



Michigan Automobile Insurance Placement Facility

April 15, 2011

MINUTES OF THE FORTIETH ANNUAL MEETING OF THE
MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
HELD ON MARCH 28, 2011

MEMBER COMPANIES PRESENT:

Allstate Insurance Company
Amerisure Mutual Insurance Co.
Auto Club Group Insurance Co.
Auto-Owners Insurance Company
Citizens Ins. Co. of America
Hastings Mutual Insurance Company
State Farm Mutual Auto Insurance Co.

REPRESENTED BY:

R. Cardin
K. Gallinger
T. Olschefski, D. Saranen & P. Scheske
J. Tagsold
T. Morante
J. DeVries
G. Cooper

OTHERS PRESENT:

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

L. Bostic & C. Locker
C. Karega
G. Johnson
T. Miller, D. Barnette, C. Grabowski & N. Hier

The fortieth 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-ninth annual meeting was waived.

Reports by the Chairman of the Board of Governors and the General Manager of the Facility are attached.

The Chairman 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 2011/2012 term were announced as follows:

State Farm Mutual Auto Ins. Co.	18,833,144
Auto Club Insurance Association	14,301,938
Citizens Ins. Co. of America	9,043,941
Auto-Owners Insurance Company	7,793,964
Allstate Insurance Company	7,435,152
Hastings Mutual Insurance Co.	4,839,203
Amerisure Mutual Insurance Company	<u>3,474,118</u>
Total	65,721,460

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

Respectfully submitted,

Terri A. Miller

Terri A. Miller, CPCU
General Manager

MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
CHAIRMAN'S REPORT
ANNUAL MEETING – March 28, 2011

This report is to be delivered at the 2011 Annual Meeting of the Michigan Automobile Insurance Placement Facility. On behalf of Amerisure Mutual Insurance Company, I am submitting this report as Chairman of the MAIPF Board of Governors.

Based on numbers from FY 2010, Facility policies-in-force continued to decline by just over 13% from 1,702 to 1,476 year-over-year. The combined app count from calendar '09 to calendar '10 went down by over 21% from 2,593 to 2,031. The Board has continued to discuss the Facility's shrinkage and the impact of its statutory base rate formula on Facility application counts and the number of policies-in-force.

Because the Board's authority pursuant to Chapter 33 of the Insurance Code is ministerial – it does not have policy making responsibility except as necessary to discharge the statutory duties of the Facility established by the state legislature – I will merely point out that the Facility's diminished role should continue to be discussed. The effects to the marketplace and the public policy arena of a well-functioning automobile insurance market of last resort are of direct import to consumers, Facility members, legislators and regulators alike.

A likely result of the Facility's declining size was Allstate's decision to discontinue its role as a voluntary servicing carrier. Now Allstate, Farmers and TIG are serving as runoff carriers until their open claims are closed.

The legislature has now introduced a bill to reassign the Assigned Claims Facility (ACF) from the Secretary of State to the MAIPF due to the operational similarities and the desire to identify and implement operational efficiencies for the ACF. The MAIPF will continue to provide technical input as this bill progresses.

As a means of bringing additional economy to the Facility's operations, we engaged in preliminary discussions with Facility members and Michigan Basic members in an effort to identify operational synergies. Those efforts, as well as the possibility of the reassignment of the ACF, warrant additional future discussions given the similarity in operations and membership.

Other operational details for the Facility during FY '10 will be reflected in the General Manager's report.

Respectfully Submitted,

Kurt D. Gallinger, Chairman
Board of Governors

**MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
GENERAL MANAGER'S REPORT
ANNUAL MEETING – March 28, 2011**

FACILITY VOLUME AND ACTIVITY - FISCAL YEAR 2010

	<u>2010</u>	<u>2009</u>	<u>2010 v 2009 % Change</u>
Combined Direct Written Premium (FY)	7,108,887	9,227,092	-23.0%
Combined Direct Earned Premium (FY)	7,849,552	10,310,418	-23.9%
Combined Direct Incurred Losses(FY)	54,293,968	13,331,772	307.3%
Private Passenger Direct Loss Ratio(FY)	2,626.33	157.69	
Commercial Direct Loss Ratio(FY)	71.37	118.99	
Premium Charge-Offs (fiscal year)	71,317 1.00%	90,240 0.98%	
Combined App Count (calendar year)	2,031	2,593	-21.7%
Policies In Force (calendar year)	1,476	1,702	-13.3%
Combined net results of operations	(1,509,242)	(4,191,009)	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	Liability	Physical Damage	
Servicing Carrier Fee – PP	Non-claims 15.536%	15.536%	18.809%
	Claims 20.093%	18.960%	29.090%
Servicing Carrier Fee – Commercial	Non-claims 10.031%	10.131%	8.892%
	Claims 13.716%	12.349%	15.448%

**MICHIGAN AUTOMOBILE INSURANCE PLACEMENT FACILITY
GENERAL MANAGER'S REPORT
ANNUAL MEETING – March 28, 2011**

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 continued to decrease due to our statutory rating methodology, economic factors and improved availability in the voluntary market. However, there were several significant projects and issues addressed during the year.

We continued to add functionality to our Commercial Application and Rating System (CARS) so that all commercial applications may now be submitted through that system. It provides a premium indication based upon the risk characteristics that are entered by the producer, and produces a complete application ready for signatures. The Servicing Carrier Allowance process was streamlined and simplified, reducing work for the carriers and the Facility and providing a fair method of compensation based on industry expense data. We conducted extensive research and selected Chase Bank as our provider of treasury management services, which reduced fees and allowed for remote deposit capture for all servicing carriers. Systems Manager Cindy Pirie retired after 38 years of service with the Facility, and her job duties were redistributed to various staff members and vendors. The Board of Governors accepted the request from Allstate Insurance Company to discontinue its role as a voluntary servicing carrier, and effective November 1, 2010 the company ceased to accept new applications. They join Farmers Insurance and TIG as runoff carriers, servicing claims until they are closed.

Further cost reduction opportunities were researched and implemented in our employee benefits plans, and staff continues to pursue education and training on potential changes in health care and other employment law statutes.

The HEAT® Program also had a very successful year in 2010, which also marked its 25th anniversary. We awarded \$90,755 in tip rewards, and aided in the recovery of 77 vehicles and other stolen property valued at over \$1 million. Michigan Supreme Court Justice Robert Young was the keynote speaker at the Anniversary Breakfast, and the HEAT tip line continued to operate 24/7 with our partnership with AAA Michigan. HEAT continues to generate a great deal of interest and exposure in the print, radio and television media with just under 200 media “hits” during the year.

I would like to thank the Board of Governors, the committees and the OFIR 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 and Nina Hier deserve recognition for their hard work and dedication as we continue to improve Facility operations.

In conclusion, 2010 was a year with many significant accomplishments that position us well to continue to operate effectively and efficiently.

Respectfully submitted,

Terri A. Miller

Terri A. Miller, CPCU
General Manager