

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)

THIRTEENTH REPORT

FOR THE PERIOD

JANUARY 1, 2006 THROUGH DECEMBER 31, 2006

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 22, 2007

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
THIRTEENTH REPORT
FOR THE PERIOD FROM
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ANNUAL MEMBERSHIP MEETING
Austin, Texas
February 22, 2007

The Thirteenth Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held at the Crowne Plaza Hotel, beginning at 8:30 AM, Thursday, February 22, 2007.

The meeting was called to order by Governing Committee Vice Chair, Corise Morrison, acting of behalf of Chair Terry Mack who was unable to attend. Ms. Morrison asked the Association Manager if a quorum was present. Once confirmed, the Vice Chair requested that the Anti-Trust Statement be read. Association Manager, Cathleen Beavers, 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 (PCI)-Allstate Insurance Company, and Association of Fire & Casualty Companies in Texas (AFACT)-Republic Underwriters.

In keeping with Section 36.B.3, Vice Chair Morrison announced that six companies had requested to serve in one of the at-large positions on the committee. Those companies were: AIG Centennial Insurance Company, Farmers Insurance Group of Companies, Government Employees Insurance Company (GEICO), Liberty Mutual Insurance Company, Southern Farm Bureau Casualty Insurance Company, and United Services Automobile Association (USAA). A ballot vote at the meeting determined the four at-large companies.

The following companies will serve on the 2007-2008 Governing Committee:

American Insurance Association
The Hartford Insurance Company
Frank Carni, San Antonio TX

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

Property and Casualty Insurers Association
Allstate Insurance Company
Fred Strauss, Northbrook IL

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

At-Large Members:
Farmers Insurance Group of Companies
Sharon Reed, Austin TX

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

Liberty Mutual Insurance Company
Ken Surian, Irving TX

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

The Vice Chair asked the Association Manager to give the Manager's Report. The report was read. Vice Chair Morrison then gave the Chairman's Report prepared by Terry Mack.

The Vice Chair inquired if there was any new or unfinished business to be laid before the members. There being no further business, the meeting was adjourned.

The Governing Committee convened at 9:30 AM and re-elected Mr. Terry Mack as Chairman, Ms. Corise Morrison as Vice-Chair, Mr. Bill Jeter as Second Vice-Chair and Ms. Carol Berthold as Secretary.

Annual Meeting Attendees:
Committee Members:

Mary Carol Awalt, Public Member
Carol Berthold, Government Employees Insurance Company (GEICO)
Patrick Bonds, Producer Member
Frank Carni, The Hartford Insurance Company
Pete Hamel, Producer Member
Carmelita Hogan, Public Member
Ed Holman, Alternate, State Farm Insurance Company
Bill Jeter III, Public Member
Ron Lawson, Republic Underwriters Insurance Company
Richard Lonquist, Public Member
Corise Morrison, United Services Automobile Association (USAA)
Sharon Reed, Farmers Insurance Group of Companies
Fred Strauss, Allstate Insurance Company
Ken Surian, Liberty Mutual Insurance Company

Counsel:

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

TAIPA Staff:

Cathleen Beavers, Margaret Alsobrook, Michael Alder, Susan Epperson

Other Attendees:

Joyce Boriack, ICT

Doris Brooks, Republic Underwriters Insurance Company

Felix Gerard, AIG Centennial Insurance Company

Sandra Helin, SIIS

Leslie Hurley, Texas Department of Insurance

Jerry Johns, SIIS

James Langford, Southern Farm Bureau Casualty Insurance Company

John Lusardi, Eagle

Camilla McDonald, TICO

Robert Rhodunda, AIG Centennial Insurance Company

Sarah Scott, Texas Department of Insurance

Pete Treutlein, AutoOne Insurance Company

The following member companies were represented by proxy:

21st Century Casualty Company

21st Century Insurance Company

21st Century Insurance Co of the Southwest

Acadia Insurance Company

Ace American Insurance Company

Ace American Lloyds Insurance Company

Ace Fire Underwriters Insurance Company

Ace Indemnity Insurance Company

Ace Property & Casualty Insurance Company

AIG Preferred Insurance Company

AIG Premier Insurance Company

AIU Insurance Company

All America Insurance Company

American Agri-Business Insurance Company

American Alternative Insurance Corporation

American Alternative Insurance Company

American Automobile Insurance Company

American Country Insurance Company

American Economy Insurance Company

American Equity Specialty Insurance Company

American Fire and Casualty Company

American Home Assurance Company

American Insurance Company, The
American International South Insurance Company
American Modern Home Insurance Company
American Modern Lloyds Insurance Company
American Modern Select Insurance Company
American National County Mutual Insurance Company
American Southern Home Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Amex Assurance Company
Armed Forces Insurance Exchange
Associated Indemnity Corporation
Association Casualty Insurance Company
Athena Assurance Company
Atlantic Insurance Company
Audubon Insurance Company
Automobile Ins Co of Hartford Connecticut, The
Bankers Standard Fire and Marine Company
Bankers Standard Insurance Company
Berkley Regional Insurance Company
Birmingham Fire Insurance Company of PA
Bituminous Casualty Corporation
Bituminous Fire & Marine Insurance Company
Brotherhood Mutual Insurance Company
Carolina Casualty Insurance Company
Central Mutual Insurance Company
Charter Oak Fire Insurance Company
Church Mutual Insurance Company
Cincinnati Casualty Company
Cincinnati Insurance Company
CMI Lloyds
Colorado Casualty Insurance Company
Commerce and Industry Insurance Company
Commercial Alliance Insurance Company
Commercial Guaranty Casualty Insurance Company
Companion Commercial Insurance Company
Companion Property & Casualty Company
Continental Western Insurance Company
Country Casualty Insurance Company
Country Mutual Insurance Company
Country Preferred Insurance Company

