnie Mustarde, Austin TX

Government Employees Insurance Company(GEICO)
Carol Berthold, Woodbury NY

Liberty Mutual Insurance Company
Andy Tong, Irving TX

United Services Automobile Association (USAA)
Corise Morrison, San Antonio TX

The Chairman asked the Association Manager to give the Manager's Report. The report was read. Chairman Duelks 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 re-elected Mr. Brad Duelks as Chairman, Mr. Terry Mack as Vice-Chair, Mr. Bill Jeter as Second Vice-Chair and Ms. Corise Morrison as Secretary.

Annual Meeting Attendees:

Committee Members:

Mary Carol Awalt, Public Member
Carol Berthold, GEICO
Brad Duelks, Republic Underwriters
Dick Feddersen, Hartford
Pete Hamel, Producer Member
Carmelita Hogan, Public Member
Laura Hausman, Public Member
Bill Jeter, Public Member
Terry Mack, State Farm
Corise Morrison, USAA
Bonnie Mustarde, Farmers
Jon Smanz, Allstate
Andy Tong, Liberty Mutual

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Counsel:

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

TAIPA Staff:

Margaret Alsobrook, Dianna Brooks, Marilyn Kinsey, Bobby White

Other Attendees:

Joyce Boriack, ICT

Dianna Bush, Allstate/Retired

Ed Holman, State Farm

Leslie Hurley, TDI

Jerry Johns, SIIS

James Langford, Southern Farm

John Lusardi, Eagle

Mike Miller, Actuary

Ann Novak, Nationwide Mutual

Sandra Ray, SIIS

Klayton Southwood, Towers Perrin

Pete Treutlein, AutoOne

The following member companies were represented by proxy:

Advocate MD Insurance Company of the Southwest

All America Insurance Company

Allied Property & Casualty

Allstate County Mutual Insurance Company

Allstate Fire and Casualty Insurance Company

Allstate Indemnity Company

Allstate Insurance Company

Allstate Property & Casualty Insurance Company

Allstate Texas Lloyds

Amco Insurance Company

America First Insurance Company

America First Lloyd's Insurance Company

American Agri-Business Insurance Company

American Alternative Insurance Corporation

American Ambassador Casualty Company

American Alternative Insurance Company

American Automobile Insurance Company

American Economy Insurance Company

American Fire and Casualty Company

American Guarantee and Liability Insurance Company

American Hardware Insurance Company

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American Hardware Mutual Insurance Company
American Interstate Insurance Company
American Modern Lloyds
American National County Mutual Insurance Company
American Zurich Insurance Company
Amerisure Mutual Insurance Company
Armed Forces Insurance Exchange
Associated Indemnity Corporation
Assurance Company of America
Atlantic Mutual Insurance Company
Atlantic Specialty Insurance Company
Balboa Insurance Company
Bankers Standard Fire and Marine Company
Bankers Standard Insurance Company
CMI Lloyds
Central Mutual Insurance Company
Central States Indemnity Company of Omaha
Centre Insurance Company
Church Mutual Insurance Company
Cincinnati Casualty Company
Cincinnati Insurance Company
Cologne Reinsurance Company of America
Colonial American Casualty & Surety Company
Colonial County Mutual Insurance Company
Colorado Casualty Insurance Company
Columbia Insurance Company
Companion Commercial Insurance Company
Companion Property & Casualty Company
Deerbrook Insurance Company
Dallas Fire Insurance Company
Depositors Insurance Company
Economy Fire & Casualty Company
Economy Preferred Insurance Company
Economy Premier Assurance Company
Empire Fire & Marine Insurance Company
Employers Mutual Casualty Company
Encompass Home and Auto Insurance Company
Encompass Indemnity Company
Encompass Independent Insurance Company
Emcompass Insurance Company of America
Encompass Property and Casualty Company
Factory Mutual Insurance Company

