



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION (TAIPA)

TENTH REPORT

FOR THE PERIOD

JANUARY 1, 2003 THROUGH DECEMBER 31, 2003

AND

MINUTES OF ANNUAL MEETING

AUSTIN, TX

FEBRUARY 26, 2004

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
TENTH REPORT  
FOR THE PERIOD FROM  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003  
ANNUAL MEMBERSHIP MEETING  
Austin, Texas  
February 26, 2004

The Tenth 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 26, 2004.

The meeting was called to order by Governing Committee Chairman, Jon G. Smanz, 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 14.B of the TAIPA Plan of Operation. The trade association representatives selected were: Alliance of American Insurers– Liberty Mutual Insurance Company, American Insurance Association – The Hartford Insurance Company, Association of Fire and Casualty Companies in Texas – Republic Underwriters Insurance Company, and National Association of Independent Insurers – Allstate Insurance Company. The non-affiliated insurers ballot, as prescribed in Section 14.B.2, resulted in the election of State Farm Mutual Automobile Insurance Company.

In keeping with Section 14.B.3, Chairman Smanz announced the nomination of Farmers Insurance Group of Companies, United Services Automobile Association, and Southern Farm Bureau Casualty Insurance Company, 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:

Alliance of American Insurers  
Liberty Mutual Insurance Company  
Mary Frances Rash, Irving TX

American Insurance Association  
The Hartford Insurance Company  
Peggy Kawamura, Houston TX

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Association of Fire and Casualty Companies in Texas  
Republic Underwriters Insurance Company  
Brad Duelks, Dallas TX

National Association of Independent Insurers  
Allstate Insurance Company  
Jon G. Smanz, Northbrook IL

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

At-Large Members:  
Farmers Insurance Group of Companies  
Mark Franciskovic, Austin TX

Southern Farm Bureau Casualty Company  
James Langford, Waco 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 Smanz 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 elected Mr. Smanz as Chairman, Mr. Brad Duelks as Vice-Chair, Mr. Bill Jeter as Second Vice-Chairman and Mr. Terry Mack as Secretary.

Annual Meeting Attendees:  
Margaret Alsobrook, TAIPA  
Tom Assad, AIPSO  
Mary Carol Awalt, Public Member  
Joyce Boriak, ICT  
Grover Corum, TDI  
Carol Berthold, GEICO  
Pat Bonds, Producer Member  
Dianna Brooks, TAIPA  
Brad Duelks, Republic Underwriters

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Lou Escobar, AIG  
Mark Franciskovic, Farmers Insurance Group of Companies  
Richard Geiger, TCCI  
Pete Hamel, Producer Member  
Dave Harrop, State Farm Insurance Company  
Bill Jeter, Public Member  
Laura Hausman, Public Member  
Leslie Hurley, TDI  
Jerry Johns, Southwestern Insurance Information Service, Inc.  
Mike Jones, TCCI  
Peggy Kawamura, The Hartford  
Marilyn Kinsey, TAIPA  
James Langford, Southern Farm Bureau  
John Lusardi, Eagle  
Terry Mack, State Farm Insurance Companies  
Tim Messier, AIPSO  
Corise Morrison, USAA  
Jon Smanz, Allstate Insurance Company  
Bobby White, TAIPA

The following member companies were represented by proxy:

