



Michigan Automobile Insurance Placement Facility

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June 11, 2003

MINUTES OF THE THIRTY-SECOND ANNUAL MEETING OF THE MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY HELD ON MAY 22, 2003

MEMBER COMPANIES PRESENT:

- *AIU Insurance Company
- Allstate Insurance Company
- *American Home Insurance Co.
- *American International Ins. Co.
- *American International South Ins. Co.
- Amerisure Mutual Insurance Co.
- Auto Club Group Insurance Co.
- Auto Club Insurance Association
- Auto-Owners Insurance Company
- *Chubb Group of Ins. Companies
- Citizens Insurance Co. of America
- *Commerce & Industry Insurance Co.
- *Frankenmuth Mut. Ins. Company
- *Granite State Insurance Company
- Hanover Insurance Company
- Hastings Mutual Insurance Company
- *Illinois National Insurance Company
- *Insurance Co. of the State of PA
- *National Union Fire Insurance Co.
- *Nationwide Insurance Companies
- *New Hampshire Insurance Company
- State Farm Fire & Casualty Company
- State Farm Mutual Auto Insurance Co.
- *Stratford Insurance Company
- *USAA
- *USAA Casualty Ins. Company

**Represented by Proxy*

OTHERS PRESENT:

- Producer Representatives
- Public Representative
- Office of Financial & Insurance Services
- Michigan Auto Ins. Placement Facility

REPRESENTED BY:

- T. Mack
- R. Cardin
- T. Mack
- T. Mack
- T. Mack
- R. Nicholas
- L. Lange, R. Saranen & P. Scheske
- L. Lange, R. Saranen & P. Scheske
- J. Tagsold
- R. Cardin
- T. Morante
- T. Mack
- G. Slingerlend
- T. Mack
- T. Morante
- G. Slingerlend
- T. Mack
- T. Mack
- T. Mack
- T. Mack
- T. Mack
- T. Mack
- R. Cardin
- R. Cardin
- R. Cardin

- L. Bostic & C. Locker
- L. Quinn & L. Rodney
- S. Liddle
- T. Miller, D. Barnette, C. Grabowski, N. Hier & C. Pirie

The thirty-second annual meeting of the Michigan Automobile Insurance Placement Facility was called to order, and those present were asked to introduce themselves.

Upon a motion being made, seconded, and carried, the reading of the minutes of the thirty-first annual meeting was waived.

Reports were then presented by the chairman of the Board of Governors and the general manager of the Facility (see attached).

Following their remarks, the general manager asked for any additional nominations for the Board's upcoming term. There being none, a motion was made, seconded, and carried that the nominations be closed. Ballots were tabulated, and the results of the election for the seven company positions on the Board of Governors for the 2003/2004 term were announced as follows:

State Farm Mutual Auto Ins. Co.	23,472,666
Auto Club Insurance Association	17,723,757
Allstate Insurance Company	10,997,348
Auto-Owners Insurance Company	10,743,589
Citizens Ins. Co. of America	10,092,737
Amerisure Mutual Insurance Company	4,043,371
Hastings Mutual Insurance Co.	<u>2,956,235</u>
	82,910,326

There being no additional business to address, the thirty-second annual meeting of the Michigan Automobile Insurance Placement Facility was adjourned.

Respectfully submitted,

Terri A. Miller, CPCU
General Manager

TAM/CP/cp

Attachments

MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
BOARD CHAIRMAN REPORT

ANNUAL MEETING - MAY 22, 2003

On behalf of the MAIPF Board of Governors and MAIPF staff, I would like to welcome you to the 2003 annual meeting. I am Terry Mack of State Farm Insurance, the current chair of the MAIPF Board of Governors.

MAIPF enjoyed another very productive year in 2002. Application volume continued to increase in 2002 and reached the highest annual levels since 1998. In spite of the significant policy growth, the MAIPF operation was able to maintain its high standard of excellence.

The continued refinement of MAIPF rates lead to a substantial private passenger rate increase in 2002 as underwriting experience worsened. Work with AIPSO continues on the automated application process and initial phases look to be implemented in 2003. This process should increase efficiencies for all concerned. We will also be working on a revised Servicing Carrier Agreement this year with changes to be discussed at the August Board meeting. This is the first contract revision in many years.

Terri Miller continues to provide strong management to the day-to-day activities at MAIPF. In addition, her long range thinking and planning provides great benefit to MAIPF as we move ahead. Our dedicated MAIPF staff provides excellent service to all segments of the market including consumers, producers, regulators, and subscribers. Donna Barnette has completed a productive first year as the replacement for Nancy Mattern. We thank Donna for her efforts.

