



Michigan Automobile Insurance Placement Facility

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June 4, 2004

MINUTES OF THE THIRTY-THIRD ANNUAL MEETING OF THE MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY HELD ON MAY 27, 2004

MEMBER COMPANIES PRESENT:

- Allstate Insurance Company
- Amerisure Mutual Insurance Co.
- Auto Club Group Insurance Co.
- Auto Club Insurance Association
- Auto-Owners Insurance Company
- *Chubb Group of Ins. Companies
- *Cincinnati Insurance Company
- Citizens Insurance Co. of America
- *Frankenmuth Mut. Ins. Company
- Hanover Insurance Company
- Hastings Mutual Insurance Company
- Home Owners Insurance Company
- *Markel American Ins. Company
- *Markel Insurance Company
- *Pennsylvania Lumbermens Mut. Ins. Co.
- *Pharmacists Mut. Ins. Company
- State Farm Fire & Casualty Company
- State Farm Mutual Auto Insurance Co.
- *Stratford Insurance Company

**Represented by Proxy*

REPRESENTED BY:

- R. Cardin
- D. Joseph Olson
- T. Olschefski
- T. Olschefski
- S. Palmer
- R. Cardin
- T. Morante
- T. Morante
- G. Slingerlend
- T. Morante
- G. Slingerlend
- S. Palmer
- R. Cardin
- R. Cardin
- T. Mack
- G. Slingerlend
- T. Mack
- T. Mack
- R. Cardin

OTHERS PRESENT:

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

- L. Bostic & C. Locker
- M. Zausmer
- S. Liddle
- T. Miller, D. Barnette, C. Grabowski & C. Pirie

The thirty-third 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-second 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 2004/2005 term were announced as follows:

State Farm Mutual Auto Ins. Co.	19,412,681
Auto Club Insurance Association	17,494,059
Allstate Insurance Company	11,512,696
Auto-Owners Insurance Company	10,280,934
Citizens Ins. Co. of America	8,509,559
Amerisure Mutual Insurance Company	5,865,935
Hastings Mutual Insurance Co.	<u>3,117,214</u>
	76,193,078

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/CM/cm

Attachments

Michigan Automobile Insurance Placement Facility
Board Chairman Report

Annual Meeting – May 27, 2004

On behalf of the MAIPF Board of Governors and MAIPF staff, welcome to the 2004 Annual Meeting of MAIPF. My name is Terry Mack and I am the current chairman of the MAIPF Board of Governors.

The year 2003 saw a significant decline in application volume for MAIPF. This trend would seem to indicate that a healthy voluntary market exists in Michigan. Despite the drop in application volume, MAIPF staff remains involved in numerous other projects while still providing quality service on the application side.

A significant overall rate increase on private passenger business was implemented in November. The contract for MAIPF Servicing Carrier was revised and approved by the Board in August. This was the first revision of the contract in a number of years. The Board also approved continued funding for the Witness Reimbursement Program. The HEAT Program was visible and active as usual while also employing a new public relations firm.

OFIS began a review of MAIPF in November 2003 and the final results should be out soon. This was mainly a financial exam which also required much involvement by the Servicing Carriers. Thanks to all involved for their patience and efforts in working through the exam. We anticipate good results.

MAIPF functions well due to the efforts of many fine people. On behalf of myself and the insurance industry I thank (1) Terri Miller for her strong leadership, (2) MAIPF staff for their dedication to excellent service (3) the Board of Governors for their commitment and cooperation (4) the MAIPF subcommittees which provide so much valuable input and (5) Sandy Liddle of the Insurance Bureau for her informed insights.

This year, special thanks and recognition to our former Public Representatives Laura Quinn and Linda Rodney. Their appointments to the MAIPF Board have expired. Their valuable input and balanced thinking will be missed. At the same time, we welcome our new Public Representatives Julia Goatley and Mark Zausmer. We look forward to working with both of you.

As this is my last meeting as the Chairman of the Board of Governors, please accept my appreciation for your support over the past two and a half years. I have thoroughly enjoyed my term as Chairman.

