

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)

TWENTY-THIRD REPORT

FOR THE PERIOD

JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

MARCH 24, 2017

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
TWENTY-THIRD REPORT
FOR THE PERIOD FROM
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016
ANNUAL MEMBERSHIP MEETING
Austin, Texas
March 24, 2017

The Twenty-Third Annual Meeting of the Members of the Texas Automobile Insurance Plan Association was held at the Marriott Hotel South, beginning at 8:31 AM, Friday, March 24, 2017

The meeting was called to order by Governing Committee Chair, Bill Brooks. Mr. Brooks asked the Acting Manager, Stacy Dutton, if a quorum was present. Stacy Dutton stated that a quorum was present. Chair Brooks requested that the Anti-Trust Statement be read. The Acting Manager, Stacy Dutton read the statement.

Chair Brooks asked the Association Manager to report on the selection of the trade association representatives, as prescribed in Section 36.B.1. of the TAIPA Plan of Operation. The Association Manager stated that the trade association representatives selected were:

- American Insurance Association (AIA) - The Travelers,
- Property & Casualty Insurers Association (PCI) – Hochheim Prairie Insurance Company, and
- Association of Fire & Casualty Companies in Texas (AFACT)-Texas Farm Bureau Casualty Insurance Company.

Chair Brooks asked the Acting Manager to report the results of the Non-Affiliated insurers' ballot. Ms. Dutton stated that the Non-Affiliated member elected was Allstate Insurance Company.

In keeping with Section 36.B.3, Chair Brooks, announced the four companies that had requested to serve in one of the four at-large positions on the committee. Those companies were:

- Farmers Insurance Company,
- Safeco/Liberty Mutual Insurance Company,
- State Farm Mutual Insurance Company and
- United Services Automobile Association (USAA).

Chair Brooks asked if there were any write-in candidates. Stacy Dutton indicated that there were not any write-in candidates. Chair Brooks stated that since there were only four candidates for four open positions that he would like to call for their election by acclamation. David Weber made a motion to accept the slate of candidates presented. George Cooper seconded the motion. A vote was taken on whether to approve the recommendation of accepting the at-large candidates. All present affirmed that they would like to accept the candidates as presented, no one voted no and no one abstained.

Since there were no votes to be counted, a break was not taken.

Chair Brooks declared that the following companies will serve as At Large members on the 2017-2018 Governing Committee for a term of one year:

Farmers Insurance Group of Companies
Safeco/Liberty Mutual Insurance Company

State Farm Mutual Insurance Company
United Services Automobile Association (USAA)

Chair Bill Brooks then asked the Acting Manager to give the Manager's Report. The Acting Manager gave her report.

Chair Brooks then gave his Chair's report. The report was read.

Chair Brooks inquired if there was any new or unfinished business to be discussed. Since there was no further business, Chair Brooks asked for a motion to adjourn. David Weber made the motion to adjourn and Jim Rowland seconded it. The meeting was adjourned at 8:47 A.M.

Annual Meeting Attendees:

Committee Members:

James Rowland, Allstate Insurance Company
Bill Brooks, Texas Farm Bureau Casualty Insurance Company
Anise Mulkey, The Travelers
Thomas Rolling, Farmers Insurance Group of Companies
David Weber, Hochheim Prairie
George Cooper, State Farm Insurance Company
Stephen Hylka, Safeco/Liberty Mutual
Alisha Darden, Alternate Public Member

Counsel:

Mike Jones, Thompson, Coe, Cousins and Irons

TAIPA Staff:

Stacy Dutton, and Nicole Morgan

Other Attendees:

David Nardecchia, OPIC

The following member companies were represented by proxy:

Acadia Insurance Company
Acuity, A Mutual Insurance Company
Admiral Indemnity Company
Aegis Security Insurance Company
Agcs Marine Insurance Company
Alamance Insurance Company
Allianz Global Risks Us Insurance Company
Allied Insurance Company Of America
Allied Property And Casualty Insurance Company
Amalgamated Casualty Insurance Company
Amco Insurance Company
American Agri-Business Insurance Company