Ace American Insurance Company  
Ace American Lloyds Insurance Company  
Ace American Reinsurance Company  
Ace Fire Underwriters Insurance Company  
Ace Indemnity Insurance Company  
Ace Insurance Company of Texas  
Ace Property and Casualty Insurance Company  
Acuity, A Mutual Insurance Company  
All America Insurance Company  
Allianz Global Risk US Insurance Company  
American Automobile Insurance Company  
American Economy Insurance Company  
American Fire and Casualty Company  
American Hardware Insurance Company  
American Insurance Company  
American Merchants Casualty Company  
American Standard Lloyd's 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  
Amica Lloyd's of Texas  
Amica Mutual Insurance Company  
Associated Indemnity Corporation  
Athena Assurance Company  
Atlantic Lloyd's Insurance Company of Texas  
Atlantic Mutual Insurance Company  
Atlantic Specialty Insurance Company  
Auto-Owners Insurance Company  
Avomark Insurance Company  
Bankers Standard Fire and Marine Company  
Bankers Standard Insurance Company  
CMI Lloyds  
Central Mutual Insurance Company  
Century Indemnity Company  
Century Reinsurance Company  
Centennial Insurance Company  
Chicago Insurance Company  
Chubb Indemnity Insurance Company  
Chubb Lloyds Insurance Company of Texas  
Chubb National Insurance Company  
Cincinnati Casualty Company  
Cincinnati Insurance Company  
Country Casualty Insurance Company  
Country Mutual Insurance Company  
Country Preferred Insurance Company  
Crum & Forster Indemnity Company  
Discover Property & Casualty Insurance Company  
Economy Fire & Casualty Company  
Economy Preferred Insurance Company  
Economy Premier Assurance Company  
Executive Risk Indemnity Inc.  
Fairmont Insurance Company  
Farmers Alliance Mutual Insurance Company  
Federal Insurance Company  
Federated Mutual Insurance Company  
Federated Service Insurance Company  
Fidelity and Guaranty Insurance Company  
Fidelity and Guaranty Insurance Underwriters, Inc.  
Fireman's Fund Insurance Company  
Fireman's Fund Insurance Company of Texas  
Fireman's Fund Insurance Company of Wisconsin

First National Insurance Company of America  
Florists' Mutual Insurance Company  
General Casualty Company of Wisconsin  
Germania Fire & Casualty Company  
Germania Insurance Company  
Germania Select Insurance Company  
Grain Dealers Mutual Insurance Company  
Great Northern Insurance Company  
Guideone Elite Insurance Company  
Guideone Lloyds Insurance Company  
Guideone Mutual Insurance Company  
Guideone Specialty Mutual Insurance Company  
Horace Mann Insurance Company  
Horace Mann Lloyds  
Horace Mann Property & Casualty Insurance Company  
Hudson Insurance Company  
IDS Property Casualty Insurance Company  
Indemnity Insurance Company of North America  
Industrial Underwriters Insurance Company  
Insurance Company of North America  
Interstate Indemnity Company  
Jefferson Indemnity Company  
Medical Liability Mutual Insurance Company  
Merastar Insurance Company  
Metropolitan Casualty Insurance Company  
Metropolitan Direct Property and Casualty Insurance Company  
Metropolitan General Insurance Company  
Metropolitan Group Property and Casualty Company  
Metropolitan Lloyds Insurance Company  
Metropolitan Property and Casualty Insurance Company  
Millers First Insurance Company  
Modern Service Insurance Company  
Mountain States Indemnity Company  
Mountain States Mutual Casualty Company  
Mutual Service Casualty Insurance Company  
National Surety Corporation  
North River Insurance Company  
Northwestern Pacific Indemnity Company  
Odyssey American Reinsurance Corporation  
Odyssey Reinsurance Corporation  
Ohio Casualty Insurance Company

Ohio Security Insurance Company  
Old United Casualty Company  
Pacific Employers Insurance Company  
Pacific Indemnity Company  
Pacific Specialty Insurance Company  
Pharmacists Mutual Insurance Company  
Proselect National Insurance Company  
Prudential Commercial Insurance Company  
Prudential General Insurance Company  
Prudential Property and Casualty Insurance Company  
Quadrant Indemnity Company  
Ranger Insurance Company  
Ranger Lloyds Insurance Company  
Regent Insurance Company  
Republic Lloyds  
San Francisco Reinsurance Company  
Safeco Insurance Company of America  
Safeco Insurance Company of Illinois  
Safeco Insurance Company of Indiana  
Safeco Lloyds Insurance Company  
Safety National Casualty Corporation  
Seaton Insurance Company  
Selective Insurance Company of America  
Selective Insurance Company of the Southeast  
Seneca Insurance Company  
Shelby Casualty Insurance Company  
SN 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  
Stonewall Insurance Company  
Stratford Insurance Company  
Texas Select Lloyds Insurance Company  
Texas Pacific Indemnity Company  
TIG American Specialty Insurance Company  
TIG Indemnity Company  
TIG Insurance Company  
TIG Insurance Company of Michigan