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Fairfield Insurance Company
Farm Bureau County Mutual Insurance Co of TX
Farmers Alliance Mutual Insurance Company
Farmers Insurance Exchange
Farmers Texas County Mutual Insurance Company
Farmland Mutual Insurance Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Exchange
Federated Service Insurance Company
Fidelity & Deposit Company of Maryland
Foremost County Mutual Insurance Company
Foremost Insurance Company, Grand Rapids, Michigan
Foremost Lloyds of Texas
Garrison Property and Casualty Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
General Casualty Company of Wisconsin
General Reinsurance Corporation
General Star National Insurance Company
Genesis Insurance Company
Government Employees Insurance Company
Hartford Accident and Indemnity Company
Hartford Casualty Insurance Company
Hartford Fire Insurance Company
Hartford Insurance Company of the Midwest
Hartford Lloyds Insurance Company
Hartford Underwriters Insurance Company
Home Insurance Company
Horace Mann Insurance Company
Horace Mann Lloyds
Horace Mann Property & Casualty Insurance Company
Houston General Insurance Exchange
Indiana Lumbermens Mutual Insurance Company
International Business & Mercantile Reassurance Company
Lexon Insurance Company
Liberty County Mutual Insurance Company
Liberty Insurance Corporation
Liberty Insurance Underwriters
Liberty Lloyds of Texas Insurance Company
Liberty Mutual Fire Insurance Company
Liberty Mutual Insurance Company
Lincoln General Insurance Company

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LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property and Casualty Insurance Company
Markel Insurance Company
Maryland Casualty Company
Maryland Insurance Company
Mid-Century Insurance Company
Mid-Century Insurance Company of TX
Millers First Insurance Company
National Casualty Company
National Insurance Association
National Indemnity Company
National Liability & Fire Insurance Company
National Reinsurance Corporation
National Standard Insurance Company
National Casualty Company
National Surety Corporation
Nationwide Affinity Insurance Company of America
Nationwide Agribusiness Insurance
Nationwide General Insurance Company
Nationwide Lloyds
Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property & Casualty Insurance Company
Netherlands Insurance Company, The
New England Reinsurance Corporation
Nichido Fire & Marine Insurance Company
North American Specialty Insurance Company
Northbrook Indemnity Company
North Pointe Insurance Company
North River Insurance Company
North Star Reinsurance Corporation
Northern Assurance Company of America
Old United Casualty Company
Omni Indemnity Company
Omni Insurance Company
Pacific Specialty Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pharmacists Mutual Insurance Company
Preferred Professional Insurance Company

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Progressive Companies

Property and Casualty Insurance Company of Hartford

Rampart Insurance Company

Republic Insurance Company

Republic Lloyds

Republic Underwriters Insurance Company

Safety National Casualty Corporation

Safeway Insurance Company

Scottsdale Indemnity Company

Sentinel Insurance Company Ltd

Southern County Mutual Insurance Company

Southern Farm Bureau Casualty Insurance Company

Southern Insurance Company

Southern Vanguard 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

St. Paul Protective Insurance Company

St. Paul Travelers

State Farm County Mutual Insurance Company of TX

State Farm Fire and Casualty Company

State Farm General Insurance Company

State Farm Lloyds

State Farm Mutual Automobile Insurance Company

Stonewall Insurance Company

Stratford Insurance Company

Texas Farm Bureau Mutual Insurance Company

Texas Farm Bureau Underwriters

Texas Farmers Insurance Company

Texas Select Lloyds Insurance Company

Titan Indemnity Company

Tokio Marine

Truck Insurance Exchange

Trumbull Insurance Company

Twin City Fire Insurance Company

Unione Italiana Reinsurance Company of America Inc.