American Agricultural Insurance Company
American Automobile Insurance Company
American Guarantee And Liability Insurance Company
American Insurance Company, The
American Mining Insurance Company
American National County Mutual Insurance Company
American National General Insurance Company
American National Property And Casualty Company
American Reliable Insurance Company
American Zurich Insurance Company
Amtrust Insurance Company Of Kansas, Inc.
Armed Forces Insurance Exchange
Associated Indemnity Corporation
Berkley Insurance Company
Berkley National Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Catastrophe Reinsurance Company
Catlin Indemnity Company
Catlin Insurance Company, Inc.
Centre Insurance Company
Century-National Insurance Company
Chicago Insurance Company
Clearwater Select Insurance Company
Colonial American Casualty And Surety Company
Colonial County Mutual Insurance Company
Columbia Lloyds Insurance Company
Continental Western Insurance Company
Corepointe Insurance Company
Crestbrook Insurance Company
Crum & Forster Indemnity Company
Depositors Insurance Company
Developers Surety And Indemnity Company
Diamond State Insurance Company
Direct General Insurance Company
Direct National Insurance Company
Emc Reinsurance Company
Emcasco Insurance Company
Empire Fire And Marine Insurance Company
Employers Mutual Casualty Company
Endurance American Insurance Company
Endurance Assurance Corporation
Endurance Risk Solutions Assurance Co.
Farmland Mutual Insurance Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Exchange

Federated Service Insurance Company
Fidelity And Deposit Company Of Maryland
Fireman's Fund Insurance Company
Firemen's Insurance Company Of Washington, D.C.
First Financial Insurance Company
First Nonprofit Insurance Company
Frankenmuth Mutual Insurance Company
Freedom Specialty Insurance Company
Garrison Property And Casualty Insurance Company
Great Divide Insurance Company
Greenwich Insurance Company
Hamilton Insurance Company
Harleysville Insurance Company
Hdi Global Insurance Company
Heritage Indemnity Company
Home Insurance Company, The
Hudson Insurance Company
Imperial Fire And Casualty Insurance Company
Integon Indemnity Corporation
Integon National Insurance Company
Intrepid Insurance Company
Jefferson Insurance Company
Key Risk Insurance Company
Mdw Insurance Company
Mic General Insurance Corporation
Midwest Employers Casualty Company
Milwaukee Casualty Insurance Co.
Mountain Valley Indemnity Company
National Casualty Company
National General Assurance Company
National General Insurance Company
National General Insurance Online, Inc.
National Surety Corporation
Nationwide Affinity Insurance Company 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
New South Insurance Company
Ngm Insurance Company
North River Insurance Company, The
Odyssey Reinsurance Company
Pacific Specialty Insurance Company

Pacific Specialty Property And Casualty Company
Penn-Star Insurance Company
Pharmacists Mutual Insurance Company
Republic Lloyds
Republic Underwriters Insurance Company
Riverport Insurance Company
Rochdale Insurance Company
Safeway Insurance Company
Scottsdale Indemnity Company
Security National Insurance Company
Selective Insurance Company Of America
Selective Insurance Company Of The Southeast
Seneca Insurance Company, Inc.
Sequoia Indemnity Company
Sequoia Insurance Company
Southern County Mutual Insurance Company
Southern Insurance Company
Starnet Insurance Company
T.H.E. Insurance Company
Technology Insurance Company, Inc.
Tig Insurance Company
Titan Indemnity Company
Tri-State Insurance Company Of Minnesota
Uaic Insurance Company
Union Insurance Company
Union Insurance Company Of Providence
Union Standard Lloyds
United Services Automobile Association
United States Fire Insurance Company
Universal Underwriters Insurance Company
Universal Underwriters Of Texas Insurance Company
Usaa Casualty Insurance Company
Usaa County Mutual Insurance Company
Usaa General Indemnity Company
Victoria Fire & Casualty Company
Wesco Insurance Company
XI Insurance America, Inc.
XI Insurance Company Of New York, Inc.
XI Reinsurance America Inc.
XI Select Insurance Company
XI Specialty Insurance Company
Zenith Insurance Company
Zurich American Insurance Company
Zurich American Insurance Company Of Illinois

