



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)

FIFTEENTH REPORT

FOR THE PERIOD

JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 26, 2009

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
FIFTEENTH REPORT
FOR THE PERIOD FROM
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
ANNUAL MEMBERSHIP MEETING
Austin, Texas
February 26, 2009

The Fifteenth Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held at the Omni Austin Hotel Southpark, beginning at 8:30 AM, Thursday, February 26, 2009.

The meeting was called to order by Governing Committee Chair, Corise Morrison. Ms. Morrison asked the Association Manager if a quorum was present. Once confirmed, the 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)-Government Employees Insurance Company, and Association of Fire & Casualty Companies in Texas (AFACT)-Republic Underwriters.

In keeping with Section 36.B.3, Chair Morrison announced that five (5) companies had requested to serve in one of the at-large positions on the committee. Those companies were: AIG Centennial, Allstate Insurance Company, Farmers Insurance Group of Companies, Liberty Mutual 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 2009-2010 Governing Committee:

American Insurance Association
The Hartford Insurance Company
James J. Flynn, Southington CT

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

Property and Casualty Insurers Association
Government Employees Insurance Company
Carol Berthold, Woodbury NY

Non Affiliated Companies:
State Farm Insurance Company
George Cooper, Bloomington IL

At-Large Members:

Allstate Insurance Company
Fred Strauss, Northbrook IL

Farmers Insurance Group of Companies
Thomas J. Rolling, Austin TX

Liberty Mutual Insurance Company
Peter Kelly, Irving TX

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

The Chair asked the Association Manager to give the Manager's Report. The report was read. Chair Corise Morrison then gave the Chairperson's Report.

The 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 9:00 AM and elected Ms. Corise Morrison as Chair, Mr. Bill Jeter as Vice-Chair, Mr. Peter Kelly as Second Vice-Chair and Mr. Fred Strauss as Secretary.

Annual Meeting Attendees:

Committee Members:

Carol Berthold, Government Employees Insurance Company (GEICO)
George Cooper, State Farm Insurance Company
James Flynn, Hartford Financial Group
Peter Kelly, Liberty Mutual Insurance Company
Ron Lawson, Republic Underwriters Insurance Company
Corise Morrison, United Services Automobile Association (USAA)
Thomas Rolling, Farmers Insurance Group of Companies
Fred Strauss, Allstate Insurance Company

Counsel:

Richard Geiger, Thompson, Coe, Cousins & Irons

TAIPA Staff:

Cathleen Beavers, Susan Epperson, Stacy Midkiff, Nicole Peterson

Other Attendees:

Douglas Beck, AIG Centennial
Vicki Connell, State Farm
Jim Drawert, Republic

Sandra Helin, SIIS
Jerry Johns, SIIS
James Langford, Southern Farm Bureau Casualty Insurance Company
Richard Liber, Travelers
John Lusardi, Lincoln General
Brenda Roth, State Farm
Peter Treutlein, AutoOne Insurance Company

The following member companies were represented by proxy:

Acuity, a Mutual Insurance Company
All American Insurance Company
Allied Property & Casualty Insurance Company
AMCO Insurance Company
American Agri-Business Insurance Company
American Alternative Insurance Corporation
American Automobile Insurance Company
American Country Insurance Company
American Equity Specialty Insurance Company
American Guarantee and Liability Insurance Company
American Hardware Mutual Insurance Company
American Insurance Company, The
American National County Mutual Insurance Company
American National General Insurance Company
American Safety Casualty Insurance Company
American Sentinel Insurance Company
American Service Insurance Company Inc.
American Standard Lloyds Insurance Company
American Zurich Insurance Company
Armed Forces Insurance Exchange
Associated Indemnity Corporation
Assurance Company of America
Athena Assurance Company
Atlantic Insurance Company
Automobile Insurance Company of Hartford CT, The
Balboa Insurance Company
Brotherhood Mutual Insurance Company
Capital City Insurance Company Inc.
Carolina Casualty Insurance Company
Central Mutual Insurance Company
Charter Oak Fire Insurance Company
Chubb Indemnity Insurance Company
Chubb Lloyd's Insurance Company of Texas
Chubb National Insurance Company
Church Mutual Insurance Company
Cincinnati Casualty Company, The