All of MAIPF's subcommittees continue to provide meaningful input to the Board. Without their efforts, the functioning of the Board would be much more difficult. Thanks to all the members of the subcommittees and especially to the chairpersons for their excellent work. The Board will continue to rely on your suggestions and advice.

To the Board of Governors I say thanks for your dedication and commitment. While divergent interests are represented, the Board does a good job of balancing issues and arriving at solutions equitable to all. A special thank you goes to Sandy Liddle of the Insurance Bureau. We appreciate your support and cooperation. In addition we look forward to working with the new Commissioner, Linda Watters.

The year 2003 will provide numerous challenges for MAIPF even with application volumes apparently decreasing. The Office of Financial and Insurance Services will conduct an examination of MAIPF. This is the first such examination in many years and we anticipate excellent results. With the Board's help, MAIPF will continue to be a cost effective organization. I eagerly await my continuing involvement with the Board of Governors and appreciate your support for me as the Chairman the past year.

Thanks again for attending today.

Respectfully submitted,

Terry L. Mack, CPCU, CLU
State Farm Insurance
MAIPF Board Chairman

**MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
GENERAL MANAGER'S REPORT
ANNUAL MEETING – MAY 22, 2003**

FACILITY VOLUME AND ACTIVITY – FISCAL YEAR 2002

	2002	2001	% Change
Combined Direct Written Premium	\$60,324,788	\$35,458,741	70.1%
Combined Direct Earned Premium	\$54,249,894	\$33,515,087	61.9%
Combined Direct Incurred Losses	\$121,048,002	\$125,488,477	-3.5%
Private Passenger Direct Loss Ratio	281.64%	494.54%	
Commercial Direct Loss Ratio	96.57%	76.90%	
Premium Charge-Offs (calendar year)	\$1,870,614	\$822,414	
	2.61%	2.02%	29.2%
Combined App Count (calendar year)	62,482	35,218	77.4%
Policies In Force (calendar year)	29,421	18,384	60.0%
Combined net results of operations	(\$33,977,574)	\$1,254,942	

		2003	2002	
Servicing Carrier Fee – PP	Non-claims	14.50%	12.30%	17.9%
	Claims	8.00%	11.40%	-29.8%
Servicing Carrier Fee – Comm'l.	Non-claims	12.10%	17.90%	-32.4%
	Claims	14.20%	14.00%	1.4%

FISCAL YEAR 2003 – FIRST QUARTER, ENDING 12/31/02

For the first quarter of the current fiscal year, private passenger direct earned premium was \$14,206,789, an increase of 94% over the same period in 2001. Direct incurred losses were \$15,667,662; with reserve adjustments and ceded MCCA losses the total net loss ratio was 105% and the combined ratio was 129% for the quarter.

For the same period, commercial direct earned premium was \$5,389,316, an increase of 92% from the same period in 2001. Direct incurred losses were \$2,079,860, and with reserve changes and ceded MCCA losses the total net loss ratio was -5.8% and the combined ratio 19.8%.

There were 11,922 private passenger applications submitted – a decrease of 13.5% from the prior year. There were 367 commercial applications, an increase of 15% over the prior year.

OBSERVATIONS

- MAIPF market share increased from 0.46% in 2000 to 0.56% in 2001.
- The loss ratio for physical damage coverages decreased in fiscal year 2002 to 1.039 from 1.592 in fiscal year 2001. The loss ratio has decreased to .906 in the first quarter of fiscal year 2003.

FACILITY OPERATIONS

Over the past year the Facility staff has made a number of significant accomplishments.

First and foremost, the staff was able to handle a dramatic increase in applications while still providing a high level of service to producers and applicants. By limiting additional projects, working selective overtime shifts and updating workflows we were able to assume an increase of over 77% without additional staffing. Application volume has remained relatively strong despite a large rate increase in November 2002.

The Facility was able to offer its first Continuing Education course in several years, which was presented to a group of State Farm producers. We have also developed a project plan for a web-based training course and are researching a commercial rating course.

The Internet continues to provide us with many opportunities. We are in the testing phase of the project to introduce the Electronic Application and Rating System (EARS), which will allow producers to complete and rate private passenger applications on-line with automated aids such as VIN verification and app completion prompts. The MAIPF web site has continued to improve in functionality, as producers may now check for premiums owed on a prior Facility policy and may now access the AIPSO Symbol & Identification manual. Servicing carriers now have access to the Accounting & Statistical Manual and expanded Facility data. Board and committee members have instant access to Facility data and meeting information on our secure site.