ASSOCIATION MANAGER'S REPORT

Texas Automobile Insurance Plan Association (TAIPA) Annual Meeting – March 24, 2017

The following are the number of applications TAIPA assigned in 2016, 2015, 2014, and 2013:

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|------|-------|--|
| 2016 | 3,089 | (2744 private passenger applications and 345 commercial) |
| 2015 | 3,217 | |
| 2014 | 3,628 | |
| 2013 | 4,708 | |

The number of applications received in 2016 was 128 less than received in 2015, a 3.98% decrease.

The TAIPA budget for 2017 is \$1,011,200 which is \$83,700 less than the 2016 TAIPA budget of \$1,094,900. This is a 7.64% decrease.

The TAIPA assessment to the insurance companies for 2017 is \$995,900 which is \$4,100 less than the 2016 assessments.

A rate change to TAIPA rates for both private passenger and commercial rates were approved in 2016 to be effective February 1, 2017.

The commissioner ordered that TAIPA revise its rates to be charged for private passenger automobile insurance by coverage, territory, and class by:

- Plus 4.8 percent for bodily injury liability
- Plus 3.8 percent for property damage liability
- Minus 2.0 percent for personal injury protection
- Plus 3.6 percent for uninsured/underinsured motorist bodily injury liability
- Plus 4.7 percent for uninsured/underinsured motorist property damage liability

The commissioner ordered that TAIPA revise its rates to be charged for commercial automobile insurance policies by coverage, territory, and vehicle type by:

- Plus 3.8 percent for bodily injury liability,
- Plus 1.0 percent for property damage liability,
- Plus 1.2 percent for personal injury protection,
- No changes to commercial auto uninsured/underinsured motorist bodily injury liability, or uninsured/underinsured motorist property damage liability rates.

TAIPA moved to an upgraded version of the APS system in March, 2016.

In July of 2016, TAIPA changed IT providers from Pivot to Vintage IT and accomplished this with no service disruptions to our applicants or producers.

TAIPA amended Sections 9, 25, 35, and 47 of the TAIPA Plan of Operation. These amendments were necessary to comply with Senate Bill 1554 passed by the 2015 Texas Legislature. The bill amended the Texas Insurance Code to include county mutuals as authorized insurers and therefore members of TAIPA. The bill also removed the provision for exemption that was previously available to county mutuals meeting certain criteria.

TAIPA amended Section 14 of the TAIPA Plan of Operation. These amendments were necessary to comply with Senate Bill 956 passed by the 2015 Texas Legislature. The bill amended the Texas Insurance Code to require that insurers deliver personal auto and residence policies within 30 days of the effective date of the policy.

TAIPA continued to operate in 2016 with five (5) full time employees and one (1) part-time manager until May when we lost our manager, Stacy Dutton. As you well know, this was a major loss to TAIPA, the staff, and the Governing Committee on both a professional and personal level. James contributed to TAIPA in many roles over the years. He served on both the Governing Committee and the Operations Subcommittee for many years. In 2010, the board asked James to take over the management of TAIPA during a particularly trying time for the organization. James brought a sense of stability and calm to the organization. He was always there to provide guidance and mentoring when needed.

I would like to thank you all for the support and encouragement that Nicole and I received from the TAIPA Governing Committee, the TAIPA officers, and the TAIPA sub-committees as well as TAIPA counsel this year. We leaned on the officers quite a bit initially and in particular, our Chairman, Bill Brooks. We truly appreciate the extra time and effort everyone put in to help us this year.

I personally want to thank Nicole for all of her hard work and for providing me with the support that I needed to perform as Acting Manager, whether it was

- Providing background information,
- her accuracy in business operations and accounting
- moral support

Nicole was always there. I know that James would agree with me that she makes the TAIPA manager role, a whole lot easier.