TIG Insurance Company of Texas  
TIG Insurance Corporation of America  
TIG Lloyds Insurance Company  
TIG Premier Insurance Company  
Teachers Insurance Company  
Unigard Insurance Company  
United States Fidelity and Guaranty Company  
United States Fire Insurance Company  
West American Insurance Company  
Vesta Fire Insurance Company  
Vesta Insurance Company  
Vigilant Insurance Company  
Westchester Fire Insurance Company  
Zale Indemnity Company

#### Association Manager's Report

TAIPA assigned 74,506 new applications in 2003 and 66,153 new applications in 2002 for a 13% increase in new applications assigned. TAIPA was 5% under budget in 2003.

TAIPA continues to operate in an efficient manner as a result of a tenured staff led by dedicated managers, Margaret Alsobrook and Marilyn Kinsey with attention to detail by Dianna Brooks, Assistant to the Association Manager. Our special thanks to Chairman Jon Smanz, whose leadership has proved invaluable. Last but not least, it has been our pleasure to be associated with the Governing Committee.

Mr. Chairman that concludes my report.

#### Chairman's Report

Good Morning! This is my second year as the Chair of the Texas Automobile Insurance Plan Association (TAIPA). In last year's report, I stood before you and spoke of several key business initiatives that were currently being worked on, or that would need our attention in 2003. I am pleased to report to you today, that because of a combined cooperative effort of those entities responsible for the operation of TAIPA, I can report significant progress was made in all of these initiatives.



First and foremost is the issue of rate adequacy. Although it took longer than expected while going through data quality issues, we were able to get a 27.7% increase that went into effect February 1, 2004. Bobby talked about our application counts, and 2003 was our largest volume year since 1997. Despite the increases, we are a long way away from the 600,000 and 700,000 application years in the early nineties, and the rate increase should help further control the 2004 counts.

I spoke of a succession planning exercise for all management and other essential positions within TAIPA. The identification and training needs assessment phases are complete and the ongoing training continues. Bobby and his staff should be commended for their willingness to see this project to its conclusion.

The Governing Committee set aside some money to fund an electronic application submission system called EASi that was implemented in 2003. Without the rating engine, which is scheduled for 2004, 30% of our applications are now submitted through EASi. This number is higher than any other state in the country for the introductory year of this product. The efforts of TAIPA staff in holding several training sessions throughout the state had a tremendous impact on producer acceptance.

We are close to having our very own TAIPA Plan of Operation Manual thanks to the efforts of Carol Berthold and the Operations Subcommittee. They worked with Counsel, AIPSO, TDI and at times, a relentless TAIPA staff, to build a product that will be useful to the insurers and producers of Texas.

As was the case in 2003, 2004 brings some known issues to the table that will generate their share of challenges. We will need to be prepared to assimilate most of the county mutuals into the TAIPA quota and assignment process. Rate adequacy will continue to remain a challenge in 2004. As I said earlier, the EASi system will be expanded to include a rating engine and will generate another round of training. Last year I spoke of the need to prepare to search for a new plan manager, as Mr. White had let us know that his retirement will be coming up within a few years. This search will begin in earnest in 2004.

I began this report with a statement about the combined cooperative efforts of many that has led to our 2003 accomplishments. TAIPA remains a healthy organization and I would like to end this report by thanking those responsible. Thanks to Bobby White and his dedicated staff.

Thanks to the insurer members of the committee and to public and producer members, who take time out of their busy schedules to help administer the affairs of TAIPA. Thanks to the Chairs and members of our subcommittees; our counsel Dick Gieger and Mike Jones; AIPSO and other outside vendors; and the Department of Insurance for their willingness to work together as a team in solving the challenges that will face TAIPA, now and in the future.