Facility staff has continued to work with producers on app completion and submission procedures using the Producer Performance Program. We conducted a number of training classes and hearings for producers in 2002 and began to utilize the Producer Disqualification Program for serious violations of Facility procedures.

The HEAT® Program also had a very successful year in 2002. We awarded \$120,505 in tip rewards, and aided in the recovery of 105 vehicles and other stolen property valued at \$1.7 million. We collaborated with the Automobile Theft Prevention Authority to produce a set of three law enforcement training videos that will be distributed state-wide during 2003. Michigan State Police Director Steve Madden was the keynote speaker at the 17th Anniversary Breakfast, and the program continues to generate a great deal of interest and exposure in the print, radio and television media. The web site was also upgraded to accept tip information on-line.

I would like to thank the Board of Governors, the committees and the OFIS representative for their contributions over the past year. I would also like to express my appreciation to the Facility staff for their dedication and commitment, especially considering the workloads over the past year. Special thanks to the management team of Christine Grabowski, Donna Barnette, Nina Hier and Cindy Pirie for their valuable insight and hard work as we make improvements to Facility operations.

In conclusion, 2002 was a year presenting many challenges for the Facility, which were successfully met by the staff. I believe we are positioned well to continue to operate effectively and efficiently.

Respectfully submitted,

Terri A. Miller, CPCU
General Manager

MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY

PARTICIPATING MEMBER COMPANIES - 2001

Acceptance Insurance Company
Ace American Insurance Company
Ace Fire Underwriters Ins. Company
Acuity, A Mutual Insurance Company
Aegis Security Insurance Company
AIU Insurance Company
Allied Property & Casualty Ins. Co.
All America Insurance Company
Allstate Indemnity Company
Allstate Insurance Company
Amco Insurance Company
American & Foreign Insurance Company
American Alternative Insurance Corp.
American Auto Insurance Company
American Bankers Ins. Co. of FL
American Casualty Co. of Reading PA
American Country Insurance Company
American Economy Insurance Company
American Employers Insurance Company
American Family Home Ins. Company
American Federation Ins. Company
American Fellowship Mutual Ins. Co.
American Fire & Casualty Company
American General Indemnity Company
American Guarantee & Liab. Ins. Co.
American Hardware Mutual Ins. Co.
American Home Assurance Company
American Insurance Company
American International Ins. Co.
American International South Ins. Co.
American Manufacturers Mut. Ins. Co.
American Modern Home Insurance Co.
American Motorists Ins. Co.
American Protection Insurance Company
American Reliable Insurance Company
American Select Insurance Company
American States Insurance Company
American Zurich Insurance Company
Amerisure Insurance Company
Amerisure Mutual Insurance Company
Amex Assurance Company
AMICA Mutual Insurance Company
Argonaut Great Central Insurance Company
Associated Indemnity Corp.
Associates Insurance Company
Assurance Company of America
Athena Assurance Company
Atlantic Mutual Insurance Company
Auto Club Group Insurance Company
Auto Club Insurance Association
Auto-Owners Insurance Company
Balboa Insurance Company
Bankers Standard Ins. Company
Bituminous Casualty Corporation
Bituminous Fire & Marine Ins. Co.
Bristol West Insurance Company
Brotherhood Mutual Insurance Company
Carolina Casualty Ins Company
Centennial Insurance Company
Central Mutual Insurance Company
Charter Oak Fire Insurance Company
Cherokee Insurance Company
Chicago Insurance Company
Church Mutual Insurance Company
Cincinnati Insurance Company
Citizens Insurance Co. of America
Clarendon National Insurance Company
Colonial American Cas & Surety Company
Combined Specialty Ins. Company
Commerce & Industry Ins. Company
Connecticut Indemnity Company
Consolidated Insurance Company
Constitution Insurance Company
Continental Casualty Company
Continental National Ind. Company
Coregis Insurance Company
Crum & Forster Indemnity Company
CUMIS Insurance Society, Inc.
Daimler Chrysler Ins. Company
Dairyland Insurance Company
Diamond State Insurance Company
Discover Prop & Cas Ins. Company
Electric Insurance Company
Elevators Mutual Insurance Company
Emcasco Insurance Company
Empire Fire & Marine Ins. Company