I'd also like to thank the rest of the TAIPA staff, Mimi Leece, who has stepped up to help with the transition in any way that she could. (She is here today running interference for us with the hotel staff.) Joyce Boriack and Wanda Crayton are back at the office holding down the fort for us. Through the combined efforts of all of the TAIPA staff, TAIPA continued to provide excellent service to TAIPA applicants, producers, vendors, regulators and members of the TAIPA Governing Committee in 2016.

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)
CHAIR'S REPORT MARCH 24, 2017 TAIPA ANNUAL MEETING**

I'm Bill Brooks and I represent Texas Farm Bureau Insurance Companies as the AFACT representative on the TAIPA Governing Committee and I had the privilege and honor to serve as the Chair of the TAIPA Governing Committee in 2016.

As Stacy mentioned earlier, in May of 2016 our Association Manager Stacy Dutton passed away suddenly. And while there are probably other events to mention in a Chairman's report, I want to use my time up here to talk about James and the impact he had, as well as the response that I witnessed from TAIPA when James left us. When James came to TAIPA on November 1, 2010, he brought with him years of industry and management experience which, as Stacy mentioned, was a calming influence for a difficult transition. He was a perfect fit. James served on the TAIPA governing committee for years, he knew everyone very well...and for many of us it was like a long-time friend coming back home.

In April of 2011 our previous manager resigned and James agreed to stay on pending Governing Committee action related to the manager position. On January 1, 2012, the Governing Committee appointed James part-time TAIPA Manager. Then each year, and the Governing Committee will remember this, James spoke with us to let us know that he would continue in his role for another year, if we would have him. I can tell you that each year that was the one decision the Governing Committee was able to quickly come to terms with without any debate or additional subcommittee analysis!

James managed TAIPA through many changes during his time with us. I know you'll all agree we were very fortunate to have had the opportunity to work with James and are grateful for his leadership.

When James passed away last year, there was a profound sadness that enveloped the TAIPA team. I found this when I met with the TAIPA staff here in Austin on the Monday following his passing. But to no one's surprise, I also found a group of people who agreed that their best response to this sudden loss was to continue pressing forward and build on the groundwork James had helped put in place. And they did. I want to especially thank Stacy Dutton and Nicole Morgan for their role in this transition time. They have been rock solid instilling confidence in the other TAIPA employees ensuring continued stable operation of TAIPA.

I also want to thank the Manager Transition Subcommittee for their work as we continue to work through this transition. Members of the committee include myself, Corise Morrison, Pete Hamel, James Rowland and Dick Lonquist; and the committee is under the very capable chairmanship of Tom Brooks. Each committee member's leadership experience, business acumen and dedication to creating a sustaining plan for TAIPA has been evident in the committee's meetings. It has been a group effort that encompasses the TAIPA staff as well.

On August 19, 2016, as a result of a recommendation from this subcommittee, the Governing Committee voted unanimously to name Stacy Dutton as Acting Manager of TAIPA.

I'm confident that with the continued work of the subcommittee along with guidance from the Governing Committee, we will complete the transition and TAIPA will emerge positioned to continue its mission in a very efficient and effective manner.

I'd like to offer thanks to those who worked diligently on behalf of TAIPA in 2016.

I want to recognize and thank the TAIPA staff. I've already mentioned Stacy Dutton and Nicole Morgan but also want to thank Mimi Leece, Joyce Boriack, and Wanda Crayton for their contribution to TAIPA.

I want to thank our officers for their service. The Governing Committee officers include, Dick Lonquist, Vice Chair, George Cooper, Second Vice Chair, and David Weber, Secretary.

And thank you to all of the other Governing Committee members for your support and direction; Kevin Curry, Corise Morrison, Tom Brooks, James Rowland, Stephen Hylka, Becky Jackson, Carmelita Hogan, Mary Carol Awalt, Laura Hausman, Terry Fain, Alisha Darden, Pete Hamel, Adam Payton, and Ramon Montalvo.

And, thanks to TAIPA's legal counsel, Mike Jones for his contributions.

It has been a pleasure working with all of you and I look forward to the days ahead of us.