Cincinnati Indemnity Company, The
Cincinnati Insurance Company, The
Clarendon National Insurance Company
CMI Lloyds
Colonial American Casualty and Surety Company
Colonial County Mutual Insurance Company
Commercial Alliance Insurance Company
Companion Commercial Insurance Company
Companion Property & Casualty Insurance Company
Country Casualty Insurance Company
Country Preferred Insurance Company
Crum & Forster Indemnity Company
Dairyland County Mutual Insurance Co. of Texas
Darwin National Assurance Company
Depositors Insurance Company
Discover Property & Casualty Insurance Company
Electric Insurance Company
Empire Fire & Marine Insurance Company
Employers Mutual Casualty Company
Executive Risk Indemnity Inc.
Farmington Casualty Company
Farmland Mutual Insurance Company
Federal Insurance Company
Federated Mutual Insurance Company
Federated Service Insurance Company
Fidelity & Guaranty Insurance Company
Fidelity & Guaranty Insurance Underwriters, Inc.
Fidelity and Deposit Company of Maryland
Fireman's Fund Insurance Company
Foremost County Mutual Insurance Company
Foremost Lloyds of Texas
Gerling America Insurance Company
Germania Fire & Casualty Company
Germania Insurance Company
Germania Select Insurance Company
Great Northern Insurance Company
Harbor Specialty Insurance Company
Horace Mann Insurance Company
Horace Mann Property & Casualty Insurance Company
Indiana Lumbermen's Mutual Insurance Company
Kemper Independence Insurance Company
Lone Star National Insurance Company
Lumbermen's Underwriting Alliance
Manufacturers Alliance Insurance Company
Markel American Insurance Company
Maryland Casualty Company

Maryland Insurance Company
Massachusetts Bay Insurance Company
Max America Insurance Company
Meritplan Insurance Company
Middlesex Insurance Company
Mitsui Sumitomo Insurance Company of America
Mitsui Sumitomo Insurance USA, Inc.
National American Insurance Company
National Building Material Assurance Company
National Standard Insurance Company
Nationwide Affinity Insurance Co. of America
Nationwide Agribusiness Insurance Company
Nationwide General Insurance Company
Nationwide Insurance Company of America
Nationwide Lloyds
Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property and Casualty Insurance Company
Newport E & S Insurance Company
North Pointe Insurance Company
North River Insurance Company, The
Northern Insurance Company of New York
Northland Casualty Company
Northland Insurance Company
Northwestern Pacific Indemnity Company
Oak Brook County Mutual Insurance Company
Pacific Indemnity Company
Peak Property and Casualty Insurance Corporation
Pennsylvania Lumbermen's Mutual Insurance Company
Pennsylvania Manufacturers Association Insurance Company
Pennsylvania Manufacturers Indemnity Company
Pharmacists Mutual Insurance Company
Phoenix Insurance Company, The
Preferred Professional Insurance Company
Proselect National Insurance Company, Inc.
Providence Washington Insurance Company
Rampart Insurance Company
Safety National Casualty Corporation
Safeway Insurance Company
San Francisco Reinsurance Company
Scottsdale Indemnity Company
Select Insurance Company
Sentry Insurance a Mutual 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
Standard Fire Insurance Company, The
Stratford Insurance Company
Teachers Insurance Company
Texas Hospital Insurance Exchange
Texas Pacific Indemnity Company
Titan Indemnity Company
Toyota Motor Insurance Company
Travco Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
Travelers Casualty Company of Connecticut
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 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
Trinity Universal Insurance Company
UAIC Insurance Company
United States Fidelity and Guaranty Company
United States Fire Insurance Company
United States Liability Insurance Company
Unitrin Auto and Home Insurance Company
Unitrin Preferred Insurance Company
Unitrin Safeguard Insurance Company
Universal Underwriters Insurance Company
Universal Underwriters of Texas Insurance Company
Valley Insurance Company
Victoria Fire & Casualty Company
Victoria Insurance Company
Vigilant Insurance Company
Viking County Mutual Insurance Company
Western General Automobile Insurance Company
York Insurance Company
Zurich American Insurance Company
Zurich American Insurance Company of Illinois

Association Manager's Report

As we approached 2008, our Association prepared for a potential increase in applications due to the statewide rollout of TexasSure which was mandated by the Texas Legislature. TexasSure is a database that is used by law enforcement, TxDOT, and DPS which can identify if a registered vehicle has automobile insurance coverage. Preparation included an internal project to secure our procedures were efficient and effective, cross training employees for cross functional positions, making sure we had adequate equipment and supplies, as well as purchasing four extra work spaces for a potential increase in staff. Through 2008, the TexasSure program was tested in various cities and towns, and in October of 2008 it went statewide. Although TAIPA did not receive an increase in applications during the 2008 timeframe, if we experience an increased number of applicants in the upcoming year, TAIPA is prepared and ready to insure that service to our insureds, agents, and our member companies is not impacted due to the proactive efforts of staff, for which I'd like to commend.