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 27, 2004**

FACILITY VOLUME AND ACTIVITY – FISCAL YEAR 2003

	2003	2002	% Change
Combined Direct Written Premium	\$68,252,401	\$60,324,788	13.1%
Combined Direct Earned Premium	\$68,456,759	\$54,249,894	26.2%
Combined Direct Incurred Losses	\$95,193,342	\$121,048,002	-21.4%
Private Passenger Direct Loss Ratio	181.47%	281.64%	
Commercial Direct Loss Ratio	63.41%	96.57%	
Premium Charge-Offs (calendar year)	\$4,185,797	\$1,870,614	
	7.10%	2.61%	172.0%
Combined App Count (calendar year)	38,496	62,482	-38.4%
Policies In Force (calendar year)	16,668	29,421	-43.3%
Combined net results of operations	(\$714,056)	(\$33,977,574)	

		2004	2003	
Servicing Carrier Fee – PP	Non-claims	10.6%	14.50%	-26.9%
	Claims	3.2%	8.00%	-60.0%
Servicing Carrier Fee – Comm'l.	Non-claims	7.9%	12.10%	-34.7%
	Claims	13.5%	14.20%	-4.9%

FISCAL YEAR 2004 – FIRST QUARTER, ENDING 12/31/03

For the first quarter of the current fiscal year, private passenger direct earned premium was \$9,355,008, a decrease of 34% from the same period in 2002. Direct incurred losses were \$18,724,906; with reserve adjustments and ceded MCCA losses the total net loss ratio was 121.6% and the combined ratio was 145.7% for the quarter.

For the same period, commercial direct earned premium was \$4,333,486, a decrease of 20% from the same period in 2002. Direct incurred losses were \$1,566,441, and with reserve changes and ceded MCCA losses the total net loss ratio was 53.3% and the combined ratio 73.4%.

There were 5,226 private passenger applications submitted – a decrease of 56.2% from the prior year. There were 325 commercial applications, a decrease of 12% from the prior year.

OBSERVATIONS

- The loss ratio for physical damage coverages decreased in fiscal year 2003 to 0.887 from 1.039 in fiscal year 2002. The loss ratio has decreased to .693 in the first quarter of fiscal year 2004.
- MAIPF market share increased from 0.56% in 2002 to 0.92% in 2003.

FACILITY OPERATIONS

During the past twelve months, the Facility staff continued to provide a high level of service to our company and producer partners.

Application volume has decreased due to two significant rate increases. This has allowed us to concentrate on other projects. The Servicing Carrier Guide was completely revised and was distributed to carriers in the third quarter. The Servicing Carrier Agreement was also reviewed and updated. Our financial Chart of Accounts was revised and streamlined for greater efficiency, and some banking relationships were revised or terminated to reduce fees. The MAIPF group insurance and salary administration program was reviewed by an outside consultant to ensure that we remain up to date in these areas.

We are also undergoing an examination by the Office of Financial & Insurance Services. Our last examination was conducted in 1992. Facility staff, AIPSO staff and the servicing carriers have been heavily involved in this process, which required a great deal of data and records recovery. MAIPF placed much of the required information on a dedicated web page, which OFIS plans to use as a template for future exams.

The Internet continues to provide us with many opportunities. We have recently introduced the Electronic Application and Rating System (EARS), which allows producers to complete and rate private passenger applications on-line with automated aids such as VIN verification and app completion prompts. For security reasons, registration with MAIPF is now required to access many features, such as printing Facility forms and entering application data. Our web site continues to improve as we add more information and tools for producers and insurers.

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 2003 and have utilized the Producer Disqualification Program for serious violations of Facility procedures.

The HEAT® Program also had a very successful year in 2003. We awarded \$151,060 in tip rewards, and aided in the recovery of 109 vehicles and other stolen property valued at over \$1.3 million. We collaborated with the Automobile Theft Prevention Authority to distribute a set of three law enforcement training videos state-wide during 2003. Michigan Attorney General Mike Cox was the keynote speaker at the 18th Anniversary Breakfast, and the program continues to generate a great deal of interest and exposure in the print, radio and television media. We engaged a new public relations firm, John Bailey & Associates, in December, 2003.

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. The management team of Christine Grabowski, Donna Barnette, Nina Hier and Cindy Pirie deserve special recognition for their valuable insight and hard work as we continue to improve Facility operations.