Crum & Forster Indemnity Company
Dairyland County Mutual Insurance Co of TX
Dairyland Insurance Company
Discover Property & Casualty Insurance Company
Emcasco Insurance Company
Employers Mutual Casualty Company
Fairmont Insurance Company
Fairmont Premier Insurance Company
Fairmont Specialty Insurance Company
Fairmont Specialty Lloyds
Farmers Alliance Mutual Insurance Company
Farmington Casualty Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Exchange
Federated Service Insurance Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters Inc
Fireman's Fund Insurance Company
First National Insurance Company of America
Foremost County Mutual Insurance Company
Foremost Insurance Company, Grand Rapids, Michigan
Foremost Lloyds of Texas
Genesis Insurance Company
Georgia Casualty & Surety Company
Gerling America Insurance Company
Germania Fire & Casualty Company
Germania Insurance Company
Germania Select Insurance Company
Granite State Insurance Company
Guideone Elite Insurance Company
Guideone Lloyds Insurance Company
Guideone Mutual Insurance Company
Guideone Specialty Mutual Insurance Company
Harleysville Insurance Company
Harleysville Mutual Insurance Company
Heritage Casualty Insurance Company
Hochheim Prairie Casualty Insurance Company
Home State County Mutual Insurance Company
Horace Mann Insurance Company
IDS Property & Casualty Insurance Company
Illinois National Insurance Company
Indemnity Insurance Company of North America

Indiana Lumbermens Mutual Insurance Company
Insurance Company of North America
Insurance Company of the State of Pennsylvania, The
Lone Star National Insurance Company
Manufacturers Alliance Insurance Company
Markel American Insurance Company
Markel Insurance Company
Mendakota Insurance Company
Mendota Insurance Company
Merastar Insurance Company
Middlesex Insurance Company
Millers First Insurance Company
Mitsui Sumitomo Insurance Company of America
Mitsui Sumitomo Insurance USA Inc
National Building Material Assurance Company
National Surety Corporation
National Union Fire Insurance Company of Louisiana
National Union Fire Ins Co Pittsburgh Pennsylvania
Nationwide Agribusiness Insurance Company
Nationwide General Insurance Company
Nationwide Insurance Company of America
Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property & Casualty Insurance Company
New Hampshire Insurance Company
Nipponkoa Insurance Company of America
North American Specialty Insurance Company
North River Insurance Company
Northland Casualty Company
Northland Insurance Company
Oak Brook County Mutual Insurance Company
Ohio Casualty Insurance Company
Ohio Security Insurance Company
Old American County Mutual Fire Insurance Company
Old United Casualty Company
Omni Indemnity Company
Omni Insurance Company
Pacific Employers Insurance Company
Pacific Specialty Insurance Company
Pennsylvania Manufacturers Indemnity Company
Pennsylvania Manufacturers' Association Insurance Company
Pharmacists Mutual Insurance Company
Phoenix Insurance Company, The

Proselect National Insurance Company Inc
QBE Insurance Corporation
Rampart Insurance Company
Regent Insurance Company
Response Insurance Company
RLI Insurance Company
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Lloyds Insurance Company
Safety National Casualty Corporation
Safeway Insurance Company
Scottsdale Indemnity Company
Select Insurance Company
Sentry Insurance a Mutual Company
Sentry Lloyds of Texas
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
State Automobile Mutual Insurance Company
Texas Builders Insurance Company
Texas Heritage Insurance Company
TNUS Insurance Company
Tokio Marine & Nichido Fire Insurance Co LTD
Trans Pacific Insurance Company
Travco Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
Travelers Casualty Company of Connecticut
Travelers Casualty Insurance Company of America
Travelers Commercial Casualty Company
Travelers Commercial Insurance Company
Travelers Home and Marine Insurance Company, The
Travelers Indemnity Company of America, The
Travelers Indemnity Company of Connecticut, The
Travelers Indemnity Company, The
Travelers Lloyds Insurance Company, The
Travelers Lloyds of Texas Insurance Company
Travelers Personal Security Insurance Company
Travelers Property Casualty Company of America
Travelers Property Casualty 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 Fire Insurance Company
United States Liability Insurance Company
Viking County Mutual Insurance Company
Viking Insurance Company of Wisconsin
Warner Insurance Company
West American Insurance Company
Westchester Fire Insurance Company
Western General Automobile Insurance Company
Zale Indemnity Company

Association Manager's Report

This year (2006) was a time of transition for the Texas Automobile Insurance Plan Association (T.A.I.P.A.). I accepted the position of Association Manager effective March 6, 2006. It has been a challenging but encouraging year for the staff, and me as well, as I stepped into the role that the previous manager had held for 24 years.