United Services Automobile Association

United States Liability Insurance Company

Universal Underwriters Insurance Company

Universal Underwriters of Texas Insurance Company

US International Reinsurance Company

USAA Casualty Insurance Company
USAA County Mutual Insurance Company
USAA General Indemnity Company
Valiant Insurance Company
Vesta Fire Insurance Company
Vesta Insurance Corporation
Victoria Fire & Casualty Company
Virginia Surety Company Inc.
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
Zurich American Insurance Company
Zurich American Insurance Company of Illinois

Association Manager's Report

In 2005, TAIPA assigned 31,517 new applications compared to 47,544 in 2004 for a 35% reduction in new applications assigned. This is the smallest number of assignments since 1958. TAIPA was 8% under our projected budget for 2005.

The use of EASi in TAIPA grew from 39% usage at the end of 2004 to 47% usage at the end of 2005. Of the 47% usage, 98% are using our private passenger rating package.

In 2005, our electronic subscribers list has nearly tripled, which will insure reduced cost for TAIPA in the future.

We would like to thank our capable staff, subcommittees, Governing Committee and vendors for their help in making TAIPA an outstanding organization. A special thanks to our Chair, Brad Duelks.

Mr. Chairman, this concludes my report.

Chairman's Report

An interesting year--to say the least.

One that was promised, (to me), to be an extremely quiet, perhaps uneventful term.

Yet, I reflect on the past year and see many accomplishments, and a good number of "firsts."

Among the accomplishments, first and easy to overlook--only because of what has become the norm, and perhaps our expectation--is the continued excellent work from such a devoted staff.

Likewise, (all that we, the Governing Committee, volunteers--each of us), have achieved through our successful teamwork, combining our varied interests and skills for common goals.

Thinking of Governing Committee accomplishments, I believe it most appropriate to specifically mention our Operations Committee. I've had the benefit of attending each of the past year's meetings and witnessed the efforts of Carol Berthold, Chair, and members Cathy Beavers, Pete Hamel, Bill Jeter and Terry Mack, as well as James Langford and Bonnie Mustarde, two very reliable and strong contributors, all volunteering their time.

This past year, this Committee developed our Personal Automobile Policy and Endorsements, and also addressed several coverage issues. (For anyone that has worked on a similar project,

perhaps at your company, you realize how much work this involves. To realize all this was accomplished with only four Committee meetings is absolutely amazing, and indicative of the many additional hours all voluntarily contributed.)

A few other highlights:

Following EASi rating implementation in late 2004, 2005 saw several significant enhancements, among them:

- VIN Identification and data retrieval
- Addition of an edit that prompts the Producer, as a reminder, to obtain the signature. This has been successful to noticeably reduce the number of ineligible, unsigned applications;
- Capability to print a draft copy of the application

And currently, a revised application is being worked on.

Staff's creation of TAIPA's website continues to be maintained and enhanced by staff.

Electronic Mailing Lists reduce paper mailings and provide access to the Manual, and Plan of Operation.

We've had another Private Passenger rate change:-6% in September. We look to maintain current rate needs again this year, and will hear more about this in our following meeting.

As is well known, our new application count was down substantially-again. We are seeing however, more cities imposing towing penalties for uninsured vehicles. We are tracking new applications and beginning to see increases from these cities. In addition, by year-end, carriers across the state will implement the Verification Program: another facet anticipated to increase our volume.

I began by calling it "an interesting year." In addition to all of the above, I wish to also note---

- We had our first Producer Review Panel in eight years
- A new Insurance Commissioner, which a few of us had the honor to meet with and provide an overview of TAIPA
- At this very moment, we are faced with our first time of selecting At-Large company members from a pool larger than we have positions. (And how I wish I had the authority to revise the Governing Committee membership.)
- And lastly, but most notably, we stand on the threshold of two most critical retirements: Marilyn Kinsey, after thirty-two years,---and Plan Manager, Bobby White,-----

As we look ahead to next year, we accept the self-imposed challenge of achieving the most efficient operation we can manage. We look also at identifying and hiring a new Manager--one who will be instrumental in maintaining our successes and achieving our objectives.

It has been "an interesting year",to say the least.

It has NOT been "an extremely quiet, perhaps uneventful term."

But, it has been an exciting year.

It has been a very rewarding year.

And it has been my honor to serve as your Chair.