In 2008, TAIPA issued eight bulletins to our member carriers which included a bulletin on our rate change effective April 1, 2008, a Bulletin advising a change in our organizations liability limits from \$20/40/15 to \$25/50/25, as well as a Bulletin on Senate Bill 1263 which provided a new type of Agent's license entitled the "Personal Lines Property and Casualty" Agent's license. In 2008, TAIPA filed with TDI a major change to our application submission process to request approval to eliminate the ESP electronic phone binding procedures used by agents to secure an applicant's coverage, keeping in place the EASi application submission and binding process as well as the manual "mail in" application processes. The above changes impacted not only our Plan of Operation and Rules and Rating Manual, but TAIPA forms, TAIPA applications, TAIPA letters, as well as our staff's cross training efforts. Further, our customer service team armed themselves with the knowledge needed to handle increased inquiries from our insureds, agents, and/or our member companies impacted by these items.

TAIPA assessed member carriers for our operational expenses in 2007 in the amount of \$1,672,572, which was reduced in 2008 to \$1,600,000. As well, TAIPA performed 10% below budgeted expenses in 2008, for which I commend TAIPA staff for all their efforts in finding more efficient and more cost effective ways to administer this program while preparing and successfully implementing the changes to our organization's processes related to those items mentioned above.

I also appreciate the support provided to myself, as well as to staff, from members of the Governing Committee, TDI, our vendors, as well as friends of our association.

Cathleen Beavers, CPCU
TAIPA Association Manager

TAIPA Chairperson's Annual Report

Welcome to the 2009 Texas Automobile Insurance Plan Association (TAIPA) Annual Meeting. Hello, my name is Corise Morrison. I represent USAA as an at-large member of the TAIPA Governing Committee, having served as Committee Chair for the past 12 months.

Since our last Annual Meeting in February 2008, the application volume continued to decline as it has since 1994. The total applications received in 2008, for commercial and private passenger risks were 12, 896; as compared to 16, 780 in 2007; a reduction of 3, 884 incoming applications. TexasSure, the state's financial responsibility verification program, was implemented statewide in 2008. Though TAIPA initially experienced a temporary increase in phone calls, insurance applications did not increase. Once again, this appears to indicate a healthy auto insurance voluntary market in Texas.

The TAIPA Operations Subcommittee, Financial Audit Committee, and Producer Review Panel held meetings throughout the year to address important TAIPA matters. Valuable services and assistance were provided to TAIPA by Messrs Dick Geiger, Ted Smith, Mike Miller, Jerry Johns, and the Texas Department of Insurance (TDI). I appreciate the efforts of each subcommittee, committee, and panel member, the individuals mentioned here, and TDI staff. Several key issues were referred by the Governing Committee to the Operations Subcommittee in 2008 with anticipated resolution by the Governing Committee in 2009.

Our Governing Committee experienced several membership changes in 2008. Ms. Kit Morris was welcomed as a permanent producer member of the Governing Committee and Ms. Olivia Guerra was appointed as an alternate public member to the Committee. There were several changes to the insurance company representatives as well; most notable was the retirement of long time member and previous Committee Chair, Mr. Terry Mack who was State Farm's representative for approximately eight years.

As Chair, I sincerely appreciate the efforts of every person who served on the Governing Committee in 2008. And to the current Committee members, I extend a heartfelt thank you for your continued support. To my fellow officers, Ms. Carol Berthold, Mr. Fred Strauss, and Mr. Bill Jeter, I'm especially grateful to you for your assistance throughout this past year.

Most importantly, I want to recognize the efforts of the TAIPA Manager, Ms. Cathy Beavers, and each and every member of the TAIPA Staff. Given the reduced staff size, I applaud your efforts as you continue to look for ways to better serve our customers in the Texas Auto Insurance Residual Market.

Thank you for attending today's meeting.
Corise Morrison
TAIPA Governing Committee Chair
USAA