My management style is quite different from that of my predecessor. It was my goal to learn each employee's position along with the unique talents that each individual brings to the table. The current staff is eager to accept the challenge of expanding their knowledge of T.A.I.P.A. and they have reacted well to the managerial changes.

The staffing level has gone from 14 in 2006 to a current staff of 10, with a part time temporary employee who is updating and streamlining our web page (our goal is to have the revised web page on-line mid-year). It is important to note that the job duties of the employees who have left the organization have been absorbed by me or other members of the team. Although this is not a long term solution for all of the job duties, it has allowed me a great insight into the different areas of the organization and allowed a number of the employees to gain experience in different areas of the organization. This was a great exercise in cross-training which will ultimately benefit the future of our organization by creating a cross functional team.

We processed 23,634 applications in 2006 which is our smallest volume since 1958 when we processed 29,689 applications. The volume has continued to decline in 2007. We have used the reduction in production to re-evaluate and document our standard operating procedures and cross train the employees in different areas. This has prepared us to be ready when the market changes and/or when the verification process is implemented.

We are improving our customer service both through revising our web page, along with having installed a toll free telephone number for the convenience of our producers, applicants and insurers. This number is 866-321-9154. In addition, we are reviewing and rewriting the commercial manual to provide producers and underwriters with a greater understanding of both rating and determining eligibility for application assignments through T.A.I.P.A.

Our estimated budget for 2007 is approximately \$400,000 less than 2006 due to the reduction of staff and streamlining the business processes.

We are continuing to work with AIPSO to insure the quota system is equitable and to improve the system performance for the T.A.I.P.A. electronic submissions. We have also established an in-house procedure to monitor late application submissions which enables us to enforce Plan rules for Producers as well.

Effective March 1, 2006, a unique Personal Automobile Policy was approved by the Commissioner of Insurance for use with all personal automobile assignments. This policy is available for download from our website, along with the T.A.I.P.A. Plan of Operation, and the T.A.I.P.A. Rules and Rating Manual.

In October of 2006 we had our first commercial rate hearing, based on ISO's loss costs information. We anticipate a commercial rate change effective June 1, 2007. At the same time we had a private passenger rate hearing and learned that we will also have new private passenger rates effective June 1, 2007. New Rates will be posted on our website as soon as available and will be emailed to all persons or companies that have subscribed to our web subscriber list (to receive emails, located on our website).

For the first time in several years we now have a full 15 member governing committee since the vacant public member seat was filled in November by Mr. Richard R. Lonquist. The only current T.A.I.P.A. Governing Board vacancies are for 1 Producer Alternate and 3 Alternate Public Members.

I would personally like to thank the staff of T.A.I.P.A. (with special thanks to Margaret Alsobrook), and the Governing Committee, for assisting me in making this transition and for allowing me to help T.A.I.P.A. move to the next level of a successful Association.

Cathleen Beavers, CPCU
TAIPA Association Manager

Chairman's Report

Welcome to the 2007 TAIPA Annual Meeting. My name is Terry Mack and I represent State Farm Insurance and the non affiliated insurers on the TAIPA Governing Committee. I have

served as the Governing Committee Chair since April 2006. Please accept my apologies for being unable to attend in person today. A special thanks to Corise Morrison for presenting this report and for acting as chair today.

The year 2006 was one of transition, challenge, and change for the TAIPA organization. Six new Governing Committee members have joined the group since the 2006 annual meeting. TAIPA enters 2007 with Cathleen Beavers as its manager. She assumed her role in March 2006 following the retirement of Bobby White. Since March 2006 the entire TAIPA way of operating has been reviewed, changed for the better as needed, and remained a continuing work in progress. The transition has been painful at times, but I believe TAIPA has emerged as an even better, more cost effective organization.

The Governing Committee has worked well together through the entire transition. As the Chair, I sincerely appreciate the extra effort everyone put into 2006. Your support certainly made my job easier and the insurance industry, producers, consumers, and regulators all benefited from your hard work.

Please also applaud the special efforts expended by TAIPA staff. Their willingness to embrace change while still maintaining good customer service is to be commended. Consistent advice and service from Dick Geiger, Mike Jones, Mike Miller, Ted Smith, Jerry Johns, TDI, TICO, ICT, and AIPSO helped us as well.

In looking back at 2006, the best decision made by us as a Governing Committee was the decision to hire Cathy Beavers as the new TAIPA manager. Her work ethic and belief in equitable and individual employee accountability have paved the way for a better TAIPA organization. Cathy deserves a huge thank you from all of us for her efforts in 2006. I look forward to her continued leadership in 2007 and beyond.

In regards to 2007, we expect to see continued low TAIPA application volume, which indicates a healthy voluntary market. I personally look forward to working with you all again in 2007. Thanks again for coming today.

Terry Mack, State Farm Insurance
Chair, TAIPA Governing Committee