Argonaut Insurance Company
Employers Ins. of Wausau a Mut. Company
Employers Mutual Casualty Company
Evergreen National Indemnity Company
Fairmont Insurance Company
Farm Bureau General Ins. Co. of MI
Farm Bureau Mutual Ins. Co. of Michigan
Farmers Insurance Exchange
Farmland Mutual Ins. Company
Federal Insurance Company
Federated Mutual Insurance Company
Federated Rural Electric Insurance Corp.
Federated Service Insurance Company
Fidelity & Casualty Co. of New York
Fidelity & Deposit Co. of Maryland
Fidelity & Guaranty Ins. Company
Fidelity & Guaranty Ins. Undwrs. Inc.
Fireman's Fund Insurance Company
Fireman's Fund Insurance Co. of Nebraska
Fireman's Fund Ins. Co of WI
First American Insurance Company
First National Ins. Co. of America
First NonProfit Mutual Ins. Company
Florists' Mutual Insurance Company
Foremost Insurance Company
Foremost Property & Casualty Ins. Co.
Founders Insurance Company
Frankenmuth Mutual Insurance Company
Fremont Mutual Insurance Company
GE Property & Casualty Ins. Co.
GEICO Indemnity Company
General Casualty Co. of Wisconsin
General Insurance Company of America
General Security Insurance Company
General Security National Ins. Company
Genesis Insurance Company
Glens Falls Insurance Company
Globe Indemnity Company
Grange Insurance Company of Michigan
Granite State Insurance Company
Great American Alliance Ins. Company
Great American Assurance Company
Great American Insurance Company
Great American Insurance Company of NY
Great Lakes Casualty Ins. Company
Great Midwest Insurance Company
Great Northern Insurance Company

Employers Fire Insurance Company
Grocers Insurance Company
Guaranty National Insurance Company
Guideone Mutual Insurance Company
Guideone Specialty Mutual Ins. Company
Gulf Insurance Company
Hamilton Mutual Ins. Co of Cincinnati
Hanover Insurance Company
Harco National Insurance Company
Harleysville Insurance Company
Harleysville Lake States Ins. Company
Hartford Accident & Indemnity Company
Hartford Casualty Ins. Company
Hartford Fire Insurance Company
Hartford Ins. Co. of the Midwest
Hartford Underwriters Ins. Co.
Hastings Mutual Insurance Company
Home Owners Insurance Company
Horace Mann Insurance Company
Hudson Insurance Company
Illinois National Insurance Co.
Indemnity Ins. Co. of North America
Indiana Insurance Company
Indiana Lumbermens Mutual Ins. Co.
Insurance Company of North America
Insurance Company of the State of PA
Insurance Company of the West
Insurance Corporation of Hanover
Insurance Corp. of NY
Integon National Insurance Company
Intern'l. Business & Mercantile Reassur. Co.
Interstate Fire & Casualty Company
Lancer Insurance Company
Leader Insurance Company
Legion Insurance Company
Liberty Insurance Corp.
Liberty Mutual Fire Insurance Company
Liberty Mutual Insurance Company
Lincoln General Insurance Company
Lumbermens Mutual Casualty Company
Lumbermens Underwriting Alliance
Lyndon Property Insurance Company
Markel American Insurance Company
Markel Insurance Company
Maryland Casualty Company
Massachusetts Bay Insurance Company
MEEMIC Insurance Company

Great West Casualty Company
Greenwich Insurance Company
Merchants Mutual Insurance Company
Meridian Security Insurance Company
Meritplan Insurance Company
Metropolitan DRT Prop & Cas Ins. Company
Metropolitan General Insurance Company
Metropolitan Group Prop & Casualty
Metropolitan Prop & Cas. Ins. Co.
MIC General Insurance Company
MIC Property & Cas. Ins. Corp.
Michigan Insurance Company
Michigan Millers Mutual Insurance Co.
Mid-Century Insurance Company
Millers Insurance Company
Modern Service Insurance Company
Monroe Guaranty Insurance Company
Motors Insurance Corporation
Mutual Service Casualty Insurance Co.
National American Insurance Company
Narional Ben-Franklin Ins. Co. of Illinois
National Casualty Company
National Farmers Union P & C
National Farmers Union Standard Ins.
National Fire Ins. Co. of Hartford
National General Insurance Company
National Indemnity Company
National Interstate Ins. Company
National Liability & Fire Ins. Company
National Surety Corporation
National Union Fire Ins. Co. Pitts.
Nationwide Agribusiness Ins. Company
Nationwide Insuranace Co. of America
Nationwide Mutual Fire Ins. Company
Nationwide Mutual Insurance Company
Nationwide Prop. & Casualty Ins. Co.
Netherlands Insurance Company
New Hampshire Insurance Company
NipponKOA Ins. Co. Ltd. US Branch
NN Insurance Company
North American Specialty Ins. Co.
North Pointe Insurance Company
North River Insurance Company
Northbrook Prop & Cas Ins Company
Northern Assurance Co. of America
Northern Ins. Co. of New York
Northern Mutual Insurance Company