In conclusion, 2003 was another challenging year for the Facility, which was successfully navigated 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 - 2002

Ace American Insurance Company
Ace Fire Underwriters Ins. Company
Ace Property & Casualty Ins. Company
Acuity, A Mutual Insurance Company
Aegis Security Insurance Company
AIU Insurance Company
All America Insurance Company
Allied Property & Casualty Ins. Co.
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 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
Arch Insurance Company
Argonaut Great Central Insurance Company
Argonaut Insurance Company
Employers Ins. of Wausau a Mut. Company
Employers Mutual Casualty Company
Esurance Insurance Company
Fairmont Insurance Company
Farm Bureau General Ins. Co. of MI
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
AXA RE Prop & Casualty Ins. 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
Consolidated Insurance Company
Constitution Insurance Company
Continental Casualty Company
Continental Insurance Company
Continental National Ind. Company
Coregis Insurance Company
Crum & Forster Indemnity Company
CUMIS Insurance Society, Inc.
Daimler Chrysler Ins. Company
Dairyland Insurance Company
Discover Prop & Cas Ins. Company
Electric Insurance Company
Elevators Mutual Insurance Company
Emcasco Insurance Company
Empire Fire & Marine Ins. Company
Employers Fire Insurance Company
Guideone Specialty Mutual Ins. Company
Gulf Insurance Company
Hamilton Mutual Ins. Co of Cincinnati
Hanover Insurance Company
Harco National Insurance Company

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.
Fire & Casualty Ins. Co. of Connecticut
Fireman's Fund Insurance Company
First National Ins. Co. of America
First NonProfit Mutual Ins. Company
Florists' Mutual Insurance Company
Foremost Insurance Company
Founders Insurance Company
Founders Insurance Company of Michigan
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 National Ins. Company
Genesis Insurance Company
Glens Falls Insurance Company
Globe Indemnity Company
GMAC Insurance Co. of America
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
Great West Casualty Company
Greenwich Insurance Company
Guaranty National Insurance Company
Guideone Mutual Insurance Company
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
Modern Service Insurance Company
Monroe Guaranty Insurance Company
Motors Insurance Corporation
Mutual Service Casualty Insurance Co.

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.
Indiana Insurance Company
Indiana Lumbermens Mutual Ins. Co.
Insurance Company of North America
Insurance Company of the State of PA
Insurance Corporation of Hanover
Insurance Corp. of NY
Integon National Insurance Company
International Business & Mercantile Reassur. C
Interstate Fire & Casualty Company
Kemper Auto & Home Ins. Company
Lancer 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
Memberselect Insurance Company
Merastar 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
Penn Millers Insurance Company
Pennsylvania Lumbermens Mutual Ins.
Pennsylvania Manufacturers Assoc. Ins. Co.
Pharmacists Mutual Insurance Company
Philadelphia Indemnity Ins. Co.
Phoenix Insurance Company
Pioneer State Mutual Insurance Company
Progressive MI Insurance Company
Progressive Specialty Insurance Company
Property & Cas. Ins. Co. of Hartford

National American Insurance Company
National 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 Mutual Fire Ins. Company
Nationwide Mutual Insurance Company
Nationwide Prop. & Casualty Ins. Co.
Netherlands Insurance Company
NipponKOA Ins. Co. Ltd. US Branch
North American Elite 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
Northland Casualty Company
Northland 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
Pacific Specialty Ins. Company
Partners Mutual Ins. Company
Peerless Insurance Company
TIG Insurance Company
TIG Insurance Company of Michigan
Titan Indemnity Company
Titan Insurance Company
Tokio Marine & Fire Ins. Co., US BR
Transcontinental Ins. Company
Transguard Ins. Co. of America Inc.
Transport Insurance Company
Transportation Insurance Company
Travelers Indemnity Company
Travelers Ind. Co. of America
Travelers Ind. Co. of CT
Travelers Ind. Co. of IL
Truck Insurance Exchange
Trumbull Insurance Company

Prudential General Ins. Company
Prudential Property & Cas. Ins. Co.
QBE Insurance Corporation
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
Selective Insurance Company of SC
Selective Ins. Co. of the Southeast
Sentry Insurance a Mutual Company
Sentry Select Insurance Company
Sirius America Insurance Company
Sompo Japan Ins. Co. of America
Southern Michigan Insurance Company
Specialty National Ins. Company
St Paul Fire & Marine Ins. Company
St Paul Guardian Insurance Company
St Paul Mercury Insurance Company
Standard Fire 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
Unitrin Direct Insurance Company
Universal Underwriters Insurance Company
USAA Cas. Insurance Company
Utica Mutual 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.
Wolverine Mutual Insurance Company

Twin City Fire Ins. Company
Ulico Casualty Company
United Financial Casualty Company
United Services Auto Assoc.
United States Fire Insurance Company

Worldwide Insurance Company
XL Insurance America
Yosemite Insurance Company
Zurich American Insurance Company
Zurich American Ins. Co. of IL