Membersselect Insurance Company
Merastar Insurance Company
Ohio Casualty Insurance Company
Ohio Farmers Insurance Company
Old Republic Insurance Company
OneBeacon America Ins. Company
OneBeacon Insurance Company
Pacific Employers Insurance Company
Pacific Indemnity Company
Partners Mutual Ins. Company
Peerless Insurance Company
Penn-America Insurance Company
Pennsylvania General Ins. Company
Pennsylvania Lumbermens Mutual Ins.
Pennsylvania Manufacturers Assoc. Ins. Co.
Pharmacists Mutual Insurance Company
Philadelphia Indemnity Ins. Co.
Pioneer State Mutual Insurance Company
Potomac Insurance Company of IL
Progressive MI Insurance Company
Progressive Specialty Insurance Company
Property & Cas. Ins. Co. of Hartford
Prudential General Ins. Company
Prudential Property & Cas. Ins. Co.
QBE Insurance Corporation
Quadrant Indemnity Company
Ranger Insurance Company
Regent Insurance Company
Republic Western Insurance Company
Republic-Franklin Insurance Company
RLI Insurance Company
Royal Indemnity Company
Royal Insurance Company of America
Safeco Ins. Co. of America
Safeco Ins. Co. of Illinois
Safeguard Insurance Company
Secura Insurance A Mutual Company
Secura Supreme Insurance Company
Security Ins. Company of Hartford
Select Insurance Company
Selective Insurance Company of SC
Selective Ins. Co. of the Southeast
Sentry Insurance a Mutual Company
Sentry Select Insurance Company
Sirius America Insurance Company
Southern Michigan Insurance Company
Specialty National Ins. Company

Northland Casualty Company
Northland Insurance Company
Northwestern National Casualty Company
St Paul Property & Casualty
Standard Fire Insurance Company
Star Insurance Company
State Auto Mutual Insurance Company
State Auto Prop & Casualty Ins.
State Farm Fire & Casualty Company
State Farm Mutual Automobile Ins. Co.
State National Insurance Company Inc.
Stratford Insurance Company
Sumitomo Marine & Fire Ins Co Ltd. (US)
Teachers Insurance Company
The Insurance Company
TIG Indemnity Company
TIG Insurance Company
Titan Indemnity Company
Titan Insurance Company
Tokio Marine & Fire Ins. Co., US BR
Transcontinental Ins. Company
Transguard Ins. Co. of America Inc.
Transportation Insurance Company
Travelers Casualty & Surety Company
Travelers Casualty Co. of Connecticut
Travelers Indemnity Company
Travelers Ind. Co. of America
Travelers Ind. Co. of CT
Travelers Ind. Co. of IL
Truck Insurance Exchange
Trumbull Insurance Company

St Paul Fire & Marine Ins. Company
St Paul Guardian Insurance Company
St Paul Mercury Insurance Company
Twin City Fire Ins. Company
Ulico Casualty Company
United Financial Casualty Company
United Services Auto Assoc.
United States Fire Insurance Company
Unitrin Direct Insurance Company
Universal Underwriters Insurance Company
US Fidelity & Guaranty Company
USAA Cas. Insurance Company
Utica Mutual Insurance Company
Valiant Insurance Company
Valley Forge Insurance Company
Vanliner Insurance Company
Vigilant Insurance Company
Warner Insurance Company
Wausau Business Insurance Company
Wausau Underwriters Ins. Company
West American Insurance Company
Westchester Fire Insurance Company
Westfield Insurance Company
Westport Insurance Corp.
Winterthur International Amer. Ins. Co.
Wolverine Mutual Insurance Company
Worldwide Insurance Company
XL Specialty Insurance Company
Yasuda Fire & Marine Ins. Co. of America
Yosemite Insurance Company
Zurich American Insurance Company